



Report of Independent Auditors and
Financial Statements with Supplementary Information

**Roman Catholic Diocese of Sacramento
Administrative Office**

June 30, 2022 and 2021

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Report of Independent Auditors

The Finance Committee
Roman Catholic Diocese of Sacramento

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Roman Catholic Diocese of Sacramento (the Organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Roman Catholic Diocese of Sacramento as of June 30, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Roman Catholic Diocese of Sacramento 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.

Substantial Doubt About the Entity's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note 1 to the financial statements, the Organization has been named as a defendant in litigations in various lawsuits, given the volume of claims, significant uncertainties exist surrounding the financial impact to the Organization, and the Organization has stated that substantial doubt exists about the Organization's ability to continue as a going concern. Management's evaluation of the events and conditions regarding these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Roman Catholic Diocese of Sacramento's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Roman Catholic Diocese of Sacramento's ability to continue as a going concern for a reasonable period of time.

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

Other Matter

Prior Period Financial Statements

The financial statements of Roman Catholic Diocese of Sacramento as of and for the year ended June 30, 2021 were audited by other auditors whose report thereon dated January 27, 2022, expressed an unmodified opinion.

Supplementary Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the Roman Catholic Diocese of Sacramento's basic financial statements. The schedule of financial position by fund and schedules of selected expenses without donor restrictions are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of financial position by fund and schedules of expenses without donor restrictions is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

Sacramento, California
September 22, 2023

Financial Statements

Roman Catholic Diocese of Sacramento
Administrative Office
Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 13,484,104	\$ 9,362,611
Investments	61,923,443	64,934,048
Accounts receivable, net	891,326	1,060,931
Insurance receivable, net	112,298	213,240
Interest receivable	255	9,911
Prepaid expenses	161,753	168,798
Notes receivable, net	517,923	3,148,155
Equipment, net	468,744	634,355
Real estate, net	52,615,135	53,128,601
	<u>\$ 130,174,981</u>	<u>\$ 132,660,650</u>
Total assets	<u>\$ 130,174,981</u>	<u>\$ 132,660,650</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 754,587	\$ 1,045,266
Self-insurance losses payable	3,423,266	3,915,675
Other liabilities	5,441,875	4,342,709
Paycheck protection program loan (PPP)	-	2,779,900
	<u>9,619,728</u>	<u>12,083,550</u>
Total liabilities	<u>9,619,728</u>	<u>12,083,550</u>
NET ASSETS		
Without donor restrictions	96,863,233	91,064,866
With donor restrictions	23,692,020	29,512,234
	<u>120,555,253</u>	<u>120,577,100</u>
Total net assets	<u>120,555,253</u>	<u>120,577,100</u>
Total liabilities and net assets	<u>\$ 130,174,981</u>	<u>\$ 132,660,650</u>

See accompanying notes.

**Roman Catholic Diocese of Sacramento
Administrative Office
Statements of Activities
Year Ended June 30, 2022 and 2021**

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Parish assessments and service fees	\$ 6,872,290	\$ -	\$ 6,872,290
School assessments and service fees	724,617	-	724,617
Self-insurance premiums	8,004,565	-	8,004,565
Investment income:			
Interest and dividends	88,373	287,707	376,080
Realized and unrealized gains, net	(360,903)	(3,932,551)	(4,293,454)
Interest on notes receivable	9,952	-	9,952
Rental operations, net	429,885	-	429,885
Donations and bequests	262,861	216,724	479,585
Donations from supporting organizations	3,722,500	-	3,722,500
Donations from special collections, net	-	916,146	916,146
PPP loan forgiveness	2,779,900	-	2,779,900
Other income	177,691	-	177,691
Gain on sale of real estate	1,969,841	-	1,969,841
Net assets released from restrictions	3,308,240	(3,308,240)	-
	<u>27,989,812</u>	<u>(5,820,214)</u>	<u>22,169,598</u>
Total revenues, gains, and other support			
EXPENSES			
Self-insurance program	5,399,151	-	5,399,151
Educational services	3,483,588	-	3,483,588
Administrative services	2,899,033	-	2,899,033
Ministerial services	3,006,115	-	3,006,115
Social services	1,872,110	-	1,872,110
Parochial services	1,961,094	-	1,961,094
Depreciation	1,192,190	-	1,192,190
Distributions - Endowments	102,000	-	102,000
Distributions - Special Collections	932,084	-	932,084
Loss on loan forgiveness	1,238,600	-	1,238,600
Other expenses	105,480	-	105,480
	<u>22,191,445</u>	<u>-</u>	<u>22,191,445</u>
Total expenses			
CHANGES IN NET ASSETS	5,798,367	(5,820,214)	(21,847)
NET ASSETS, beginning of year	<u>91,064,866</u>	<u>29,512,234</u>	<u>120,577,100</u>
NET ASSETS, end of year	<u>\$ 96,863,233</u>	<u>\$ 23,692,020</u>	<u>\$ 120,555,253</u>

See accompanying notes.

**Roman Catholic Diocese of Sacramento
Administrative Office
Statements of Activities (Continued)
Year Ended June 30, 2022 and 2021**

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Parish assessments and service fees	\$ 7,055,540	\$ -	\$ 7,055,540
School assessments and service fees	759,655	-	759,655
Self-insurance premiums	7,740,880	-	7,740,880
Investment income:			
Interest and dividends	119,494	260,272	379,766
Realized and unrealized losses, net	562,894	4,510,031	5,072,925
Interest on notes receivable	7,516	33,257	40,773
Rental operations, net	899,685	-	899,685
Donations and bequests	279,156	2,910,504	3,189,660
Donations from supporting organizations	1,442,480	1,272,520	2,715,000
Donations from special collections, net	-	446,959	446,959
Other income	6,069	359,860	365,929
Net assets released from restrictions	3,925,647	(3,925,647)	-
	<u>22,799,016</u>	<u>5,867,756</u>	<u>28,666,772</u>
Total revenues, gains, and other support			
EXPENSES			
Self-insurance program	6,967,266	-	6,967,266
Educational services	2,976,900	-	2,976,900
Administrative services	2,553,958	-	2,553,958
Ministerial services	2,371,703	-	2,371,703
Social services	2,258,454	-	2,258,454
Parochial services	1,998,767	-	1,998,767
Depreciation	1,220,738	-	1,220,738
Distributions - Endowments	642,449	-	642,449
Distributions - Special Collections	454,865	-	454,865
Distributions - Annual Catholic Appeal operations	453,587	-	453,587
Other expenses	214,458	-	214,458
	<u>22,113,145</u>	<u>-</u>	<u>22,113,145</u>
Total expenses			
CHANGES IN NET ASSETS	685,871	5,867,756	6,553,627
NET ASSETS, beginning of year	<u>90,378,995</u>	<u>23,644,478</u>	<u>114,023,473</u>
NET ASSETS, end of year	<u>\$ 91,064,866</u>	<u>\$ 29,512,234</u>	<u>\$ 120,577,100</u>

See accompanying notes.

**Roman Catholic Diocese of Sacramento
Administrative Office
Statements of Cash Flows
Year Ended June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (21,847)	\$ 6,553,627
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Net realized and unrealized losses (gains) on investments	4,293,454	(5,072,925)
Gain on sale of real estate	(1,969,841)	-
Depreciation	1,192,190	1,220,738
PPP Loan forgiveness	(2,779,900)	-
Loss on loan forgiveness	1,238,600	-
Decrease in:		
Accounts receivable	169,605	269,067
Insurance receivable	100,942	22,114
Interest receivable	9,656	36,439
Prepaid expenses	7,045	227,792
Notes receivable	60,784	-
(Decrease) increase in:		
Accounts payable	(290,679)	(608,801)
Self-insurance losses payable	(492,409)	(216,836)
Other liabilities	1,766,068	(1,871,861)
Net cash provided by operating activities	<u>3,283,668</u>	<u>559,354</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of investments	38,006,744	53,899,745
Purchase of investments	(39,289,593)	(58,590,279)
Real estate improvements	(103,992)	(497,792)
Proceeds from real estate sales	2,254,511	-
Purchase of equipment	(29,845)	-
Net cash used in investing activities	<u>837,825</u>	<u>(5,188,326)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from PPP loan	-	762,931
Net cash used in financing activities	<u>-</u>	<u>762,931</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,121,493	(3,866,041)
CASH AND CASH EQUIVALENTS, beginning of year	<u>9,362,611</u>	<u>13,228,652</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 13,484,104</u>	<u>\$ 9,362,611</u>
Supplemental disclosure of cash flow information		
land acquired deed-in-lieu	<u>\$ 663,946</u>	<u>\$ -</u>

See accompanying notes.

Roman Catholic Diocese of Sacramento
Administrative Office
Notes to Financial Statements

Note 1 – Reporting Entity

The Administrative Office of the Roman Catholic Diocese of Sacramento (the Organization) provides parochial, social, educational, ministerial, and administrative services. These services are provided throughout the twenty counties which comprise the Roman Catholic Diocese of Sacramento.

Included in these financial statements are all accounts maintained by and directly under the administration of the Organization. The accounts of parishes, schools, and other affiliated organizations are not included in these financial statements except to the extent that financial transactions between the Organization and these entities have occurred.

Litigation – The Organization is involved in various lawsuits relating to general liability matters, which include claims of alleged sexual misconduct. The Organization has established protocols, consistent with the norms of the U.S. Conference of Catholic Bishops, which provide safeguards and policies to mitigate future claims of sexual misconduct.

A change in California law, effective January 1, 2020, provides a three-year period for individuals to file claims for alleged sexual misconduct which heretofore have been barred by applicable statutes of limitations.

There have been numerous claims filed relating to alleged sexual misconduct by certain individuals of the Organization. Significant uncertainties exist surrounding the financial impact to the Organization related to such claims. The claims are expected to trigger insurance coverage for periods as early as the 1960s. If claims are not resolved within policy limits, the potential losses to the Organization could be material. As a result, substantial doubt exist about the Organization ability to continue as a going concern.

During the years ended June, 2022 and 2021, the Organization had expenses of approximately \$465,023 and \$353,399 for legal fees, settlement and other costs related to these claims, respectively. The Organization expects it will incur substantial future charges related to its defense of these matters but cannot reasonably estimate the potential costs.

In light of the continuing uncertainties regarding these claims and given that a reasonable estimate of the potential cost of these claims cannot be made, no accrual has been made in the financial statements as of and for the years ended June 30, 2022 and 2021.

Note 2 – Summary of Significant Accounting Policies

The following items set forth the significant accounting policies that are followed in preparing and presenting the financial statements.

Basis of presentation – The accompanying financial statements have been prepared substantially in accordance with the standards adopted by the United States Conference of Catholic Bishops in concert with standards provided by the Financial Accounting Standards Board (FASB).

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Roman Catholic Diocese of Sacramento
Administrative Office
Notes to Financial Statements

Paycheck Protection Program loan – The Organization accounts for the debt incurred pursuant to the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) in accordance with Accounting Standards Codification (ASC) Topic 470, *Debt*. Accordingly, the Organization accounted for full forgiveness of the debt as a debt extinguishment and included the amount forgiven in its statement of activities in 2022. The Organization had two catholic schools file PPP loans under the Organization’s EIN number. The amount total was \$1,238,600 as included in the statement of activities.

Use of estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. These assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents – Cash and cash equivalents consist of securities with original terms of maturity of less than three months and are recorded at cost which approximates market value.

Investments – Investments represent a portfolio of marketable securities, including pooled investment funds. The investments are reported at fair value based on quoted market prices, which are based on the value of the underlying securities. Realized and unrealized gains or losses on such investments, as well as any dividends and interest, are reported in the statements of activities, net of investment expenses.

Receivables - Receivables consist of various trade, miscellaneous receivables, and annual parish assessments. Receivables are reported at face value, which approximates fair value, and are not subject to interest. Payments received are generally applied to the balances identified by the accompanying remittance advices first, unless prior agreement has been reached with the institution. As of June 30, 2022 and 2021, the allowance for doubtful accounts was \$559,149 and \$510,040, respectively.

Insurance receivables consist of amounts billed to the parishes and other affiliated organizations for health, general liability, and workers’ compensation insurance. As of June 30, 2022 and 2021, the allowance for doubtful accounts was \$284,561 and \$377,032, respectively.

Notes receivable consist of credit extended to parishes, schools, and other affiliated organizations. Credit is extended based upon evaluation of the borrowing entity’s financial condition and other factors. Collateral is not generally required. Balances are reported at face value, which approximates fair value. Notes typically have no stated maturity dates and may be due either on demand or in accordance with scheduled payments. Notes are generally not considered past due or delinquent, as the Bishop has various means available to collect on any loan extended and reserves the right to convert any note, including interest accrued, to a contribution. Interest accrues on notes receivable in accordance with the interest rates applicable to the loans. As of June 30, 2022 and 2021, the allowance for doubtful accounts was \$0, respectively.

Roman Catholic Diocese of Sacramento
Administrative Office
Notes to Financial Statements

Allowance for doubtful accounts – The Organization provides an allowance for both notes receivable and other receivables management believes may not be collected in full. An evaluation of the collectability of the amounts outstanding is conducted based on a combination of factors. When a specific organization is unable to meet its financial obligations (due to, for example, financial difficulties or fluctuation in offertory), a specific reserve is recorded. For all other organizations, the Organization recognizes reserves for bad debts based on historical collection experience. Accounts are charged against the allowance for doubtful accounts when management believes that collectability is unlikely.

Fair values of financial instruments – The Organization’s financial instruments, none of which are held for trading purposes, include investments, and notes receivable. The Organization estimates that the fair value of all financial instruments at June 30, 2022 and 2021, does not differ materially from the aggregate carrying values of those instruments as reported in the accompanying statement of financial position. The estimated fair value amounts have been determined by the Organization using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

Real estate and equipment – Real estate and equipment are stated at cost or at fair value at the date of donation. Acquisitions of real estate and equipment in excess of \$15,000 and all expenditures for repairs, maintenance, and betterments that materially prolong the useful lives of the assets are capitalized. The Organization’s policy is to provide for depreciation using the straight-line method over the estimated useful lives of the assets, which range from 3 to 50 years. As of June 30, 2022 and 2021, real estate is net of accumulated depreciation of \$20,836,893 and \$19,644,987, respectively. Equipment is net of accumulated depreciation of \$845,248 and \$1,220,738 as of June 30, 2022 and 2021, respectively. Depreciation expense was \$1,192,190 and \$1,220,738 for the years ended June 30, 2022 and 2021, respectively.

Net assets – Net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net assets with donor restrictions – Net assets whose use is limited by donor- imposed time and/or purpose restrictions.

Revenue recognition – Parish assessment and service fees and school assessment and service fees are charged to parishes and Roman Catholic organizations in the Diocese of Sacramento for the various administrative, financial, and programmatic support services provided to them by the Organization’s staff. Service fees are recognized as revenue when services are performed.

Self-insurance premiums are received from other affiliated organizations for which the Organization acts as an agent providing health, property and earthquake, general liability, workers’ compensation, and unemployment insurance. Revenue is recognized in the period in which the insurance coverage is provided and is in effect.

Roman Catholic Diocese of Sacramento
Administrative Office
Notes to Financial Statements

Rental operations are made up of various building and sites leases to tenants. The Organization recognizes income on a straight-line basis over the life of the leases net of the Organization's portion of occupancy related expenses.

Donations and bequests, donations from supporting organizations and donations from special collections are comprised of revenue from the diocesan appeal, gifts, grants, and bequests. Contributions are considered to be without donor restrictions unless they are specifically restricted by the donor. Contributions designated for future periods or restricted by the donor for specific purposes or in perpetuity are reported as contributions with donor restrictions. The Organization recognizes all unconditional contributions and promises to give in the period notified. Unconditional promises to give expected to be collected in future years are recorded at the discounted present value of their estimated future cash flows using a discount rate that is commensurate with the risks involved. Conditional promises to give or intentions to give, as defined by Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, are not recorded in the financial statements until the conditions are met. There are no conditional promises to give as of June 30, 2022 and 2021.

Income taxes – Under Internal Revenue Code Section 501(c)(3), the Roman Catholic Diocese of Sacramento, Administrative Office, has been determined to be exempt from federal and California state income taxes.

Significant concentrations of credit risk – The Organization has defined its financial instruments which are potentially subject to credit risk. The financial instruments consist principally of cash and cash equivalents, and investments with high credit quality financial institutions. These instruments are subject to other market conditions such as interest risk, equity market risks, and their implied volatilities.

Periodically, throughout the year, the Organization has maintained balances in various financial institutions including investment brokerage houses in excess of Federal Deposit Insurance Company (FDIC) insurance thresholds and Securities Investor Protection Corporation (SIPC) insurance limits. The Organization has not experienced any losses in such accounts in the past. At June 30, 2022 and 2021, the Organization's uninsured balances totaled \$11,531,665 and \$8,212,376, respectively.

On March 10, 2023, Silicon Valley Bank was closed by the California Department of Financial Protection and Innovation, which appointed the FDIC as receiver. If any of the financial institutions with whom the Organization does business were to be placed into receivership, the Organization may be unable to access to the cash on deposit with such institutions. If the Organization is unable to access the cash and cash equivalents as needed, the financial position and ability to operate the business could be adversely affected.

Recent accounting pronouncements – In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires lessees to recognize a liability associated with obligations to make payments under the terms of the arrangement in addition to a right-of-use asset representing the lessee's right to use, or control the use of, the given asset assumed under the lease. In June 2020, the FASB issued, *Leases (Topic 842): Effective Dates for Certain Entities*, which defers the effective date for nonpublic business entities beginning after December 15, 2021. Early adoption is permitted. The ASU is effective beginning July 1, 2022, for the Organization.

Roman Catholic Diocese of Sacramento
Administrative Office
Notes to Financial Statements

Reclassifications – Certain reclassifications have been made to prior period financial statements to conform to the current period presentation. These reclassifications had no impact on net assets for the year ended June 30, 2022.

Subsequent events – Subsequent events are events or transactions that occur after the statements of financial position date but before the financial statements are available to be issued. The Organization recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statements of financial position, including the estimates inherent in the process of preparing the financial statements. The Organization’s financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statements of financial position, but arose after the statements of financial position date and before the financial statements are available to be issued.

The Organization has evaluated subsequent events through September 22, 2023, which is the date the financial statements are available to be issued.

Note 3 – Investments

Investments are recorded at fair value. The Organization’s policy is to invest in nonspeculative issues providing safety of capital, current income, and sustained growth. Investments consist principally of stocks, corporate bonds, and U.S. Treasury obligations.

A summary of investments as of June 30, is as follows:

	<u>2022</u>	<u>2021</u>
Government fixed income securities	\$ 28,473,653	\$ 26,347,042
CRI Short Bond Fund	8,244,575	8,849,451
CRI Money Market Fund	4,026,330	4,029,756
CRI International Equity Fund	3,957,529	5,580,613
CRI Opportunistic Bond	3,952,335	4,279,816
CRI Intermediate Diversified Bond Fund	3,707,509	4,212,226
CRI Multi-Style Equity Fund	3,424,944	4,499,876
CRI Core Equity Index Fund	2,429,330	2,946,650
Domestic Equities	1,558,608	1,587,640
CRI Small Capitalization Equity Index Fund	1,110,992	1,425,886
CRI International Small Capitalization Equity	569,336	720,058
Nongovernment fixed income securities	264,916	273,203
Mutual Funds - Domestic Equities	<u>203,386</u>	<u>181,831</u>
Total	<u>\$ 61,923,443</u>	<u>\$ 64,934,048</u>

**Roman Catholic Diocese of Sacramento
Administrative Office
Notes to Financial Statements**

Note 4 – Notes Receivable, Net

Notes receivable, net includes one note secured by a deed of trust, and various unsecured notes, as follows:

	<u>2022</u>	<u>2021</u>
Various unsecured notes receivable, with monthly payments that range from \$300 to \$4,240 and yearly payments that range from \$0 to \$18,432 at various interest rates that range from 2.44% to 6.25%, and various maturity dates that range from 3 to 20 years, net of allowances for doubtful accounts.	\$ 517,923	\$ 1,798,155
Promissory note, secured by deed of trust payments based on milestones including a fixed rate of 2.0% due October 12, 2021.	-	1,350,000
Subtotal	517,923	3,148,155
Less: current portion	<u>55,969</u>	<u>2,242,257</u>
Notes Receivable, net of current portion	<u>\$ 461,954</u>	<u>\$ 905,898</u>

Note 5 – Real Estate, Net

Real estate, net consists of the following:

	<u>2022</u>	<u>2021</u>
Real estate	\$ 65,740,219	\$ 62,827,986
Land	6,397,817	8,661,455
Equipment	1,191,696	1,161,851
Vehicles	<u>122,296</u>	<u>122,296</u>
Total	73,452,028	72,773,588
Less: accumulated depreciation	<u>20,836,893</u>	<u>19,644,987</u>
Real estate, net	<u>\$ 52,615,135</u>	<u>\$ 53,128,601</u>

Note 6 – Property, Liability, Workers Compensation, and Unemployment

The Organization self-insures, with certain stop-loss insurance coverage for property, liability, workers compensation, and unemployment insurance programs for the administrative offices and participating parishes, schools, and other affiliated organizations within the Diocese of Sacramento.

Roman Catholic Diocese of Sacramento
Administrative Office
Notes to Financial Statements

The self-insured workers' compensation benefits provided to its employees includes various exposure limitations. The Organization retains a portion of its exposure to workers' compensation claims. Prior to 1990, the Organization's retention was \$75,000 to \$150,000 per accident depending on the year. In 1990, the Organization increased their retention to \$175,000 per accident. For the period July 1, 2002 through June 30, 2003, the Organization's retention was \$250,000 per accident. Effective July 1, 2003, the Organization increased its retention further to \$500,000 per accident. Effective July 1, 2020, the Organization decreased its retention to \$250,000 per accident.

The self-insured liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported.

Since self-insured claims depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. These liabilities are evaluated on a case-by-case basis and are re-evaluated periodically to take into consideration historical experience of the more recently resolved claims, the frequency of claims, and other economic and social factors.

Note 7 – Employee Health Benefits

The Organization discontinued this Self-insured Employee Health Benefits program effective December 31, 2017. The final claims run out is complete and is included in these financial statements. The Organization joined the Religious Employers Trust Association to provide for employee health benefits effective January 1, 2018.

Note 8 – Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2022 and 2021, may be expended for:

	<u>2022</u>	<u>2021</u>
Donor restricted endowment	\$ 12,616,001	\$ 15,094,246
Program services:		
Seminarian	6,872,135	8,489,615
Education	2,951,165	3,287,595
Ministerial	635,861	1,383,307
Social service	611,241	842,019
Special collections	<u>5,617</u>	<u>415,452</u>
	<u>\$ 23,692,020</u>	<u>\$ 29,512,234</u>

All net assets with donor restrictions for program services are expected to be released from restriction by June 30, 2033.

Roman Catholic Diocese of Sacramento
Administrative Office
Notes to Financial Statements

Note 9 – Endowment Fund

The Endowment Fund includes donor-restricted monies received by the Organization under the condition that the funds be held and invested in perpetuity. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions. Earnings are released when spent in accordance with the donor's purpose.

Interpretation of relevant law – The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 in California (CPMIFA) for donor restricted endowment funds as requiring the preservation of the fair value of the original gift as of the gift date unless there are explicit donor stipulations to the contrary. As a result of this interpretation, the corpus of funds subjected to CPMIFA is classified as with donor restriction. The corpus represents the fair value of the original gifts as of the gift date, and all subsequent gifts where the donor has indicated the gift be retained in perpetuity. The value of assets in excess of original gifts in donor restricted endowment funds are classified as net assets with donor restrictions until appropriated for expenditure by the Organization.

In accordance with CPMIFA, the Diocese considers the following factors in making a determination to appropriate or accumulate earnings on donor restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Diocese 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 Diocese
7. The investment policies of the Diocese

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Notes to Financial Statements

The Organization's policy is to invest in nonspeculative issues providing safety of capital, current income, and sustained growth, while complying with the United States Conference of Catholic Bishops' policies regarding socially responsible investing.

Endowment net assets, June 30, 2020	\$ 12,404,886
Investment income	2,882,625
Contributions	449,184
Distributions	<u>(642,449)</u>
Endowment net assets, June 30, 2021	15,094,246
Investment loss	(2,098,969)
Contributions	76,417
Distributions	<u>(455,693)</u>
Endowment net assets, June 30, 2022	<u><u>\$ 12,616,001</u></u>

The endowments are for the following restricted purposes:

	2022	2021
Schools and scholarships	\$ 10,660,535	\$ 13,344,862
Seminarians and vocations	1,955,466	1,720,300
Other	<u>-</u>	<u>29,084</u>
	<u><u>\$ 12,616,001</u></u>	<u><u>\$ 15,094,246</u></u>

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or CPMIFA requires the Organization to retain as a fund of perpetual duration. At June 30, 2022, the Organization had four endowment funds with deficiencies of this nature totaling \$70,966. These deficiencies are reflected in net assets with donor restriction. The Original Endowment gift amount was \$86,212 and the fair value of the underwater endowment fund was \$15,846.

Return objectives and risk parameters – The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the Organization's operations that is partly supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, the endowment assets are invested in a manner that is intended to produce results that exceed the amount appropriated for operations by the rate of inflation while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

Roman Catholic Diocese of Sacramento
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Spending policy and how the investment objectives relate to spending policy – The Organization has a policy of appropriating for distribution each year an amount equal to 5% of corpus. Over the long term, this is expected to provide support for the intended purpose while keeping the increase/(decrease) year-over-year minimal to help provide the predictable level of funding needed. The effect of this draw is to gradually increase the amount of annual support when the endowment is growing and postpone the award if the endowment value falls. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at least at the rate of inflation. This is consistent with the Organization’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Note 10 – Defined Benefit Pension Plan for Lay Employees

The Organization sponsored a qualified, diocesan-wide, noncontributory, multi-employer, defined benefit pension plan (a cash balance plan) covering substantially all lay employees of participating employers in the Organization. The plan was frozen effective December 31, 2018. The contribution percentage paid by participating employers, including the Organization, was approximately 2.5% of gross wages during the years ended June 30, 2022 and 2021. The contributions made by the Organization during the years ended June 30, 2022 and 2021 was \$118,570 and \$90,390, respectively. Participating employers contribute 8.5% of gross payroll to cover the prescribed frozen defined benefit plan and 403(b) plan noted in Note 11 below. The total contributions made by the Organization during the years ended June 30, 2022 and 2021, was \$403,139 and \$307,325 respectively. The portion of the plan’s funded status as it relates directly to the Administrative Office has not been determined. The Organization believes that any over or under funding of the plan as it relates to the Organization’s share is not material to these financial statements.

Note 11 – Employer Sponsored 403(b) Plan

Effective January 1, 2019, the Organization adopted a new employer sponsored 403(b) plan. The plan is a diocesan wide, multi-employer plan, and covers substantially all full-time employees in the Organization. Effective January 1, 2019, all eligible employees receive into their 403(b) accounts an employer contribution equal to 6% of their gross pay. The contributions made by the Organization during the years ended June 30, 2022 and 2021, was \$284,569 and \$216,935 respectively. Participating employers contribute 8.5% of gross payroll to cover the prescribed 403(b) contributions and provide additional funding to the frozen defined benefit plan noted in Note 10 above. The total contributions made by the Organization during the years ended June 30, 2022 and 2021, was \$403,139 and \$307,325 respectively.

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Note 12 – Defined Benefit Pension Plan for Priests

The Organization sponsors a qualified, diocesan-wide, noncontributory, multi-employer, defined benefit pension plan covering all priests who are ordained or incardinated in the Diocese and hold an assignment in the Diocese. The plan benefit is based upon a priest's years of service in the Diocese. The plan is funded via contributions made by all participating employers on an annual premium per priest basis. The premium paid per priest for the years ended June 30, 2022 and 2021, by participating employers, including the Organization, was \$11,599 and \$11,372 per priest, respectively. The total contributions made by the Organization during the years ended June 30, 2022 and 2021, was \$69,594 and \$47,383, respectively.

The qualified plan described above provides a basic benefit for all eligible priests. A nonqualified supplemental plan provides additional miscellaneous benefits.

Note 13 – Related-Party Transactions

The Organization, pursuant to formal contracts, provides day to day management, financial and administrative services to its supporting organizations, including The Parochial Fund, Inc., and The Catholic Foundation of the Diocese of Sacramento, Inc. For these services, the supporting organizations each pay the Organization a monthly reimbursement for services provided. The accounts receivable from the Catholic Foundation and Parochial Fund totaled \$178,148 and \$166,338 for the years ended June 30, 2022 and 2021, respectively. During the years ended June 30, 2022 and 2021, the Organization received reimbursement of \$705,884 and \$833,056 for these services, respectively.

Note 14 – Fair Value Measurements

Accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy are described as follows:

- Level 1** Inputs to the valuation methodology are unadjusted quoted market prices for identical assets or liabilities in active markets.
- Level 2** Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

**Roman Catholic Diocese of Sacramento
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Notes to Financial Statements**

The following tables present the investments carried at fair value on the accompanying statements of financial position as of June 30, by valuation hierarchy:

	2022			
	Level 1	Level 2	Level 3	Total
Investment Funds:				
Government fixed income securities	\$ -	\$ 28,473,653	\$ -	\$ 28,473,653
Catholic responsible investment (CRI) Short Bond Fund	-	8,244,575	-	8,244,575
CRI Money Market Fund	4,026,330	-	-	4,026,330
CRI International Equity Fund	3,957,529	-	-	3,957,529
CRI Opportunistic Bond	-	3,952,335	-	3,952,335
CRI Intermediate Diversified Bond Fund	-	3,707,509	-	3,707,509
CRI Multi-Style Equity Fund	3,424,944	-	-	3,424,944
CRI Core Equity Index Fund	2,429,330	-	-	2,429,330
Domestic Equities	1,558,608	-	-	1,558,608
CRI Small Capitalization Equity Index Fund	1,110,992	-	-	1,110,992
CRI International Small Capitalization Equity	569,336	-	-	569,336
Nongovernment fixed income securities	-	264,916	-	264,916
Mutual Funds - Domestic Equities	203,386	-	-	203,386
Total investments	<u>\$ 17,280,455</u>	<u>\$ 44,642,988</u>	<u>\$ -</u>	<u>\$ 61,923,443</u>

	2021			
	Level 1	Level 2	Level 3	Total
Investment Funds:				
Government fixed income securities	\$ -	\$ 26,347,042	\$ -	\$ 26,347,042
CRI Short Bond Fund	-	8,849,451	-	8,849,451
CRI International Equity Fund	5,580,613	-	-	5,580,613
CRI Multi-Style Equity Fund	4,499,876	-	-	4,499,876
CRI Opportunistic Bond	-	4,279,816	-	4,279,816
CRI Intermediate Diversified Bond Fund	-	4,212,226	-	4,212,226
CRI Money Market Fund	4,029,756	-	-	4,029,756
CRI Core Equity Index Fund	2,946,650	-	-	2,946,650
Domestic Equities	1,587,640	-	-	1,587,640
CRI Small Capitalization Equity Index Fund	1,425,886	-	-	1,425,886
CRI International Small Capitalization Equity	720,058	-	-	720,058
Nongovernment fixed income securities	-	273,203	-	273,203
Mutual Funds - Domestic Equities	181,831	-	-	181,831
Total investments	<u>\$ 20,972,310</u>	<u>\$ 43,961,738</u>	<u>\$ -</u>	<u>\$ 64,934,048</u>

Roman Catholic Diocese of Sacramento
Administrative Office
Notes to Financial Statements

Note 15 – Functional Expense Classification

The financial statements report certain categories of expenses that are attributable to programs and general and administrative services. The schedule below details the expenses by category.

	2022		
	Program Services	General and Administrative	Total
Personnel	\$ 1,147,852	\$ 4,478,578	\$ 5,626,430
Self-insurance program	1,214	5,349,418	5,350,632
Ministerial services	68,205	3,030,342	3,098,547
Social Service	-	1,632,699	1,632,699
Loss on loan forgiveness	-	1,238,600	1,238,600
Depreciation on improved real estate	1,174,152	18,038	1,192,190
Occupancy	633,535	277,430	910,965
Distributions - Special Collections	-	898,269	898,269
Audit, legal, other professional	433,478	320,237	753,715
Donations	-	412,213	412,213
Dues and memberships	233,572	72,096	305,668
Property expense	145,428	72,067	217,495
Building maintenance	38,142	144,652	182,794
Auto expense	14,371	122,676	137,047
Travel, training, functions	46,467	48,507	94,974
Other expense	79,834	-	79,834
Advertising	20,207	39,166	59,373
Total Expenses	\$ 4,036,457	\$ 18,154,988	\$ 22,191,445

Roman Catholic Diocese of Sacramento
Administrative Office
Notes to Financial Statements

	2021		
	Program Services	General and Administrative	Total
Self-insurance program	\$ 6,986,134	\$ 1,271	\$ 6,987,405
Personnel	4,678,114	1,059,416	5,737,530
Ministerial services	1,978,459	123,723	2,102,182
Social Service	1,891,289	-	1,891,289
Depreciation on improved real estate	18,038	1,202,700	1,220,738
Occupancy	345,601	591,492	937,093
Distributions - Special Collections	829,686	-	829,686
Donations	662,649	-	662,649
Audit, legal, other professional	208,146	205,659	413,805
Other expense	97,357	214,194	311,551
Dues and memberships	53,896	230,310	284,206
Advertising	203,173	19,450	222,623
Property expense	71,507	98,998	170,505
Building maintenance	110,982	58,222	169,204
Auto expense	106,058	15,143	121,201
Travel, training, functions	23,912	27,566	51,478
	\$ 18,265,001	\$ 3,848,144	\$ 22,113,145

Note 16 – Liquidity and Availability of Resources

Financial assets available for general expenditures, that is without donor or other restrictions limiting their use, within one year of the statement of financial position at June 30, are comprised of the following:

	2022	2021
Financial assets		
Cash and cash equivalents	\$ 13,484,104	\$ 9,362,611
Accounts receivable, net	891,326	1,060,931
Insurance receivable, net	112,298	213,240
Interest receivable	255	9,911
Investments	61,923,443	64,934,048
Total financial assets	76,411,426	75,580,741
Less financial assets unavailable for general expenditure within one year		
With donor restrictions	(23,692,020)	(29,512,234)
Financial assets available to meet cash needs for general expenditures within one year	\$ 52,719,406	\$ 46,068,507

Roman Catholic Diocese of Sacramento
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Notes to Financial Statements

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities. Additionally, the Organization operates under a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor restricted resources.

Supplementary Information

**Roman Catholic Diocese of Sacramento
Administrative Office
Schedule of Financial Position by Fund
June 30, 2022**

	General Fund	New Parish Fund	Insurance Fund	Employee Health Benefits Fund	Special Collections Fund	Seminarian Fund	Donor Restricted Fund	Endowments	Total
ASSETS									
Cash and cash equivalents	\$ 4,928,001	\$ -	\$ 6,032,904	\$ 753,737	\$ 1,381,856	\$ 261,260	\$ 31,864	\$ 94,482	\$ 13,484,104
Investments	24,486,667	5,392,924	8,611,201	-	104,569	6,660,925	4,133,341	12,533,816	61,923,443
Accounts receivable, net	797,863	-	-	32,751	-	-	33,841	26,871	891,326
Insurance receivable, net	-	-	112,298	-	-	-	-	-	112,298
Interest receivable	255	-	-	-	-	-	-	-	255
Prepaid expenses	161,753	-	-	-	-	-	-	-	161,753
Notes receivable, net	125,030	392,893	-	-	-	-	-	-	517,923
Equipment, net	468,744	-	-	-	-	-	-	-	468,744
Real estate, net	48,209,213	4,199,015	-	-	-	206,907	-	-	52,615,135
Total assets	\$ 79,177,526	\$ 9,984,832	\$ 14,756,403	\$ 786,488	\$ 1,486,425	\$ 7,129,092	\$ 4,199,046	\$ 12,655,169	\$ 130,174,981
LIABILITIES AND NET ASSETS									
LIABILITIES									
Accounts payable	\$ 500,777	\$ -	\$ 176,383	\$ 27,104	\$ -	\$ -	\$ -	\$ 50,322	\$ 754,586
Self-insurance losses payable	-	-	3,423,266	-	-	-	-	-	3,423,266
Other liabilities	3,804,691	-	-	591,110	1,056,450	-	779	(11,154)	5,441,876
Due to/from	(490,615)	4,072	181,506	(376,278)	424,358	256,957	-	-	-
Total liabilities	3,814,853	4,072	3,781,155	241,936	1,480,808	256,957	779	39,168	9,619,728
NET ASSETS									
Without donor restrictions	75,362,673	9,980,760	10,975,248	544,552	-	-	-	-	96,863,233
With donor restrictions	-	-	-	-	5,617	6,872,135	4,198,267	12,616,001	23,692,020
Total net assets	75,362,673	9,980,760	10,975,248	544,552	5,617	6,872,135	4,198,267	12,616,001	120,555,253
Total liabilities and net assets	\$ 79,177,526	\$ 9,984,832	\$ 14,756,403	\$ 786,488	\$ 1,486,425	\$ 7,129,092	\$ 4,199,046	\$ 12,655,169	\$ 130,174,981

**Roman Catholic Diocese of Sacramento
Administrative Office
Schedule of Selected Expenses Without Donor Restrictions
June 30, 2022**

Schedule 1 – Parochial services

Newman Catholic Centers	\$ 650,075
Office of Family and Faith Formation	493,125
Office of Youth and Young Adult Ministry	366,174
Internal audit	198,992
Construction management	105,738
Donations to parishes	83,087
Cathedral maintenance and support	50,000
Other	8,014
Office of Worship	<u>5,889</u>
Total parochial services	<u><u>\$ 1,961,094</u></u>

Schedule 2 – Social services

Charitable donations	\$ 1,632,699
Social services department	<u>239,411</u>
Total social services	<u><u>\$ 1,872,110</u></u>

Schedule 3 – Educational services

Scholarships and financial assistance	\$ 1,653,798
Catholic schools department	953,500
Camp Pendola/Trinity Pines Catholic Center	264,727
Donations - education	217,125
Catholic Herald Magazine	196,497
Communications	192,793
Archives	<u>5,148</u>
Total educational services	<u><u>\$ 3,483,588</u></u>

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Schedule of Selected Expenses Without Donor Restrictions (Continued)
June 30, 2022

Schedule 4 – Ministerial services

Retired priests	\$ 1,118,830
Seminarian program	561,052
Tribunal	298,254
Permanent diaconate	246,400
Priests personnel	196,748
Vocations	163,784
Infirm priests	137,246
Other	112,021
Unassigned priests	63,028
Student priests	58,977
Liturgies	24,497
Continuing education of priests	16,733
Vicar for Religious	6,302
Presbyteral council	<u>2,243</u>
Total ministerial services	<u><u>\$ 3,006,115</u></u>

Schedule 5 – Administrative services

Pastoral Center Building and Operations	\$ 899,783
Bishops office	589,318
Financial administration and accounting	408,927
Property expense	273,730
Legal	243,622
State and national fees	228,154
Lay Personnel	210,734
Annual audit	29,500
Department directors/staff development	<u>15,265</u>
Total administrative services	<u><u>\$ 2,899,033</u></u>

