Report of Independent Auditors and Financial Statements

# The Administrative Office of the Roman Catholic Bishop of Orange, a Corporation Sole

June 30, 2023 and 2022

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# Report of Independent Auditors

The Most Reverend Kevin W. Vann, J.C.D., D.D.
The Administrative Office of the Roman Catholic Bishop of Orange, a Corporation Sole

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the financial statements of The Administrative Office of the Roman Catholic Bishop of Orange, a Corporation Sole, which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years 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 The Administrative Office of the Roman Catholic Bishop of Orange, a Corporation Sole as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Administrative Office of the Roman Catholic Bishop of Orange, a Corporation Sole and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Emphasis of Matter – Change in Accounting Principle*

As discussed in Note 2 to the financial statements, as of and for the year ended June 30, 2023, The Administrative Office of the Roman Catholic Bishop of Orange, a Corporation Sole adopted new accounting guidance Accounting Standards Codification Topic 842, *Leases*. 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 The Administrative Office of the Roman Catholic Bishop of Orange, a Corporation Sole'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 Administrative Office of the Roman Catholic Bishop of Orange, a Corporation Sole's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Administrative Office of the Roman Catholic Bishop of Orange, a Corporation Sole'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.

Moss Adams LLP

San Diego, California
November 17, 2023

# Financial Statements

# The Administrative Office of the Roman Catholic Bishop of Orange, a Corporation Sole
## Statements of Financial Position
## June 30, 2023 and 2022

| | 2023 | 2022 |
|---|---|---|
| **ASSETS** | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | $ 68,730,040 | $ 54,022,128 |
| Receivables | | |
| Receivables from related institutions and cemetery sales, net (Note 3) | 34,468,148 | 32,635,392 |
| Loans receivable from parishes and schools, net (Note 3) | 14,001,180 | 13,964,601 |
| Loans receivable from related institutions, net (Note 3) | 741,993 | 867,673 |
| Investments | | |
| Long-term investments (Note 4) | 181,777,429 | 159,542,579 |
| Donor-restricted endowment (Note 4) | 2,670,497 | 2,670,497 |
| Investments held in trust for others (Notes 4 and 7) | 244,144,303 | 234,456,043 |
| Cemetery inventory (Note 5) | 20,119,451 | 22,681,240 |
| Property, equipment, and improvements, net (Note 6) | 47,230,244 | 62,594,194 |
| Operating lease right-of-use assets (Note 17) | 48,092,791 | - |
| Other assets | 710,143 | 570,974 |
| Total assets | $ 662,686,219 | $ 584,005,321 |
| **LIABILITIES AND NET ASSETS** | | |
| LIABILITIES | | |
| Accounts payable and accrued expenses | $ 9,049,914 | $ 6,346,743 |
| Parish and other deposits | 4,401,593 | 4,170,617 |
| Investments held in trust for others (Note 7) | 244,144,303 | 234,456,043 |
| Deferred amounts | 52,167,383 | 47,789,760 |
| Notes payable (Note 8) | 912,644 | 969,202 |
| Priests' pension/post-retirement benefits accrual (Note 9) | 21,689,000 | 27,177,000 |
| Operating lease liability, net (Note 17) | 48,092,791 | - |
| Other liabilities | 2,397,207 | 3,110,508 |
| Total liabilities | 382,854,835 | 324,019,873 |
| NET ASSETS (Note 10) | | |
| Without donor restrictions | | |
| Undesignated | 35,194,162 | 9,165,302 |
| Designated for specific purposes | 216,005,239 | 221,920,499 |
| Total without donor restrictions | 251,199,401 | 231,085,801 |
| With donor restrictions | 28,631,983 | 28,899,647 |
| Total net assets | 279,831,384 | 259,985,448 |
| Total liabilities and net assets | $ 662,686,219 | $ 584,005,321 |

See accompanying notes.

# The Administrative Office of the Roman Catholic Bishop of Orange, a Corporation Sole

## Statement of Activities

## Year Ended June 30, 2023

| | Year Ended June 30, 2023 | | |
|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| REVENUE AND SUPPORT | | | |
| Contributions, grants, and bequests | $ 6,533,341 | $ 5,121,892 | $ 11,655,233 |
| Diocesan assessments | 8,153,639 | - | 8,153,639 |
| Diocesan programs | 8,744,847 | - | 8,744,847 |
| Cemetery operations | 32,786,669 | - | 32,786,669 |
| Investment programs, net of expenses (Note 4) | 30,823,797 | 207,701 | 31,031,498 |
| Insurance programs | 34,885,111 | - | 34,885,111 |
| Net assets released from restrictions (Note 10) | 5,597,257 | (5,597,257) | - |
| Total revenue and support | 127,524,661 | (267,664) | 127,256,997 |
| EXPENSES | | | |
| Program services | | | |
| Diocesan pastoral ministries | 8,372,873 | - | 8,372,873 |
| Clergy support programs | 1,596,606 | - | 1,596,606 |
| Investment programs | 4,863,930 | - | 4,863,930 |
| Cemetery operations | 16,896,194 | - | 16,896,194 |
| Insurance programs | 28,253,749 | - | 28,253,749 |
| Grants, donations, and scholarships (Note 12) | 18,743,160 | - | 18,743,160 |
| Support services | | | |
| Diocesan administration | 34,638,019 | - | 34,638,019 |
| Total expenses | 113,364,531 | - | 113,364,531 |
| CHANGE IN NET ASSETS BEFORE OTHER CHANGES | 14,160,130 | (267,664) | 13,892,466 |
| Gain on disposal of property, equipment, and improvements | 465,470 | - | 465,470 |
| Other comprehensive pension gain (Note 9) | 5,488,000 | - | 5,488,000 |
| CHANGE IN NET ASSETS | 20,113,600 | (267,664) | 19,845,936 |
| NET ASSETS | | | |
| Beginning of year | 231,085,801 | 28,899,647 | 259,985,448 |
| End of year | $ 251,199,401 | $ 28,631,983 | $ 279,831,384 |

See accompanying notes.

# The Administrative Office of the Roman Catholic Bishop of Orange, a Corporation Sole
## Statement of Activities (Continued)
## Year Ended June 30, 2022

| | Year Ended June 30, 2022 | | |
|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| REVENUE AND SUPPORT | | | |
| Contributions, grants, and bequests | $ 189,912 | $ 5,910,696 | $ 6,100,608 |
| Diocesan assessments | 7,879,684 | - | 7,879,684 |
| Diocesan programs | 12,110,470 | - | 12,110,470 |
| Cemetery operations | 51,535,134 | - | 51,535,134 |
| Investment program, net of expenses (Note 4) | (61,126,277) | (350,544) | (61,476,821) |
| Insurance programs | 34,086,414 | - | 34,086,414 |
| Net assets released from restrictions (Note 10) | 7,973,660 | (7,973,660) | - |
| Total revenue and support | 52,648,997 | (2,413,508) | 50,235,489 |
| EXPENSES | | | |
| Program services | | | |
| Diocesan pastoral ministries | 7,427,865 | - | 7,427,865 |
| Clergy support programs | 1,452,086 | - | 1,452,086 |
| Investment programs | 3,101,528 | - | 3,101,528 |
| Cemetery operations | 21,032,376 | - | 21,032,376 |
| Insurance programs | 25,001,152 | - | 25,001,152 |
| Grants, donations, and scholarships (Note 12) | 7,047,286 | - | 7,047,286 |
| Support services | | | |
| Diocesan administration | 28,719,147 | - | 28,719,147 |
| Total expenses | 93,781,440 | - | 93,781,440 |
| CHANGE IN NET ASSETS BEFORE OTHER CHANGES | (41,132,443) | (2,413,508) | (43,545,951) |
| Gain on disposal of property, equipment, and improvements | 3,807,460 | - | 3,807,460 |
| Other comprehensive pension gain (Note 9) | 9,826,000 | - | 9,826,000 |
| CHANGE IN NET ASSETS | (27,498,983) | (2,413,508) | (29,912,491) |
| NET ASSETS | | | |
| Beginning of year | 258,584,784 | 31,313,155 | 289,897,939 |
| End of year | $ 231,085,801 | $ 28,899,647 | $ 259,985,448 |

See accompanying notes.

# The Administrative Office of the Roman Catholic Bishop of Orange, a Corporation Sole
## Statements of Functional Expenses
## Years Ended June 30, 2023 and 2022

| | Cost of Sales | Payroll and Related | Rent and Occupancy | Insurance Premium | Other Operating Expenses | Depreciation and Interest Expense | 2023 Total Expenses |
|---|---|---|---|---|---|---|---|
| Program services | | | | | | | |
| Diocesan pastoral ministries | $ - | $ 4,532,985 | $ 92,413 | $ - | $ 3,692,698 | $ 54,777 | $ 8,372,873 |
| Clergy support programs | - | 1,271,515 | 3,171 | - | 321,920 | - | 1,596,606 |
| Investment programs | - | - | - | - | (846,148) | 5,710,078 | 4,863,930 |
| Cemetery operations | 5,056,008 | 8,503,058 | 906,545 | - | 1,464,472 | 966,111 | 16,896,194 |
| Insurance programs | - | - | - | 28,183,749 | 70,000 | - | 28,253,749 |
| Grants, donations, and scholarships | - | - | - | - | 18,743,160 | - | 18,743,160 |
| Support services | | | | | | | |
| Diocesan administration | - | 9,432,061 | 9,120,928 | - | 12,823,807 | 3,261,223 | 34,638,019 |
| Total expenses | $ 5,056,008 | $ 23,739,619 | $ 10,123,057 | $ 28,183,749 | $ 36,269,909 | $ 9,992,189 | $ 113,364,531 |

| | Cost of Sales | Payroll and Related | Rent and Occupancy | Insurance Premium | Other Operating Expenses | Depreciation and Interest Expense | 2022 Total Expenses |
|---|---|---|---|---|---|---|---|
| Program services | | | | | | | |
| Diocesan pastoral ministries | $ - | $ 4,405,804 | $ 93,588 | $ - | $ 2,870,129 | $ 58,344 | $ 7,427,865 |
| Clergy support programs | - | 1,147,898 | 999 | - | 303,189 | - | 1,452,086 |
| Investment programs | - | - | - | - | - | 3,101,528 | 3,101,528 |
| Cemetery operations | 7,763,745 | 9,793,788 | 996,574 | - | 1,597,972 | 880,297 | 21,032,376 |
| Insurance programs | - | 1,039,677 | 1,446 | 23,686,706 | 273,323 | - | 25,001,152 |
| Grants, donations, and scholarships | - | - | - | - | 7,047,286 | - | 7,047,286 |
| Support services | | | | | | | |
| Diocesan administration | - | 8,786,976 | 6,370,238 | 1,225 | 10,623,337 | 2,937,371 | 28,719,147 |
| Total expenses | $ 7,763,745 | $ 25,174,143 | $ 7,462,845 | $ 23,687,931 | $ 22,715,236 | $ 6,977,540 | $ 93,781,440 |

# The Administrative Office of the Roman Catholic Bishop of Orange, a Corporation Sole
## Statements of Cash Flows
## Years Ended June 30, 2023 and 2022

| | 2023 | 2022 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | $ 19,845,936 | $ (29,912,491) |
| Adjustments to reconcile change in net assets to net cash from operating activities | | |
| Change in allowance for doubtful accounts | (1,085,997) | (51,470) |
| Realized and unrealized (gains) losses on investments | (22,194,947) | 66,392,201 |
| Depreciation | 4,282,113 | 3,876,012 |
| (Gain) on disposal of property, equipment, and improvements | (465,470) | (3,807,460) |
| Change in priests' pension and post-retirement benefits accrual | (5,488,000) | (9,826,000) |
| Right-of-use asset – operating lease amortization | 685,348 | - |
| Change in operating assets and liabilities | | |
| Receivables | (1,630,743) | (5,090,613) |
| Cemetery inventory | 2,561,789 | 8,001,994 |
| Other assets | (139,169) | (86,581) |
| Accounts payable and accrued expenses | 2,703,171 | 1,725,361 |
| Parish and other deposits | 230,976 | (564,544) |
| Equity of investments held in trust for others | 9,688,260 | 16,228,227 |
| Deferred amounts | 4,377,623 | (4,694,853) |
| Other liabilities | (713,301) | 1,120,752 |
| Operating lease liability, net | (685,348) | - |
| Net cash provided by operating activities | 11,972,241 | 43,310,535 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property, equipment, and improvements | (4,494,832) | (14,556,502) |
| Proceeds from sales of property, equipment, and improvements | 16,042,140 | 4,000,000 |
| Purchase of investments | (96,905,157) | (138,167,698) |
| Proceeds from sales of investments | 87,167,049 | 133,201,140 |
| Loans made to parishes, schools, and other institutions | - | (2,867,474) |
| Payments received on loans made to parishes, schools, and other institutions | 973,085 | 2,327,730 |
| Net cash provided by (used in) investing activities | 2,782,285 | (16,062,804) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments made on notes payable | (56,558) | (54,887) |
| Net cash used in financing activities | (56,558) | (54,887) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 14,697,968 | 27,192,844 |
| CASH AND CASH EQUIVALENTS | | |
| Beginning of year | 54,022,128 | 26,829,284 |
| End of year | $ 68,720,096 | $ 54,022,128 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Cash payments for interest | $ 28,319 | $ 29,989 |
| SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES | | |
| Loans due from parishes to Trust, transferred to the Organization | $ - | $ 4,996,129 |

See accompanying notes.

**Note 1 – The Organization**

The Administrative Office of the Roman Catholic Bishop of Orange (the "Bishop") was established in 1976 and encompasses an area of 782 square miles along 42 miles of the Southern California coastline. The Bishop is the sole member of the Administrative Office of the Roman Catholic Diocese of Orange (the "Organization") and maintains direct operational control over the Organization, which provides oversight over 63 diocesan parishes and centers, 1 mission, 3 high schools, and 27 elementary schools.

The accompanying financial statements include only those assets, liabilities, and operations of departments for which the Organization maintains direct operational control. These financial statements do not include the assets, liabilities, and operations of the parishes, high schools, elementary schools, or any other affiliated organizations under the jurisdiction of the Bishop, except for transactions with the Organization as reflected on the books and records of the Organization.

The Bishop is also the sole member of a number of other organizations described below. These organizations maintain independent governing boards or charters. The Bishop does not maintain direct operational control over these organizations, which are considered related parties.

Christ Catholic Cathedral Corporation (CCCC) managed the renovation and construction costs of the Christ Cathedral.

Christ Catholic Cathedral Facilities Corporation (CCCFC) holds title to the Christ Cathedral property. It leases the entire property to the Organization under a master lease agreement (See Note 17).

Orange Catholic Foundation (OCF) is organized to receive gifts, grants, contributions, and bequests from donors for the purpose of supporting religious purposes and programs. The OCF may, from time to time, enter into fundraising campaigns that do not directly benefit the Organization. In those cases, the Organization will only report revenue from the OCF upon the OCF making a direct grant to the Organization.

Catholic Charities of Orange County (CCOC) is organized to provide professional social services to individuals in need and to provide education and resources to support parish ministries.

The Roman Catholic Diocese of Orange Revocable Trust (the "Trust") was formed to hold assets as an agent for Trustors. The Trustors are certain parishes and schools affiliated with the Organization. The Trust invests and distributes the assets in accordance with the Trust Agreements.

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

**Tax exempt status** – The Organization has been designated as a tax-exempt entity by the Internal Revenue Service except to the extent of unrelated business taxable income as defined under Internal Revenue Code (IRC) Sections 511 through 515 and the California Franchise Tax Board under Sections 501(c)(3) and 23701d, respectively. Accordingly, no tax provision has been recorded in the financial statements.

**Note 2 – Summary of Significant Accounting Policies and Basis of Presentation**

The Organization had no unrecognized tax benefits at either June 30, 2023 or 2022, and had no uncertain tax positions. The Organization is required to report unrelated business income, if any.

**Basis of accounting** – The financial statements of the Organization have been prepared on the accrual basis of accounting.

**Financial statement presentation** – The Organization's resources are classified for accounting and reporting purposes into two net asset categories according to the existence or absence of donor-imposed restrictions. Descriptions of the two net asset categories and types of transactions affecting each category follow:

- Net assets without donor restrictions represent expendable funds available for operations that are not otherwise limited by donor restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the Bishop or may otherwise be limited by contractual agreements with outside parties.

- Net assets with donor restrictions consist of contributed funds subject to donor-imposed restrictions that are contingent upon specific performance of a future event or a specific passage of time before the Organization may spend the funds. Some net assets with donor restrictions are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity, usually for the purpose of generating investment income, net of investment expenses, to fund current operations.

**Fair value measurements** – The Organization determines the fair value of assets and liabilities consistent with a fair value framework, which provides for a clearer definition of fair value for financial reporting, establishes a hierarchy for measuring fair value, and requires additional disclosures about the use of fair value measurements.

Fair value measurement reporting provides a consistent definition of fair value that focuses on an exit price, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

The three-level hierarchy for fair value measurements is defined as follows:

**Level 1** – Quoted prices in active markets for identical assets or liabilities.

**Level 2** – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

**Level 3** – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

In certain cases, inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

**Use of estimates** – In preparing financial statements in conformity with generally accepted accounting principles in the United States of America (GAAP), management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Concentrations of credit risk** – Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash, money market funds, receivables, and investments in securities. The Organization places its cash and investments in money market funds with multiple financial institutions and investment managers to mitigate this risk.

At times throughout the year, the balances of cash and cash equivalents and investments may exceed amounts insured by the Federal Deposit Insurance Corporation (FDIC) or Securities Investors Protection Corporation (SIPC) limits. Investments in securities are held by various custodial brokers and fund managers. The Organization has not experienced any losses in cash and investment accounts.

Concentrations of credit risk exist with respect to receivables since generally all are due from parishes and other institutions located within the Roman Catholic Diocese of Orange.

**Cash and cash equivalents** – The Organization considers all highly liquid investments with an initial maturity of three months or less at purchase to be cash equivalents.

**Receivables from related institutions and cemetery sales** – Receivables represent current charges assessed for services and centrally administered programs rendered to parishes, schools, and other institutions within the Roman Catholic Diocese of Orange. Such amounts are due in regular payments throughout the year and are deemed to be fully collectible unless a parish/institution has an unexpected material adverse change in its ability to meet its financial obligations. In that case, the Organization will record an allowance as described below.

Cemetery receivables are stated at the amount management expects to collect from outstanding contract balances. Pre-need sales contracts allow the customer some rights to cancellation with a partial refund. Refunds have historically been immaterial, and therefore, the Organization has not established a reserve for cancellations. Refunds for cancellations are recorded as a reduction of revenue or deferred revenue when the refund is approved.

Contracts for cemetery property, cemetery services, and related merchandise provide for payments over an extended period of time with interest rates ranging from 0% to 7%. As a result, collection periods for accounts receivable range up to 60 months. Management believes the interest rates on long-term receivables reflect current market rates, and therefore, believes the carrying value of the accounts receivable to approximate present value at June 30, 2023 and 2022, and no additional discounting to present value was deemed necessary.

**Loans receivable from parishes, schools, and related institutions** – Loans to parishes, schools, and related institutions represent extended credit to these entities. Credit is extended based upon evaluation of the borrowing entity's financial condition and other factors. Generally, collateral is not specifically required; however, the parishes, schools, and related institutions have property or other liquid assets that could serve as collateral. Loans are either due on demand by the Organization or in accordance with scheduled payments. Interest accrues on loans receivable monthly in accordance with the interest rates applicable to the loans. The average interest rate in the years ended June 30, 2023 and 2022, was 1.17% and 2.51%, respectively. If a loan is deemed to have collection issues, the Organization will provide for an allowance as described below. If a loan is deemed fully uncollectible, it is written off against the allowance in the period so deemed.

**Allowance for doubtful accounts** – The Organization provides an allowance for receivables and loans it believes it may not collect in full. The Organization recognizes reserves for bad debts based on its historical collection experience. If circumstances change (e.g., higher than expected defaults or an unexpected material adverse change in an institution's ability to meet its financial obligations), the Organization's estimates of the recoverability of amounts due may change in the near term.

At June 30, 2023 and 2022, the total allowance was $475,000 and $1,560,997, respectively.

**Investments** – Investments are recorded at fair value. The Organization recognizes purchases and sales of investments as of the settlement date. Unrealized gains and losses are included in the statements of activities. Investment income and gains (losses) restricted by a donor are reported as increases (decreases) in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains (losses) are recognized.

The following describes the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statements of financial position. There were no changes to the Organization's valuation methodologies from 2022 to 2023.

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include certain mutual funds, common stocks, and equities. Fair value is based on quoted market prices for those traded with sufficient frequency. Level 2 securities include corporate, foreign, and government bonds. These investments are valued based on quoted market prices of comparable assets.

Values are based on information provided by fund managers, external investment advisors, and additional factors to determine if the carrying value of these investments should be adjusted. In determining valuation adjustments, emphasis is placed on market participants' assumptions and market-based information over entity-specific information.

Investments that represent securities that are not publicly traded are stated at estimated fair value based upon the financial data supplied by the individual funds as of the end of each fiscal year and/or the net asset value (NAV), or its equivalent, of the fund. In establishing the estimated fair value, management may give consideration to operating results, financial condition, recent sales prices of issuers' securities, and other pertinent information, including the advice of its investment manager.

The Organization recognizes that there are inherent risks associated with both non-publicly and publicly traded securities. Risk is managed through rigorous evaluation before an investment is made, quarterly monitoring of valuations, and regular communication with investment managers. The Organization may also have risk associated with its concentration of investments in certain geographic areas and certain industries.

While the Organization believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Those estimated values may differ significantly from the values that would have been used had a readily available market for such investments existed, or had such investments been liquidated, and these differences could be material to the financial statements.

**Donor restricted endowment investments** – Bequests and other contributed funds that are restricted by donors according to the designated purpose stipulated are held in endowment investment funds, separate from investments without donor restrictions and pledged investments (see Note 11). Amounts are recorded at fair value.

**Investments held in trust for others** – A separate asset and liability equal to the entire amount of "Investments Held in Trust for Others" are shown in the Organization's statements of financial position (see Note 7).

The Trust, a related party, was established and commenced financial operations in June 2011. The Trust was created to serve and benefit the Roman Catholic parishes and schools and the Roman Catholic charitable corporations located within the Roman Catholic Diocese of Orange. Deposit funds that are held in trust (see Note 7) are managed, but not owned, by the Organization. Each parish and school that has placed funds with the Trust has entered into a master subtrust agreement with the Trust. The Trust serves as an agent for the parishes and other institutions, and therefore, the assets are not owned by the Trust. The Trust invests and distributes the assets in accordance with the provisions of subtrust agreements. Deposits held on behalf of the Trust are held as investments in equity securities, mutual funds, and debt securities. The Organization allocates the actual income (or loss) of the Organization's share of the Trust's investment portfolio. Investment securities are exposed to various risks such as interest rate, market, and credit risks. It is reasonably possible that the estimated fair value of investment securities will change significantly in the future, with the result that the carrying amount of the investment securities may change materially based on market conditions and risk associated with certain investment securities. The investments held in trust are maintained by the Organization according to their investment policy.

**Cemetery inventory** – Inventories are valued at the lower of cost (based on average cost) or net realizable value. Cemetery land development costs are charged to cost of sales as graves are sold on an average cost basis. Land development work in process represents areas being developed and not presently available for use.

**Property, equipment, and improvements** – Property, equipment, and improvements are carried at cost or estimated fair value at the date of donation. Depreciation on buildings and improvements, furniture, fixtures, and equipment is provided using the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years. The Organization capitalizes assets with a cost or donated value of $2,500 or more.

Equipment used for property maintenance, repairs, and minor replacements is charged to expense; additions and betterments are added to the property account at cost. When property is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the statements of activities.

**Impairment of long-lived assets** – The Organization evaluates long-lived assets, including property, equipment, and improvements, for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the estimated future cash flows (undiscounted and without interest charges) from the use of an asset are less than the carrying value, a write-down would be recorded to reduce the related asset to its estimated fair value. There were no write-downs during the years ended June 30, 2023 and 2022.

**Leases** – Effective July 1, 2022, the Organization changed its method of accounting for leases as a result of the Organization's adoption of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 842, *Leases* (ASC 842), under the modified retrospective approach, applying the standard to the beginning of the period of adoption. Results for reporting periods beginning on or after July 1, 2022, are presented under ASC 842, while prior period amounts are not adjusted and continue to be reported in accordance with the historic accounting under ASC 840. The new guidance was applied for all leases that existed at the date of initial application.

The Organization elected the available practical expedient options which allows the Organization to not reassess whether any existing or expired contracts contain leases, to not reassess lease classifications for any existing or expired leases, and to not reassess initial direct costs for its existing lease.

The Organization determines if an arrangement is a lease, or contains a lease, at the inception of the arrangement and reassesses that conclusion, if the arrangement is modified. When the Organization determines the arrangement is a lease, or contains a lease, at lease inception, a determination is made as to whether the lease is an operating lease or a finance lease.

Operating and finance leases result in the Organization recording a right-of-use (ROU) asset and lease liability on its balance sheet. ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Operating and finance lease ROU assets and liabilities are initially recognized based on the present value of lease payments over the lease term. In determining the present value of lease payments, the Organization uses the implicit interest rate in the lease, if readily determinable, or when the implicit interest rate is not readily determinable, the Organization has made an accounting policy election to use of a risk-free discount rate, determined using a period comparable with that of the lease term.

Rent expense from operating leases is recognized on a straight-line basis over the term of the leases. For finance leases, interest expense is recognized, using the effective interest-rate method over the term of the leases, and ROU assets are depreciated on a straight-line basis over the term of the leases.

The Organization has elected to not separate lease components from nonlease components for classes of underlying assets. The Organization does not recognize ROU assets and lease liabilities that arise from short-term (12 months or less) leases for any class of underlying asset.

In periods prior to July 1, 2022, the Organization recognized rent expense on a straight-line basis but did not recognize assets and liabilities for its operating leases.

In connection with its adoption of ASC 842, the Organization recorded $48,777,938 and $48,777,938 of operating lease liabilities and operating ROU assets, respectively, as of July 1, 2022. As of and for the year ended June 30, 2023, the Organization does not have any finance leases.

**Revenue Recognition**

*Contributions, grants, and bequests* – Contributions, grants, and bequests are considered to be available for general use unless they are specifically restricted by the donor. Contributions received designated for future periods or restricted by the donor for specific purposes are reported as contribution revenue with donor restrictions. Contributions, grants, and bequests that are unconditional are recognized as revenue in the period notified. Conditional promises to give or intentions to give, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. 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 the risk-free rate applicable to the years in which the promises are received. Pastoral Services Appeal (PSA) contributions are included in contributions, grants, and bequests in the statements of activities.

*Diocesan assessments, diocesan programs, and insurance programs* – Revenues from diocesan assessments, diocesan programs, and insurance programs are for amounts owed to the Organization by parishes and schools and include items such as diocesan assessments, medical insurance, property insurance, property taxes, clergy support, and parish services. These amounts are recorded when the Organization has met their performance obligation, which is generally when the related expense is incurred.

*Cemetery operations* – The Organization enters into contracts with customers providing burial and property rights for grave plots, lawn crypts, mausoleum crypts and cremation niches, cemetery services, related merchandise, and care of purchased property on an at-need and pre-need basis. Each of these items is considered a separate performance obligation. Contracts specifically identify prices related to each performance obligation, as shown below for the years ended June 30:

| | 2023 | 2022 |
|---|---|---|
| Burial and property rights | $ 23,823,676 | $ 40,581,747 |
| Cemetery services | 3,871,149 | 3,982,053 |
| Cemetery care | 3,510,446 | 4,748,168 |
| Merchandise | 947,671 | 934,434 |
| Interest income | 633,727 | 1,288,732 |
| | $ 32,786,669 | $ 51,535,134 |

The Organization sells pre-need cemetery service and merchandise under contracts that provide for delivery of the merchandise and services at the time of need. Pre-need burial and property rights revenue is deferred until the burial right has been transferred to the customer, which occurs when the contract is signed. Pre-need cemetery service and merchandise sales are recorded as cemetery revenue in the period the merchandise is delivered or the service is performed. Prior to that time, such sales are deferred. Cemetery service and merchandise sold at the time of need and post-need are recorded as cemetery revenue in the period the service is performed or the merchandise is delivered. The Organization presents all taxes assessed by governmental authorities on its revenue-producing transactions (for example, sales tax), as well as the recoveries from its customers from these taxes, on a net basis in the accompanying financial statements.

Amounts collected from pre-need service and merchandise sales are recorded as deferred revenue in the statements of financial position. Amounts collected for burial and property rights in the Cathedral Memorial Gardens expansion prior to its opening in November 2021 were for property that was not yet available, and therefore, these amounts were recorded as deferred revenue in the statement of financial position prior to November 2021. During the year ended June 30, 2022, these deferred amounts were recognized as revenue. Revenue is recognized when the goods and services are delivered.

Pursuant to the Organization’s contracts, a percentage of the price of the cemetery property is deposited into a care fund. This portion of the contract is recognized as revenue at the time the burial right is transferred to the customer and deposited into the care fund, which uses investment income to pay for the future maintenance of the cemeteries.

Deferred revenue related to pre-need contracts, disaggregated by performance obligation, consisted of the following at:

| | July 1, 2021 | June 30, 2022 | June 30, 2023 |
|---|---|---|---|
| Cemetery services | $ 29,433,318 | $ 34,000,691 | $ 38,057,319 |
| Merchandise | 10,202,784 | 11,741,868 | 12,018,101 |
| Interest income | 2,139,642 | 2,047,201 | 2,091,963 |
| CMG expansion property sales | 10,708,869 | - | - |
| | $ 52,484,613 | $ 47,789,760 | $ 52,167,383 |

At-need and pre-need sales are made by cemetery-employed arrangement counselors. These counselors receive commissions which are considered to be costs that are incremental to obtaining cemetery contracts. The majority of commissions recorded in the years ended June 30, 2023 and 2022, were related to burial and property rights for grave plots, lawn crypts, mausoleum crypts, and cremation niches. As this revenue is recognized upon signing of the contract and transfer of right to burial, the period of benefit and resulting period of amortization would be less than one year. Management has elected to use the practical expedient that permits a reporting entity to expense the costs to obtain a contract as incurred when the expected amortization period is one year or less. As such, all commissions are expensed as incurred.

The Organization performs an analysis to determine whether pre-need contracts are in a loss position, which would necessitate a loss on impairment. Management concluded there are no material underwater contracts as of June 30, 2023 and 2022.

Cost of sales is calculated by allocating total construction costs to the number of inventory units developed at a cemetery. Revenue related to predevelopment sales is deferred until construction begins.

**Deferred amounts** – Deferred revenue consists of the pre-need sale of burial services and other non-grave items, such as interment fees, setting fees, markers, vaults, and flowers, that are deliverable in the future when the performance obligation has been met by the Organization, which is generally at the time of burial. Deferred revenue also includes interest charges on long-term installment contracts related to pre-need sales, which are recognized as installment payments are received. The sales and cost of sales related to resale products and services are deferred and recognized when the performance obligation has been met.

**Contributed services** – The Organization receives a substantial amount of contributed services in carrying out its ministry. These services do not meet the recognition criteria under GAAP. Accordingly, the value of these contributed services is not reflected in the accompanying financial statements.

**Functional allocation of expenses** – The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs of providing the Organization’s program and support services have been presented in the statements of functional expenses. During the year, such costs are accumulated into separate groupings and allocated among program and support services based on the Organization’s departments. Payroll and related expenses are tracked in the timekeeping system by department, and purchases are tracked in the accounting system by department.

**New accounting pronouncements effective in future accounting periods** – In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Statements*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables, and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statements of activities as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 15, 2022. The Organization will adopt this standard in fiscal year 2024 and is evaluating the impact of the adoption on their financial statements.

**Subsequent events** – Subsequent events are events or transactions that occur after the statement 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 statement 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 statement of financial position but arose after the statement of financial position date and before the financial statements are available to be issued.

The Organization has evaluated subsequent events through November 17, 2023, which is the date the financial statements were available for issuance.

**Reclassifications** – Certain amounts in the 2022 financial statements have been reclassified to conform to the 2023 classifications. These reclassifications have no effect on net assets and are not material to the financial statements.

## Note 3 – Receivables

**Receivables from related institutions and cemetery sales** – Cemetery receivables are receivables for purchases of interment spaces, memorials, and services by patrons on installment accounts with repayment terms generally up to five years. Parish billings are receivables for amounts owed to the Organization by parishes and schools and include items such as diocesan assessments, medical insurance, property insurance, property taxes, clergy support, and parish services. Receivables from other institutions are for amounts owed to the Organization related to expenses incurred on the other's behalf in which the Organization is owed reimbursement. With the exception of cemetery receivables, all receivables are due and collectible within 12 months of the fiscal year end.

Receivables from related institutions and cemetery sales consisted of the following as of June 30:

| | 2023 | 2022 |
|---|---|---|
| Cemetery receivables, net of allowance of $195,000 and $187,532 as of June 30, 2023 and 2022, respectively | $ 31,721,327 | $ 31,499,215 |
| Parish billings, net of allowance of $50,000 and $259,481 as of June 30, 2023 and 2022, respectively | 1,394,941 | 552,542 |
| Receivables from other institutions | 1,351,880 | 583,635 |
| Total receivables from other related institutions and cemetery sales, net | $ 34,468,148 | $ 32,635,392 |

Cemetery receivables as of June 30, 2023, are expected to be collected as follows:

| | |
|---|---|
| Years Ending June 30, | |
| 2024 | $ 12,734,567 |
| 2025 | 7,626,814 |
| 2026 | 6,105,003 |
| 2027 | 3,518,978 |
| 2028 | 1,349,833 |
| Thereafter | 581,132 |
| Total | 31,916,327 |
| Less: allowance for doubtful accounts | (195,000) |
| Total | $ 31,721,327 |

**Loans receivable from parishes and schools** – At June 30, 2023, loan maturities ranged from December 2026 through December 2046. At June 30, 2023 and 2022, the Organization had the following amounts due from various parishes and schools:

| | 2023 | 2022 |
|---|---|---|
| Parish and school loans | $ 14,216,180 | $ 15,001,608 |
| Less: allowance for doubtful accounts | (215,000) | (1,037,007) |
| Total loans receivable from parishes and schools, net | $ 14,001,180 | $ 13,964,601 |

Loans receivable from parishes and schools as of June 30, 2023, are expected to be collected as follows:

| | |
|---|---|
| Years Ending June 30, | |
| 2024 | $ 686,641 |
| 2025 | 790,710 |
| 2026 | 604,737 |
| 2027 | 665,070 |
| 2028 | 689,787 |
| Thereafter | 10,779,235 |
| Total | $ 14,216,180 |

**Loans receivable from related institutions** – The Organization made loans to CCOC, a related party, to facilitate the purchase of their owner-occupied property. The Organization made loans to two parishes to facilitate the purchase of owner-occupied properties.

At June 30, 2023 and 2022, the Organization had the following amounts due from related institutions:

| | 2023 | 2022 |
|---|---|---|
| Catholic Charities of Orange County | $ 60,601 | $ 129,854 |
| Other parishes and institutions | 696,392 | 814,796 |
| | 756,993 | 944,650 |
| Less: allowance for doubtful accounts | (15,000) | (76,977) |
| Total loans receivable from related institutions, net | $ 741,993 | $ 867,673 |

Loans receivable from related institutions as of June 30, 2023, are expected to be collected as follows:

| Years Ending June 30, | |
|---|---|
| 2024 | $ 202,181 |
| 2025 | 51,257 |
| 2026 | 30,750 |
| 2027 | 32,162 |
| 2028 | 33,640 |
| Thereafter | 407,003 |
| Total | $ 756,993 |

### Note 4 – Investments and Fair Value Measurements

The following table summarizes financial assets measured at fair value on a recurring basis as of June 30, 2023:

| | Fair Value Measurements at June 30, 2023 | | | | |
|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Net Asset Value or Equivalent | Total |
| Fair value investments | | | | | |
| Cash and cash equivalents | $ 9,904,394 | $ - | $ - | $ - | $ 9,904,394 |
| Fixed-income obligations | | | | | |
| Corporate | - | 9,400,163 | - | - | 9,400,163 |
| Foreign | - | 1,777,654 | - | - | 1,777,654 |
| U.S. government | - | 8,820,411 | - | - | 8,820,411 |
| Common stocks and equities | | | | | |
| Domestic | 75,407,693 | - | - | - | 75,407,693 |
| International | 23,790,600 | - | - | - | 23,790,600 |
| Mutual funds | | | | | |
| Domestic | 115,732,984 | - | - | - | 115,732,984 |
| International | 97,207,914 | - | - | - | 97,207,914 |
| Alternative investments | | | | | |
| Commingled trust | - | - | - | 24,268,566 | 24,268,566 |
| Hedge funds | | | | | |
| Fund of funds | - | - | - | 39,614,533 | 39,614,533 |
| Credit/event-driven | - | - | - | 99,794 | 99,794 |
| Private equity | | | | | |
| Secondaries | - | - | - | 2,053,328 | 2,053,328 |
| Buyouts | - | - | - | 10,516,308 | 10,516,308 |
| Distressed | - | - | - | 2,555,993 | 2,555,993 |
| Fund of funds | - | - | - | 845,167 | 845,167 |
| Venture capital | | | | 4,219,579 | 4,219,579 |
| Real estate | - | - | - | 2,387,093 | 2,387,093 |
| Total fair value investments | $ 322,043,585 | $ 19,998,228 | $ - | $ 86,560,361 | $ 428,602,174 |

The following table summarizes financial assets measured at fair value on a recurring basis as of June 30, 2022:

| | Fair Value Measurements at June 30, 2022 | | | | |
|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Net Asset Value or Equivalent | Total |
| Fair value investments | | | | | |
| Cash and cash equivalents | $ 13,654,461 | $ - | $ - | $ - | $ 13,654,461 |
| Fixed-income obligations | | | | | |
| Corporate | - | 9,684,482 | - | - | 9,684,482 |
| Foreign | - | 1,588,728 | - | - | 1,588,728 |
| U.S. government | - | 7,956,090 | - | - | 7,956,090 |
| Common stocks and equities | | | | | |
| Domestic | 58,266,472 | - | - | - | 58,266,472 |
| International | 24,008,926 | - | - | - | 24,008,926 |
| Mutual funds | | | | | |
| Domestic | 113,730,262 | - | - | - | 113,730,262 |
| International | 69,121,895 | - | - | - | 69,121,895 |
| Alternative investments | | | | | |
| Common stocks and equities | | | | | |
| International | - | - | - | 15,044,952 | 15,044,952 |
| Commingled trust | - | - | - | 24,483,089 | 24,483,089 |
| Hedge funds | | | | | |
| Fund of funds | - | - | - | 38,220,649 | 38,220,649 |
| Credit/event-driven | - | - | - | 146,655 | 146,655 |
| Private equity | | | | | |
| Secondaries | - | - | - | 1,834,786 | 1,834,786 |
| Buyouts | - | - | - | 9,314,921 | 9,314,921 |
| Distressed | - | - | - | 1,964,075 | 1,964,075 |
| Fund of funds | - | - | - | 5,449,103 | 5,449,103 |
| Real estate | - | - | - | 2,199,573 | 2,199,573 |
| Total fair value investments | $ 278,782,016 | $ 19,229,300 | $ - | $ 98,657,803 | $ 396,669,119 |

The following table represents the liquidity and redemption restrictions for the alternative investments valued at NAV or its equivalent as of June 30, 2023:

| | Fair Value | Redemption Frequency | Redemption Notice Period | Other Restrictions | Investment Strategy | Unfunded Capital |
|---|---|---|---|---|---|---|
| Alternative investments | | | | | | |
| Commingled trust | $ 24,268,566 | Weekly | 10 days | None | [1] | $ - |
| Hedge funds | | | | | [2] | |
| Fund of funds | 39,614,533 | Quarterly | 90-95 days | None | [2a] | - |
| Credit/event-driven | 99,794 | Quarterly | 65 days (180 days for full redemption) | 25% per quarter w/ 65 days notice; 5% fee for full redemption | [2b] | - |
| Private equity | | | | | [3] | |
| Secondaries | 2,053,328 | Redemption not available | N/A | None | [3a] | 2,368,523 |
| Buyouts | 10,516,308 | Up to 10 yr lock up | N/A | Possible 3 yr extension | [3b] | 2,106,067 |
| Distressed | 2,555,993 | 10 yr lock up | N/A | Possible 2 yr extension | [3c] | 1,797,757 |
| Fund of funds | 845,167 | Redemption not available | N/A | None | [3d] | 9,986,000 |
| Venture capital | 4,219,579 | Redemption not available | N/A | None | [3e] | 844,480 |
| Real estate | 2,387,093 | Redemption not available | N/A | None | [3f] | 700,993 |
| | $ 86,560,361 | | | | | $ 17,803,820 |

[1] Commingled trust funds look to add un-correlated returns with the other fixed-income funds as well as additional yield. The Organization is invested in one fund, which is invested primarily in high-yield debt and private loans.

[2] Hedge funds are an asset class that looks to provide downside protection for a portfolio as they try to achieve superior risk adjusted returns. Hedge funds are generally established as a limited partnership where the investors are buying a share of the partnership. Hedge funds can generally use leverage and have the ability to hold both long and short positions. Hedge funds are included in the portfolio with the goal of stabilizing returns in the securities and fixed-income investments.

[2a] Fund of funds is a subset of the hedge fund category. A fund of funds is a hedge fund that invests in other hedge funds. This allows for further diversification, as the investor now has an indirect investment in a number of individual hedge funds. The objective of the funds is to achieve capital appreciation through investments in portfolios of domestic and international equities as well as distressed and arbitrage securities.

[2b] Credit/event-driven hedge funds are similar to long/short equity hedge funds except they are not focused solely on equity securities, but rather have the ability to invest in credit and other fixed-income securities. The focus of event-driven strategies is to find “special situations” in the market and purchase securities to attempt to take advantage of those situations (distressed companies, takeovers, mergers, etc.).

[3] Private equity funds are buying companies that are not publicly traded on a stock exchange. Private equity funds are usually a long-term investment and the strategies are generally illiquid.

[3a] Secondary private equity funds look to buy and sell pre-existing investor commitments to other private equity and alternative investment funds. The negotiations are privately negotiated, as there is not an active market for secondary interest in private equity funds. The funds the Organization is invested in invest directly or indirectly with other entities in privately negotiated investments in the secondary market.

[3b] The private equity buyout funds look to purchase private operating companies. These funds invest directly or indirectly in private companies doing business domestically and globally. These investments do not imply minority or majority ownership in the acquired company.

[3c] Distressed private equity funds look to take positions (both equity and debt) in companies with distressed balance sheets. These can range from a complete takeover to a cash infusion to gain equity ownership until the company is at a more stable state.

[3d] Fund of funds is a subset of the portfolio's investment in private equity and included as a means of stabilizing return. These funds invest in distressed companies, real estate, and real estate-related debt in the U.S. and globally. One fund representing 74% of total is not redeemable.

[3e] Venture capital funds involve providing funding to early-stage companies with high growth potential in exchange for equity. The primary goal is to achieve significant returns on investment by identifying and supporting innovative and scalable startups with a focus on sectors or industries with promising growth prospects.

[3f] Real estate private equity funds are buying companies that are not publicly traded on a stock exchange.

The following schedule summarizes investment program income (loss) recognized in the statements of activities for the years ended June 30, 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| Net realized and unrealized gains (losses) | $ 22,194,947 | $ (66,392,201) |
| Interest and dividends | 9,146,625 | 6,914,830 |
| Other, net | 1,222,881 | 87,118 |
| Less: investment expenses | (1,532,955) | (2,086,568) |
| Total | $ 31,031,498 | $ (61,476,821) |

**Note 5 – Cemetery Inventory**

At June 30, 2023 and 2022, inventory consisted of cemetery property available for sale and under development and land for future development:

| | 2023 | 2022 |
|---|---|---|
| Internment | $ 18,442,049 | $ 21,226,751 |
| Work-in-process | 1,019,657 | 796,744 |
| Undeveloped land | 657,745 | 657,745 |
| Total cemetery inventory | $ 20,119,451 | $ 22,681,240 |

At the time finished cemetery inventory (i.e., graves, lawn crypts, mausoleum crypts, cremation niches) is sold, cemetery inventory is relieved. No cost of sales or inventory reduction is recorded upon the sale of pre-developed inventory. When pre-developed inventory is completed and the total development cost is known and allocated over the available inventory, the appropriate costs of sales and inventory transactions are recognized.

**Note 6 – Property, Equipment, and Improvements**

A summary of property, equipment, and improvements at June 30, 2023 and 2022, is as follows:

| | 2023 | 2022 |
|---|---|---|
| Land, buildings, and improvements | $ 54,430,051 | $ 70,657,114 |
| Furniture, fixtures, and equipment | 11,570,427 | 10,496,290 |
| Construction in progress | 12,149,840 | 9,513,612 |
| | 78,150,318 | 90,667,016 |
| Less: accumulated depreciation and amortization | (30,920,074) | (28,072,822) |
| Total property, equipment, and improvements, net | $ 47,230,244 | $ 62,594,194 |

In April 2022, the Organization purchased land for approximately $5,500,000 from a member of the finance council (a related party). The purchase price was considered market rate at the time of purchase.

In June 2017, the Organization obtained rights to the land and building of St. Catherine of Siena ("St. Catherine") valued at $7,400,000 and $9,580,000, respectively. St. Catherine and the Organization entered into a settlement agreement whereby the property owned by St. Catherine was transferred to the Organization and the three loans due from St. Catherine were restructured. In October 2020, the Organization and St. Catherine entered into an amendment to the settlement agreement which stated that an additional loan of $1,372,000 was added into the existing outstanding debt owed to the Organization. The loans continued to accrue interest at a rate of 2% and St. Catherine continued to have the option to repay the outstanding loans and accrued interest in order for the property to be transferred back to St. Catherine. The Organization had the right to sell the property and pay to St. Catherine the net proceeds of the sale after deducting the total outstanding loans and accrued interest as well as other costs incurred in connection with the sale.

In December 2022, the land and building were sold for $23,000,000. At the time of sale, the total outstanding loans and accrued interest totaled approximately $16,100,000. The net proceeds of $6,600,000 were transferred to St. Catherine. The Organization recorded a gain on the sale of $465,470 in the statement of activities for the year ended June 30, 2023.

**Note 7 – Investments Held in Trust for Others**

The Trust was established during 2011 to facilitate the operation and administration of the deposit and loan activities on behalf of the parishes and schools. Included in the Organization's investment pool are monies from the Trust held by the Organization for the purpose of providing investment management and technical assistance. A liability is recorded at the estimated fair value of assets deposited with the Organization by the Trust. Investment funds held in trust for others at June 30, 2023 and 2022, were $244,144,303 and $234,456,043, respectively.

**Note 8 – Note Payable**

In July 2016, the Organization purchased from CCCFC all unsold Cathedral Memorial Gardens inventory on the Christ Cathedral campus grounds. The purchase was financed by a loan payable to CCCFC totaling $1,278,334. The loan has an interest rate of 3% and a maturity date of June 1, 2036. As of June 30, 2023 and 2022, the amount of principal outstanding was $912,644 and $969,202, respectively.

**Note 9 – Priests' Pension and Post-Retirement Benefits**

The Organization sponsors a defined-benefit pension plan for all priests who are incardinated or ordained in the Diocese of Orange. Although this defined-benefit pension plan is exempt from the funding requirements of ERISA, it has been the policy of the Organization to make contributions annually based on actuarial principles. The Organization also sponsors a post-retirement medical plan for retired priests. The post-retirement medical plan pays medical costs not covered by Parts A and B of Medicare. The post-retirement medical plan also reimburses a priest's contribution for Part B expenses. The post-retirement plan has no trust fund assets.

The annual measurement date is June 30 for the pension benefits and other post-retirement benefits. The following tables provide further information about the Organization’s pension and post-retirement benefit plans:

| | |
|---|---|
| Projected benefit obligation at June 30, 2021 | $ 30,568,000 |
| Loss due to July 1 re-measurement | 264,000 |
| Increase (decrease) due to | |
| Service cost | 1,137,000 |
| Interest cost | 838,000 |
| Actual benefit payments | (1,109,000) |
| Administrative expenses | (86,000) |
| Gain during the year due to change in assumptions | (7,118,000) |
| Projected benefit obligation at June 30, 2022 | 24,494,000 |
| Loss due to July 1 re-measurement | 67,000 |
| Increase (decrease) due to | |
| Service cost | 802,000 |
| Interest cost | 1,107,000 |
| Actual benefit payments | (1,239,000) |
| Administrative expenses | (90,000) |
| Gain during the year due to change in assumptions | (1,686,000) |
| Projected benefit obligation at June 30, 2023 | $ 23,455,000 |

The funded status of the pension and post-retirement plans and the net amount recognized in the Organization’s statements of financial position at June 30 were as follows:

| | Pension Benefits | | Post-Retirement Benefits | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Projected benefit obligation | $ 23,455,000 | $ 24,494,000 | $ 16,451,000 | $ 17,777,000 |
| Plan assets at fair value | (18,217,000) | (15,094,000) | - | - |
| Under-funded status | $ 5,238,000 | $ 9,400,000 | $ 16,451,000 | $ 17,777,000 |

Amounts recognized as total priests’ pension/post-retirement benefits accrual in the statements of financial position consisted of $21,689,000 and $27,177,000 at June 30, 2023 and 2022, respectively.

The accumulated benefit obligation for the defined benefit pension plan was $23,455,000 and $19,043,000 at June 30, 2023 and 2022, respectively.

The pension and post-retirement plans' pension expense, pension benefits paid, and employer contributions for the years ended June 30, 2023 and 2022, are as follows:

| | Pension Benefits | | Post-Retirement Benefits | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Net pension expense | $ 1,214,000 | $ 1,127,000 | $ - | $ - |
| Pension/post-retirement benefits paid | $ 1,239,000 | $ 1,109,000 | $ 530,000 | $ 572,000 |
| Employer contributions | $ 3,040,000 | $ 1,218,000 | $ 530,000 | $ 572,000 |
| Net post-retirement expense | $ - | $ - | $ 1,559,000 | $ 2,138,000 |

Other changes in plan assets and benefit obligations recognized in net assets without donor restrictions at June 30 are as follows:

| | Pension Benefits | | Post-Retirement Benefits | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Net gain | $ (2,129,000) | $ (3,208,000) | $ (2,355,000) | $ (7,222,000) |
| Amortization of prior service cost | (207,000) | (207,000) | - | - |
| Amortization of gain | - | - | - | (354,000) |
| Total | $ (2,336,000) | $ (3,415,000) | $ (2,355,000) | $ (7,576,000) |

Amounts recognized as net assets without donor restrictions in the statements of activities for the years ended June 30, 2023 and 2022, are as follows:

| | Pension Benefits | Post-Retirement Benefits |
|---|---|---|
| Amount recognized as of June 30, 2022 | $ (72,000) | $ (781,000) |
| Total recognized during the year | (2,336,000) | (2,355,000) |
| Amount recognized as of June 30, 2023 | $ (2,408,000) | $ (3,136,000) |

Weighted-average assumptions used in the accounting for the Organization's pension and post-retirement benefit plans were:

| | Pension Benefits | | Post-Retirement Benefits | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Weighted-average assumptions used to determine benefit obligations at June 30 | | | | |
| Discount rate | 5.2% | 4.6% | 5.2% | 4.7% |
| Assumed future annual benefit increases | 2.0% | 2.0% | - | - |
| Health care cost trend | - | - | 5.1% | 5.2% |
| Other post-employment benefits trend rate | - | - | 3.5% | 3.5% |
| Weighted-average assumptions used to determine net periodic benefit cost for the years ended June 30 | | | | |
| Discount rate | 4.6% | 2.8% | 4.7% | 2.9% |
| Expected long-term rate of return on assets | 6.0% | 6.0% | - | - |
| Assumed future annual benefit increases | 2.0% | 2.0% | - | - |
| Health care cost trend | - | - | 5.1% | 5.2% |
| Other post-employment benefits trend rate | - | - | 3.5% | 3.5% |

**Expected long-term asset return assumption** – The Organization employs a methodical process to determine the estimates of expected long-term rate of return on assets. These estimates are primarily driven by actual historical asset-class returns and advice from external actuarial consulting firms while incorporating specific asset-class risk factors.

**Plan asset investment strategy and allocation** – The asset allocation for the pension plan as of June 30, 2023 and 2022, and the target allocation, by asset category, are:

| | Diocesan-Approved Asset Allocation Range | Policy Benchmark Asset Allocation | Actual Percentage of Plan Assets | |
|---|---|---|---|---|
| | | | 2023 | 2022 |
| Class | | | | |
| Equities | 35 to 75% | 60% | 63% | 63% |
| Fixed income | 25 to 60% | 40% | 35% | 36% |
| Cash | 0 to 25% | 0% | 2% | 1% |

**Investment policy** – The investment policy of the Organization for all assets held for investment is designed to meet the Organization's primary goal of capital preservation combined with the objective of achieving reasonable income and capital growth, while showing a preference toward those companies which have manifested a particular consideration for the social good.

**Investment hierarchy** – The plan assets are measured at fair value on a recurring basis and are classified as Level 1 pursuant to the valuation hierarchy.

The plan assets were classified as follows as of June 30:

| | 2023 | 2022 |
|---|---|---|
| Plan assets | | |
| Investments | | |
| Cash and cash equivalents | $ 275,393 | $ 196,000 |
| Common stock | | |
| Domestic | 3,673,163 | 2,997,000 |
| International | 441,247 | 370,000 |
| Mutual funds | | |
| Equities | | |
| Domestic | 4,452,511 | 3,768,000 |
| International | 2,932,647 | 2,285,000 |
| Fixed income | | |
| Domestic | 6,442,039 | 5,478,000 |
| Total | $ 18,217,000 | $ 15,094,000 |

The Organization expects to contribute $2,150,000 to its pension plan and $0 to its other post-retirement benefit plan during the year ending June 30, 2024.

**Estimated future benefit payments** – The following benefit payments which reflect expected future service, as appropriate, are expected to be paid:

| | Pension Benefits | Post-Retirement Benefits |
|---|---|---|
| Years Ending June 30, | | |
| 2024 | $ 1,249,000 | $ 539,000 |
| 2025 | 1,460,000 | 642,000 |
| 2026 | 1,433,000 | 645,000 |
| 2027 | 1,424,000 | 668,000 |
| 2028 | 1,426,000 | 701,000 |
| 2029–2033 | 7,085,000 | 3,987,000 |
| | $ 14,077,000 | $ 7,182,000 |

### Note 10 – Net Assets

Net assets without donor restrictions include the following at June 30:

| | 2023 | 2022 |
|---|---|---|
| Net assets without donor restrictions, undesignated | $ 35,204,107 | $ 9,165,302 |
| Insurance reserves | 97,849,238 | 94,979,892 |
| Plant | 47,230,244 | 62,594,194 |
| Cemetery care | 69,154,818 | 62,362,753 |
| Other | 404,118 | 1,204,384 |
| Priest retirement and relief | 249,120 | 249,120 |
| Emergency parish relief | 199,855 | 199,855 |
| Bishop discretionary funds | 189,316 | 193,255 |
| Catholic education | 728,530 | 137,046 |
| Total net assets without donor restrictions, designated | 216,005,239 | 221,920,499 |
| Total net assets without donor restrictions | $ 251,209,346 | $ 231,085,801 |

Net assets with donor restrictions include the following at June 30:

| | 2023 | 2022 |
|---|---|---|
| Net assets with donor restrictions, restricted by purpose or time | | |
| Catholic education grants and assistance | $ 12,198,084 | $ 12,821,384 |
| Pastoral Services Appeal | 7,713,829 | 8,019,338 |
| Our Lady of La Vang Shrine campaign | 1,949,277 | 1,949,277 |
| Construction projects | 1,784,192 | 1,784,192 |
| Endowment appreciation and income, not appropriated | 772,387 | 769,702 |
| Parishes in need | 861,510 | 511,915 |
| Other | 477,218 | 168,353 |
| Total net assets restricted by purpose or time | 25,756,497 | 26,024,161 |
| Net assets with donor restrictions, held in perpetuity | | |
| Bishop McFarland Trust | 2,670,497 | 2,670,497 |
| Seminarian endowment | 204,989 | 204,989 |
| Total net assets held in perpetuity | 2,875,486 | 2,875,486 |
| Total net assets with donor restrictions | $ 28,631,983 | $ 28,899,647 |

The Bishop McFarland Trust is restricted for future scholarships for students pursuing Catholic, faith-based work. The seminarian endowment was established to support the educational costs of seminarians within the Roman Catholic Diocese of Orange.

Net assets with donor restrictions were released for the following purposes:

| | 2023 | 2022 |
|---|---|---|
| Catholic education grants and assistance | $ 3,268,692 | $ 3,459,416 |
| Our Lady of La Vang Shrine campaign | - | 3,176,326 |
| Pastoral Services Appeal | 2,187,551 | 1,217,918 |
| Bishop McFarland Endowment, appropriated for expenditure | 120,000 | 120,000 |
| Parishes in need | 21,014 | - |
| Total | $ 5,597,257 | $ 7,973,660 |

**Note 11 – Endowment Funds**

**Interpretation of relevant law** – The Organization has interpreted the California Uniform Prudent Management of Institutional Funds Act (CUPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies net assets with donor restrictions as (a) the original value of gifts donated to the endowment; (b) the original value of subsequent gifts to the endowment; (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund; and (d) earnings on endowment funds invested until appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by CUPMIFA. In accordance with CUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

a. The duration and preservation of the fund

b. The purposes of the Organization and the donor-restricted endowment fund

c. General economic conditions

d. The possible effect of inflation and deflation

e. The expected total return from income and the appreciation of investments

f. Other resources of the Organization

g. The investment policies of the Organization

**Spending policy and how the investment objectives relate to the spending policy** – The endowment fund has a spending policy of appropriating net income earned on the investment of these funds for distribution according to the instructions of the donor at the time the gift is made. The original value of the gifts donated to the endowment are held in perpetuity and any earnings are classified as net assets with donor restrictions until appropriated for expenditure.

Specific to a bequest contribution, an annual spending percentage was established initially at 5% based on the average value of the endowment assets for the year.

**Investment policy** – The endowment funds are invested as instructed by donors or with the investment policies of the Organization and are designed to meet the Organization's primary goal of capital preservation combined with the objective of achieving reasonable income and capital growth while showing a preference toward those companies that have manifested a particular consideration for the social good.

The classification of the endowment assets was as follows:

| | Without Donor Restrictions | Accumulated Gains/(Losses) | Original Gift Held in Perpetuity | Total |
|---|---|---|---|---|
| Endowment net assets, July 1, 2021 | $ - | $ 1,240,246 | $ 2,875,486 | $ 4,115,732 |
| Investment loss | - | (350,544) | - | (350,544) |
| Amounts appropriated for expenditure | - | (120,000) | - | (120,000) |
| Endowment net assets, June 30, 2022 | - | 769,702 | 2,875,486 | 3,645,188 |
| Investment gain | - | 207,701 | - | 207,701 |
| Amounts appropriated for expenditure | - | (205,016) | - | (205,016) |
| Endowment net assets, June 30, 2023 | $ - | $ 772,387 | $ 2,875,486 | $ 3,647,873 |

There are no endowment funds designated by the Bishop as of June 30, 2023 and 2022.

**Note 12 – Grants, Donations, and Scholarship Expenses**

The Organization makes grants, donations, and provides scholarships to the parishes and schools of the Roman Catholic Bishop of Orange and to various other organizations.

A summary of these grants and donations is as follows:

| | 2023 | 2022 |
|---|---|---|
| Grants to CCCFC to pay down campus acquisition debt | $ 10,000,000 | $ - |
| Other grants, donations, and scholarships | 607,801 | 607,368 |
| Assistance grants to parishes and schools | 1,666,667 | 750,000 |
| PSA grant (priest pension) | 2,650,000 | 1,217,918 |
| High school scholarships | 500,000 | 630,000 |
| Parishes and schools in need | 3,318,692 | 3,842,000 |
| Total | $ 18,743,160 | $ 7,047,286 |

### Note 13 – Self-Insurance Funds

The Organization and various institutions of the Roman Catholic Bishop of Orange are partially self-insured with respect to their general liability coverage through their participation with other dioceses in several western states in a risk retention group, which is incorporated in Vermont. The Organization is also insured up to shared limits with respect to its earthquake insurance coverage through its participation with other dioceses in the California Interdiocesan Earthquake Insurance pooling agreement. Reserves for the losses at the parishes and schools are maintained at the Organization within the investment pool for all centralized risk management programs. The Organization believes that amounts designated by the Bishop as insurance reserves within net assets without donor restrictions are adequate, and there are sufficient assets available to cover the non-designated net assets. There was $97,849,238 and $94,979,892 designated at June 30, 2023 and 2022, respectively. As of June 30, 2023 and 2022, the Organization is not aware of any specific claims in excess of the combined self-insurance and insured limits. See Note 14.

### Note 14 – Litigation and Legal Expenses

The Organization is involved in various lawsuits relating to claims of alleged sexual misconduct and other matters. On October 13, 2019, California Governor Gavin Newsom signed Assembly Bill 218 (AB 218) into law. AB 218 took effect on January 1, 2020, and had several impacts on sexual misconduct claims including a lengthened statute of limitations, the revival of previously barred claims, and the allowance for recovery of treble damages against defendants who are found to have covered up the sexual assault of a minor. Subsequent to January 1, 2020, the Organization has seen an increase in the number of claims made against the Diocese of Orange. The Organization, in consultation with their attorneys, does not believe these matters are both probable and able to be estimated and have, and therefore, not recorded an accrual related to potential future losses. However, the net assets without donor restrictions at June 30, 2023 and 2022, include amounts designated by the Bishop as insurance reserves to cover future losses. Designated amounts are based on management’s estimates and it is reasonably possible that a change in estimate could occur in the near term and could be material to the financial statements. Legal settlements are funded by unrestricted funds generated from the investment portfolio. Donor-restricted funds are never used for reasons other than what the donor intended. See Note 13.

### Note 15 – Employee Benefit Plan

The Organization has a defined-contribution plan (the “Plan”) under Section 403(b) of the Internal Revenue Code, covering all employees of the Organization who are at least 18 years of age. The Organization does not match participants’ contributions. Participants are, at all times, fully vested in their contributions. The Organization retains the right, by action of the Bishop of Orange, to amend, modify, or terminate the Plan.

## Note 16 – Lay Employees' Pension Plan

The Organization has a non-contributory money purchase pension plan (defined contribution) for all lay employees (including parishes, schools, and cemeteries) who have completed one year of service and are at least 18 years of age. Annual contributions to the plan were 5% of the compensation of all eligible lay employees during the years ended June 30, 2023 and 2022. Benefits vest based on periods of service and are measured in 12-month increments starting with date of hire. Vesting begins after one period of service is completed and benefits are fully vested after five periods of service. Total contributions for the Organization's employees for the years ended June 30, 2023 and 2022, were $719,075 and $674,813, respectively.

## Note 17 – Leases

The Organization's offices are located at the campus of Christ Catholic Cathedral (the "Campus"). CCCFC holds title to the Campus. It leases the entire property to the Organization under a master lease agreement. In 2013, the Organization entered into a 10-year lease with the CCCC for administrative offices within the Pastoral Center located on the Campus. Effective July 1, 2016, the Organization and related parties CCCFC and CCCC entered into an agreement whereby CCCC assigned all of its rights to lease the Campus property from CCCFC to the Organization. In January 2021, the lease agreement was amended. Under the terms of the amended lease, the lease expires on June 30, 2030, and the Organization has the option to extend the term of the lease for six five-year periods. The Organization is reasonably certain it will exercise its option to extend for all six of the five-year periods. The Organization is required to pay CCCFC a monthly base rent of $190,385 through June 30, 2025. Effective July 1, 2025, the base rent shall be adjusted to reflect 90% of the fair value of the Campus. When the actual payments are known, the Organization will not remeasure the lease payments. Instead, any changes will be considered a period cost during the period in which they are incurred.

The components of the lease expense for the year ended June 30, 2023, were as follows:

| | |
|---|---|
| Lease expense | |
| Operating lease expense | $ 2,284,620 |
| Short-term lease expense | 44,570 |
| Total lease expense | $ 2,329,190 |

The following table provides supplemental information related to the Organization's operating lease as of June 30, 2023:

| | |
|---|---|
| Cash paid for amounts included in the measurement of lease liabilities | |
| Operating cash flows from operating leases | $ 2,284,620 |
| ROU assets obtained in exchange for new operating lease liabilities | $ 48,778,039 |
| Weighted-average remaining lease term in years for operating leases | 37.00 |
| Weighted-average discount rate for operating leases | 3.30% |

The undiscounted cash flows for future maturities of the Organization's operating lease liabilities and the reconciliation of the undiscounted cash flows to the operating lease liabilities recognized in the statement of financial position are as follows:

| | |
|---|---|
| Years Ending June 30, | |
| 2024 | $ 2,284,620 |
| 2025 | 2,284,620 |
| 2026 | 2,284,620 |
| 2027 | 2,284,620 |
| 2028 | 2,284,620 |
| Thereafter | 70,823,220 |
| Total undiscounted cash flows | 82,246,320 |
| Less: present value discount | (34,153,529) |
| Total lease liabilities | $ 48,092,791 |

As we have not restated prior-year information for our adoption of ASC 842, total operating lease rental expense under ASC Topic 840, *Leases*, for the year ended June 30, 2022, was approximately $2,285,000. As previously disclosed, the minimum future lease payments under noncancelable leases under the previous lease guidance as of June 30, 2022, was:

| | |
|---|---|
| Years Ending June 30, | |
| 2023 | $ 2,284,620 |
| 2024 | 2,284,620 |
| 2025 | 2,284,620 |
| Total | $ 6,853,860 |

As the variable rent amount, which starts on July 1, 2025, is considered a contingent rental under FASB ASC 840, it is not included in the future minimum lease payments above.

**Note 18 – Liquidity and Availability of Financial Assets**

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities, cemetery sales receivables, and receivables from parishes and institutions. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The table below presents financial assets available for general expenditures within one year at June 30, 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| Financial assets at year end | | |
| Cash and cash equivalents | $ 68,730,040 | $ 54,022,128 |
| Receivables, net | 49,211,321 | 47,467,666 |
| Investments | 428,592,229 | 396,669,119 |
| Total financial assets | 546,533,590 | 498,158,913 |
| Less: amounts unavailable for general expenditures within one year | | |
| Illiquid alternative investments | (22,577,468) | (20,762,458) |
| Investments held for endowments | (2,875,486) | (2,875,486) |
| Investments held in trust for others | (244,144,303) | (234,456,043) |
| Receivables – due after one year | (33,266,111) | (33,657,909) |
| Financial assets not available to be used within one year | (302,863,368) | (291,751,896) |
| Financial assets available to meet cash needs for general expenditures within one year | $ 243,670,222 | $ 206,407,017 |