



Report of Independent Auditors and
Financial Statements with Supplementary Information

**Roman Catholic Diocese of Sacramento
Administrative Office**

June 30, 2024 and 2023

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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, 2024, 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, 2024, 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 the Organization 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 the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Supplementary Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the Organization'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 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Moss Adams LLP

Sacramento, CA
October 18, 2024

Financial Statements

**Roman Catholic Diocese of Sacramento
Administrative Office
Statements of Financial Position
June 30, 2024 and 2023**

	2024	2023
ASSETS		
Cash and cash equivalents	\$ 9,472,419	\$ 7,699,396
Investments	71,221,139	70,540,639
Accounts receivable, net	538,777	528,775
Insurance receivable, net	199,961	186,157
Interest receivable	-	255
Prepaid expenses and other assets	717,618	450,608
Notes receivable, net	460,909	496,777
Equipment, net	218,461	321,881
Real estate, net	51,126,475	52,029,357
	\$ 133,955,759	\$ 132,253,845
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 1,755,936	\$ 687,342
Self-insurance losses payable	3,790,651	3,733,828
Other liabilities	2,286,392	3,728,159
	7,832,979	8,149,329
NET ASSETS		
Without donor restrictions	108,815,647	107,795,147
With donor restrictions	17,307,133	16,309,369
	126,122,780	124,104,516
	\$ 133,955,759	\$ 132,253,845

See accompanying notes.

**Roman Catholic Diocese of Sacramento
Administrative Office
Statements of Activities
Year Ended June 30, 2024**

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Parish assessments	\$ 8,202,373	\$ -	\$ 8,202,373
School assessments	877,872	-	877,872
Self-insurance premiums	9,502,082	-	9,502,082
Investment income:			
Interest and dividends	417,599	446,025	863,624
Realized and unrealized gains, net	2,299,078	1,071,811	3,370,889
Interest on notes receivable	3,593	-	3,593
Rental operations, net	205,965	-	205,965
Donations and bequests	64,590	14,734	79,324
Donations from supporting organizations	3,941,912	-	3,941,912
Donations from special collections, net	-	1,867,872	1,867,872
Other income	261,923	-	261,923
Net assets released from restrictions	2,402,678	(2,402,678)	-
	<u>28,179,665</u>	<u>997,764</u>	<u>29,177,429</u>
Total revenues, gains, and other support			
EXPENSES			
Self-insurance program	7,328,765	-	7,328,765
Educational services	3,539,163	-	3,539,163
Administrative services	3,217,496	-	3,217,496
Ministerial services	3,155,980	-	3,155,980
Parochial services	2,111,875	-	2,111,875
Social services	2,080,549	-	2,080,549
Distributions - Special Collections	1,825,571	-	1,825,571
Chapter 11 related expenses	1,816,166	-	1,816,166
Depreciation	1,386,862	-	1,386,862
Other expenses	595,738	-	595,738
Distributions - Endowments	101,000	-	101,000
	<u>27,159,165</u>	<u>-</u>	<u>27,159,165</u>
Total expenses			
CHANGES IN NET ASSETS	1,020,500	997,764	2,018,264
NET ASSETS, beginning of year	<u>107,795,147</u>	<u>16,309,369</u>	<u>124,104,516</u>
NET ASSETS, end of year	<u>\$ 108,815,647</u>	<u>\$ 17,307,133</u>	<u>\$ 126,122,780</u>

See accompanying notes.

**Roman Catholic Diocese of Sacramento
Administrative Office
Statements of Activities (Continued)
Year Ended June 30, 2023**

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Parish assessments	\$ 8,077,957	\$ -	\$ 8,077,957
School assessments	803,784	-	803,784
Self-insurance premiums	8,320,252	-	8,320,252
Investment income:			
Interest and dividends	961,147	433,305	1,394,452
Realized and unrealized gains, net	1,464,574	990,080	2,454,654
Interest on notes receivable	5,022	-	5,022
Rental operations, net	246,612	-	246,612
Donations and bequests	36,443	217,936	254,379
Donations from supporting organizations	3,713,208	-	3,713,208
Donations from special collections, net	-	2,644,908	2,644,908
Other income	709,846	-	709,846
Net assets released from restrictions	3,474,965	(3,474,965)	-
	<u>27,813,810</u>	<u>811,264</u>	<u>28,625,074</u>
EXPENSES			
Self-insurance program	7,140,161	-	7,140,161
Educational services	3,823,834	-	3,823,834
Administrative services	3,065,342	-	3,065,342
Ministerial services	2,911,128	-	2,911,128
Social services	1,994,088	-	1,994,088
Parochial services	1,869,929	-	1,869,929
Depreciation	1,402,828	-	1,402,828
Distributions - Endowments	102,000	-	102,000
Distributions - Special Collections	2,534,086	-	2,534,086
Other expenses	15,593	-	15,593
	<u>24,858,989</u>	<u>-</u>	<u>24,858,989</u>
CHANGES IN NET ASSETS	2,954,821	811,264	3,766,085
NET ASSETS, beginning of year	<u>104,840,326</u>	<u>15,498,105</u>	<u>120,338,431</u>
NET ASSETS, end of year	<u>\$ 107,795,147</u>	<u>\$ 16,309,369</u>	<u>\$ 124,104,516</u>

See accompanying notes.

Roman Catholic Diocese of Sacramento
Administrative Office
Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 2,018,264	\$ 3,766,085
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Net realized and unrealized gains on investments	(3,370,889)	(2,454,654)
Depreciation	1,386,862	1,402,828
Decrease (increase) in:		
Accounts receivable	(10,002)	362,551
Insurance receivable	(13,804)	(73,859)
Interest receivable	255	-
Prepaid and other expenses	(267,010)	(288,855)
Notes receivable	35,868	21,146
(Decrease) increase in:		
Accounts payable	1,068,594	(67,245)
Self-insurance losses payable	56,823	310,562
Other liabilities	(1,441,767)	(1,930,538)
Net cash (used in) provided by operating activities	(536,806)	1,048,021
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of investments	23,335,531	46,996,884
Purchase of investments	(20,645,142)	(53,159,426)
Real estate improvements	(461,659)	(626,928)
Proceeds from real estate sales	180,411	-
Purchase of equipment	(99,312)	(43,259)
Net cash provided by (used in) investing activities	2,309,829	(6,832,729)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,773,023	(5,784,708)
CASH AND CASH EQUIVALENTS, beginning of year	7,699,396	13,484,104
CASH AND CASH EQUIVALENTS, end of year	\$ 9,472,419	\$ 7,699,396

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 – Effective January 1, 2020, the California Legislature enacted a three-year period for individuals to file claims for alleged childhood sexual abuse regardless of when the alleged abuse had taken place, and even if the claims were barred by the statute of limitations. As a result of this “revival window” more than 250 lawsuits were filed against the Organization, containing allegations of sexual misconduct by priests, deacons, and lay employees within the Diocese of Sacramento.

Significant uncertainties exist surrounding the financial impact to the Organization from the pending claims. The claims are expected to trigger insurance coverage for periods as early as the 1960s, but that coverage is subject to defenses by carriers and there are some layers of coverage in which the carrier is insolvent. There are also lawsuits that allege abuse during periods for which there is no insurance coverage. If covered claims are not resolved within policy limits, and depending on what may be required to resolve claims in periods without insurance coverage, the potential losses to the Organization could be material. As a result, substantial doubt exists about the Organization’s ability to continue as a going concern.

During the years ended June 30, 2024 and 2023, the Organization incurred expenses of \$827,916 and \$1,419,148 respectively, for legal fees, settlement and other costs related to the defense of these claims, as well as, various other legal matters, all net of insurance reimbursements. The Organization may incur substantial future charges related to its defense and resolution of these matters but cannot reasonably estimate the potential uninsured costs.

A reasonable estimate of the potential loss associated with these claims cannot be made, so no accrual has been made in the financial statements for the years ended June 30, 2024 and 2023.

Since 2002, the Organization has established numerous 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 by clergy and lay employees within the Organization, and the Organization has more recently carried increased liability sexual misconduct insurance coverage as an added layer of protection against such exposure. The Organization also believes that any other non-sexual abuse claims will be resolved within the insurance limits available and/or will not represent a material risk to the Organization’s financial position.

Chapter 11 Bankruptcy – On April 1, 2024, the Organization filed a petition to reorganize its affairs under Chapter 11 of the US Bankruptcy Code. The Organization continues to operate, though now in accord with the specific authorizations of the Federal Bankruptcy Court and the provisions of the Bankruptcy Code.

Roman Catholic Diocese of Sacramento
Administrative Office
Notes to Financial Statements

It is the intent of the Organization to settle all creditor claims within the bankruptcy proceeding. The Organization believes that the Chapter 11 proceeding provides the organizational structure necessary to resolve the claims and will ensure that the financial resources of the Organization are not exhausted without all of the claims being resolved.

Through June 30, 2024, the Organization has incurred \$1,816,166 in professional fees, expenses, and other costs associated with the Chapter 11 filings and proceedings.

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).

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 direct investment expenses.

Roman Catholic Diocese of Sacramento
Administrative Office
Notes to Financial Statements

Receivables – Receivables consist of various trade, miscellaneous receivables, and annual parish and school assessments. At each statement of financial position date, the Organization recognizes an expected allowance for credit losses. In addition, also at each reporting date, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. The allowance estimate is derived from a review of the Organization’s historical losses based on the aging of receivables. This estimate is adjusted for management’s assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Organization. The Organization believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses. The Organization determines credit loss based on historical losses, as well as, assessment of parish and school financial position. As of June 30, 2024, 2023 and 2022 the allowance for credit loss was \$527,366, \$543,258 and \$559,149, respectively.

Insurance receivables consist of amounts billed to the parishes and other affiliated organizations for property, general liability, workers’ compensation, unemployment and health insurance. As of June 30, 2024, 2023 and 2022 the allowance for credit loss was \$277,627, \$281,094 and \$284,561, respectively.

Notes receivable consist of unsecured credit extended to parishes, individuals, and other entities. 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. Notes typically have no stated maturity dates and may be due either on demand or in accordance with scheduled payments. The Organization 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, 2024, 2023 and 2022, the allowance for credit loss was \$0.

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, 2024 and 2023, real estate is net of accumulated depreciation of \$22,860,690 and \$22,049,599, respectively. Equipment is net of accumulated depreciation of \$1,202,673 and \$1,035,370 as of June 30, 2024 and 2023, respectively. Depreciation expense was \$1,386,862 and \$1,402,828 for the years ended June 30, 2024 and 2023, 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 and school assessments 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.

Roman Catholic Diocese of Sacramento
Administrative Office
Notes to Financial Statements

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

Rental operations are made up of various building and site leases to tenants. The Organization recognized its tenants minimum rental payments on a straight-line basis over the terms of the operating lease agreement when collectability is reasonably assured and the tenant has taken possession or controls the physical use of the leased property. Leasing arrangements are not within the scope of Topic 606. Amounts received in advance are recorded as deferred revenue until earned. The organization elected as a practical expedient to not separate non-lease components from lease components. The non-lease components have been aggregated with the associated lease components. The non-lease components are not considered significant to be financial statements.

Donations and bequests, donations from supporting organizations and donations from special collections are comprised of revenue from 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, 2024 and 2023.

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.

Functional allocation of expenses – The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statement of operations and changes in net assets. The consolidated statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Direct costs such as employees' salaries and benefits are allocated based on employees' best estimate of time and effort. Shared costs such as rent, depreciation, supplies, telephones, and insurance are allocated using a reasonable cost allocation method. Such allocations are determined by management on a reasonable basis that is consistently applied.

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.

Roman Catholic Diocese of Sacramento
Administrative Office
Notes to Financial Statements

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, 2024 and 2023, the Organization's uninsured balances totaled \$8,755,962 and \$5,654,142, 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 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 – On July 1, 2023, the Organization adopted Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to accounts receivables, investments, and investments in land. The Organization adopted the standard effective July 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

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, 2023.

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 October 18, 2024, 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.

Roman Catholic Diocese of Sacramento
Administrative Office
Notes to Financial Statements

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

	<u>2024</u>	<u>2023</u>
Government fixed income securities	\$ 54,033,743	\$ 35,054,077
CRI Opportunistic Bond	3,960,665	7,998,791
CRI Intermediate Diversified Bond Fund	3,920,988	7,995,916
CRI International Equity Fund	3,380,425	4,889,478
CRI Money Market Fund	-	4,175,406
CRI Multi-Style Equity Fund	2,749,726	3,621,805
CRI Core Equity Index Fund	1,885,465	2,396,152
Domestic Equities	-	2,211,258
CRI Small Capitalization Equity Index Fund	748,398	1,046,248
CRI International Small Capitalization Equity	440,244	570,027
Nongovernment fixed income securities	3,620	428,971
Mutual Funds - Domestic Equities	97,865	152,510
	<u>\$ 71,221,139</u>	<u>\$ 70,540,639</u>
Total		

Note 4 – Notes Receivable, Net

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

	<u>2024</u>	<u>2023</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 expected credit losses.	<u>\$ 460,909</u>	<u>\$ 496,777</u>

Roman Catholic Diocese of Sacramento
Administrative Office
Notes to Financial Statements

Note 5 – Real Estate, Net

Real estate, net consists of the following:

	2024	2023
Buildings	\$ 19,448,164	\$ 20,621,473
Building Improvements	44,217,451	43,438,337
Land	10,321,550	10,019,146
Total	73,987,165	74,078,956
Less: accumulated depreciation	22,860,690	22,049,599
Real estate, net	\$ 51,126,475	\$ 52,029,357

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.

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. Historical retention amounts consist of the following:

Prior to 1990	\$75,000 to \$150,000 per claim
1990 to June 30, 2002	\$175,000 per claim
July 1, 2002 to June 30, 2003	\$250,000 per claim
July 1, 2003 to June 30, 2020	\$500,000 per claim
July 1, 2020 to June 30, 2022	\$250,000 per claim
July 1, 2022 to current	\$500,000 per claim

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.

Roman Catholic Diocese of Sacramento
Administrative Office
Notes to Financial Statements

Note 7 – Employee Health Benefits

The Organization discontinued this Self-insured Employee Health Benefits program effective December 31, 2017. 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, 2024 and 2023, may be expended for:

	2024	2023
Donor restricted endowment	\$ 14,119,592	\$ 13,334,380
Program services:		
Education	2,885,400	2,657,264
Ministerial	141,296	167,738
Social service	-	32,485
Special collections	160,845	117,502
	\$ 17,307,133	\$ 16,309,369

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

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

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2. The purposes of the Organization 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 Organization
7. The investment policies of the Organization

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. In addition to endowment investments, the Organization invests funds from other restricted donations in which earnings and interest have also been designated as restricted by the donor. The amounts of restricted investment income from donations not classified as endowments were \$233,902 and \$207,907 as of June 30, 2024 and 2023, respectively. The amount of endowment distributions that went to the general fund to be spent on educational, ministerial and parochial services totaled \$412,000 and \$413,035 as of June 30, 2024 and 2023, respectively. The remaining distributed amounts from the endowments of \$101,000 and \$102,000 for June 30, 2024 and 2023, respectively, were made to third parties as satisfaction of program requirements were met.

Endowment net assets, June 30, 2022	\$	12,616,001
Investment income		1,215,478
Contributions		17,936
Distributions		(515,035)
		13,334,380
Endowment net assets, June 30, 2023		13,334,380
Investment income		1,283,934
Contributions		14,278
Distributions		(513,000)
		14,119,592
Endowment net assets, June 30, 2024	\$	14,119,592

The endowments are for the following restricted purposes:

	2024	2023
Schools and scholarships	\$ 11,915,987	\$ 11,741,772
Seminarians and vocations	2,203,605	1,592,608
	\$ 14,119,592	\$ 13,334,380

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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, 2024, the Organization had three endowment funds with deficiencies of this nature totaling \$67,971. These deficiencies are reflected in net assets with donor restriction. The Original Endowment gift amount was \$84,312 and the fair value of the underwater endowment fund was \$16,341. For funds with deficiencies, no expenditures are allowed until the funds recover.

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.

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, including 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, 2024 and 2023. The contributions made by the Organization during the years ended June 30, 2024 and 2023, was \$139,981 and \$123,451, respectively. The portion of the plan's funded status as it relates directly to the Organization 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.

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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, 2024 and 2023, was \$335,955 and \$296,283, respectively. Participating employers contribute 6% of gross payroll to cover the prescribed 403(b) contributions.

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, 2024 and 2023, by participating employers, including the Organization, was \$12,067 and \$11,830 per priest, respectively. The total contributions made by the Organization during the years ended June 30, 2024 and 2023, was \$48,268 and \$70,980, respectively.

The qualified plan described above provides a basic benefit for all eligible priests. A nonqualified supplemental plan to provide additional miscellaneous benefits was terminated during the current year.

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 fee/reimbursement for services provided. The accounts receivable from the Catholic Foundation and Parochial Fund totaled \$87,250 and \$80,676 for the years ended June 30, 2024 and 2023, respectively. During the years ended June 30, 2024 and 2023, the Organization received fees/reimbursement of \$659,996 and \$625,208 for these services, respectively. These fees/reimbursements are recognized as an offset in administrative services expense.

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).

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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.

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

	2024			
	Level 1	Level 2	Level 3	Total
Investment Funds:				
Government fixed income securities	\$ -	\$ 54,033,743	\$ -	\$ 54,033,743
CRI International Equity Fund	3,380,425	-	-	3,380,425
CRI Opportunistic Bond	-	3,960,665	-	3,960,665
CRI Intermediate Diversified Bond Fund	-	3,920,988	-	3,920,988
CRI Multi-Style Equity Fund	2,749,726	-	-	2,749,726
CRI Core Equity Index Fund	1,885,465	-	-	1,885,465
CRI Small Capitalization Equity Index Fund	748,398	-	-	748,398
CRI International Small Capitalization Equity	440,244	-	-	440,244
Nongovernment fixed income securities	-	3,620	-	3,620
Mutual Funds - Domestic Equities	97,865	-	-	97,865
Total investments	\$ 9,302,123	\$ 61,919,016	\$ -	\$ 71,221,139
	2023			
	Level 1	Level 2	Level 3	Total
Investment Funds:				
Government fixed income securities	\$ -	\$ 35,054,077	\$ -	\$ 35,054,077
CRI Money Market Fund	4,175,406	-	-	4,175,406
CRI International Equity Fund	4,889,478	-	-	4,889,478
CRI Opportunistic Bond	-	7,998,791	-	7,998,791
CRI Intermediate Diversified Bond Fund	-	7,995,916	-	7,995,916
CRI Multi-Style Equity Fund	3,621,805	-	-	3,621,805
CRI Core Equity Index Fund	2,396,152	-	-	2,396,152
Domestic Equities	2,211,258	-	-	2,211,258
CRI Small Capitalization Equity Index Fund	1,046,248	-	-	1,046,248
CRI International Small Capitalization Equity	570,027	-	-	570,027
Nongovernment fixed income securities	-	428,971	-	428,971
Mutual Funds - Domestic Equities	152,510	-	-	152,510
Total investments	\$ 19,062,884	\$ 51,477,755	\$ -	\$ 70,540,639

Roman Catholic Diocese of Sacramento
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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 Organization has no fundraising expenses. The schedule below details the expenses by category.

	2024		
	Program Services	General and Administrative	Total
Self-insurance program	\$ 7,303,664	\$ 1,277	\$ 7,304,941
Personnel	5,231,925	1,337,742	6,569,667
Audit, legal, other professional	269,037	2,227,882	2,496,919
Ministerial services	2,329,254	64,429	2,393,683
Social Service	1,810,146	-	1,810,146
Distributions - Special Collections	1,755,201	-	1,755,201
Depreciation	33,078	1,353,784	1,386,862
Occupancy	306,412	815,307	1,121,719
Other expense	3,419	724,653	728,072
Donations	364,829	-	364,829
Dues and memberships	92,124	239,239	331,363
Travel, training, functions	147,243	91,311	238,554
Property expense	72,179	165,807	237,986
Building maintenance	141,870	51,264	193,134
Auto expense	140,995	27,070	168,065
Advertising	39,009	19,015	58,024
	\$ 20,040,385	\$ 7,118,780	\$ 27,159,165

Roman Catholic Diocese of Sacramento
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Notes to Financial Statements

	2023		
	Program Services	General and Administrative	Total
Self-insurance program	\$ 7,096,154	\$ 1,715	\$ 7,097,869
Personnel	5,137,604	1,218,040	6,355,644
Ministerial services	2,451,889	105,427	2,557,316
Distributions - Special Collections	2,498,086	-	2,498,086
Social Service	1,708,700	-	1,708,700
Depreciation	50,076	1,352,752	1,402,828
Occupancy	318,109	792,609	1,110,718
Audit, legal, other professional	247,571	417,009	664,580
Donations	352,478	-	352,478
Dues and memberships	77,224	237,582	314,806
Property expense	74,519	156,636	231,155
Travel, training, functions	123,482	57,218	180,700
Building maintenance	122,396	41,144	163,540
Auto expense	134,671	20,772	155,443
Other expense	-	15,593	15,593
Advertising	28,746	20,787	49,533
	<u>\$ 20,421,705</u>	<u>\$ 4,437,284</u>	<u>\$ 24,858,989</u>

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:

	2024	2023
Financial assets		
Cash and cash equivalents	\$ 9,472,419	\$ 7,699,396
Accounts receivable, net	538,777	528,775
Insurance receivable, net	199,961	186,157
Interest receivable	-	255
Investments	71,221,139	70,540,639
	<u>81,432,296</u>	<u>78,955,222</u>
Total financial assets		
Less financial assets unavailable for general expenditure within one year		
With donor restrictions	(17,307,133)	(16,309,369)
	<u>(17,307,133)</u>	<u>(16,309,369)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 64,125,163</u>	<u>\$ 62,645,853</u>

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, 2024**

	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	3,475,258	13,454	4,377,544	545,888	769,145	157,328	128,782	5,020	9,472,419
Investments	27,448,182	5,662,469	14,068,141	-	-	6,956,435	2,945,415	14,140,497	71,221,139
Accounts receivable, net	538,777	-	-	-	-	-	-	-	538,777
Insurance receivable, net	-	-	199,961	-	-	-	-	-	199,961
Prepaid expenses and other assets	485,179	-	232,439	-	-	-	-	-	717,618
Notes receivable, net	48,609	412,300	-	-	-	-	-	-	460,909
Equipment, net	218,461	-	-	-	-	-	-	-	218,461
Real estate, net	46,927,460	4,199,015	-	-	-	-	-	-	51,126,475
Total assets	79,141,926	10,287,238	18,878,085	545,888	769,145	7,113,763	3,074,197	14,145,517	133,955,759
LIABILITIES AND NET ASSETS									
LIABILITIES									
Accounts payable	1,585,386	195	144,277	-	-	-	153	25,925	1,755,936
Self-insurance losses payable	-	-	3,790,651	-	-	-	-	-	3,790,651
Other liabilities	1,612,617	-	-	23,428	609,122	-	41,225	-	2,286,392
Due to (from)	(93,511)	286,876	(174,395)	4,145	(822)	(28,416)	6,123	-	-
Total liabilities	3,104,492	287,071	3,760,533	27,573	608,300	(28,416)	47,501	25,925	7,832,979
NET ASSETS									
Without donor restrictions	76,037,434	10,000,167	15,117,552	518,315	-	7,142,179	-	-	108,815,647
With donor restrictions	-	-	-	-	160,845	-	3,026,696	14,119,592	17,307,133
Total net assets	76,037,434	10,000,167	15,117,552	518,315	160,845	7,142,179	3,026,696	14,119,592	126,122,780
Total liabilities and net assets	79,141,926	10,287,238	18,878,085	545,888	769,145	7,113,763	3,074,197	14,145,517	133,955,759

**Roman Catholic Diocese of Sacramento
Administrative Office
Schedule of Selected Expenses Without Donor Restrictions
June 30, 2024**

Schedule 1 – Parochial services

Newman Catholic Centers	\$ 723,996
Office of Family and Faith Formation	449,499
Office of Youth and Young Adult Ministry	430,090
Internal audit	219,444
Construction management	125,405
Donations to parishes	96,454
Cathedral maintenance and support	50,000
Other	9,717
Office of Worship	<u>7,270</u>
Total parochial services	<u><u>\$ 2,111,875</u></u>

Schedule 2 – Social services

Charitable donations	\$ 1,810,146
Social services department	<u>270,403</u>
Total social services	<u><u>\$ 2,080,549</u></u>

Schedule 3 – Educational services

Scholarships and financial assistance	\$ 1,568,088
Catholic schools department	1,106,523
Camp Pendola/Trinity Pines Catholic Center	265,314
Catholic Herald Magazine	263,018
Donations - education	167,375
Communications	162,167
Archives	<u>6,678</u>
Total educational services	<u><u>\$ 3,539,163</u></u>

**Roman Catholic Diocese of Sacramento
Administrative Office
Schedule of Selected Expenses Without Donor Restrictions (Continued)
June 30, 2024**

Schedule 4 – Ministerial services

Seminarian program	\$ 677,972
Retired priests	589,427
Priests personnel	300,950
Permanent diaconate	284,927
Tribunal	281,914
Vocations	220,069
Student priests	209,606
Infirm priests	178,346
Other	141,781
Liturgies	126,752
Unassigned priests	117,475
Continuing education of priests	12,057
Vicar for Religious	10,375
Presbyteral council	4,329
	<hr/>
Total ministerial services	<u><u>\$ 3,155,980</u></u>

Schedule 5 – Administrative services

Bishops office	\$ 565,459
Property expense	558,980
Pastoral Center IT	448,148
Financial administration and accounting	446,494
Pastoral Center Building and Operations	442,839
Lay Personnel	254,801
State and national fees	234,474
Other	107,804
Legal	84,472
Annual audit	74,025
	<hr/>
Total administrative services	<u><u>\$ 3,217,496</u></u>

