

**Central Administrative Office of the  
Roman Catholic Diocese of San Jose**

Financial Statements

June 30, 2024  
(With Comparative Totals for 2023)



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## INDEPENDENT AUDITOR'S REPORT

Most Reverend Oscar Cantú  
Central Administrative Office of the Roman Catholic Diocese of San  
Jose

### **Opinion**

We have audited the accompanying financial statements of Central Administrative Office of the Roman Catholic Diocese of San Jose (the "CAO"), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central Administrative Office of the Roman Catholic Diocese of San Jose as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Central Administrative Office of the Roman Catholic Diocese of San Jose and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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 Central Administrative Office of the Roman Catholic Diocese of San Jose'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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 Central Administrative Office of the Roman Catholic Diocese of San Jose'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 Central Administrative Office of the Roman Catholic Diocese of San Jose'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.

#### **Report on Summarized Comparative Information**

We have previously audited Central Administrative Office of the Roman Catholic Diocese of San Jose's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 20, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Amanino LLP*

Dallas, Texas

July 7, 2025

Central Administrative Office of the Roman Catholic Diocese of San Jose  
 Statement of Financial Position  
 June 30, 2024  
 (With Comparative Totals for 2023)

	2024	2023
<b>ASSETS</b>		
Cash and cash equivalents	\$ 36,037,782	\$ 28,042,203
Investments - Held for Parishes and Institutions	101,395,114	93,970,211
Investments - Held for CAO	71,457,111	68,029,106
Accounts receivable, net	6,945,631	8,067,214
Pledges receivable, net	1,432,077	1,369,544
Charitable remainder trust	1,632,831	2,405,722
Deposits and prepaid expenses	291,887	218,484
Investments held for long-term purposes	4,463,389	4,463,389
Investments in real estate	45,257,707	47,750,000
Assets held in trust	225,975	232,801
Land, buildings and equipment, net	40,237,301	41,365,895
Other assets	<u>523,192</u>	<u>687,811</u>
 Total assets	 <u><u>\$ 309,899,997</u></u>	 <u><u>\$ 296,602,380</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 6,425,479	\$ 6,751,994
Pledges payable to parishes	3,004,101	1,240,036
Accrued liabilities	10,138,576	15,214,492
Trust assets held for parishes	225,975	232,801
Held for parishes and institutions	101,395,114	93,970,211
Deferred revenue	8,388,810	8,344,887
Total liabilities	<u>129,578,055</u>	<u>125,754,421</u>
 Net assets		
Without donor restrictions	83,404,099	77,163,618
With donor restrictions	<u>96,917,843</u>	<u>93,684,341</u>
Total net assets	<u>180,321,942</u>	<u>170,847,959</u>
 Total liabilities and net assets	 <u><u>\$ 309,899,997</u></u>	 <u><u>\$ 296,602,380</u></u>

The accompanying notes are an integral part of these financial statements.

**Central Administrative Office of the Roman Catholic Diocese of San Jose**  
**Statement of Activities**  
**For the Year Ended June 30, 2024**  
**(With Comparative Totals for 2023)**

	Without Donor Restrictions	With Donor Restrictions	2024 Total	2023 Total
Revenues, gains, and other support				
Gifts, bequests, and collections	\$ 1,567,570	\$ 7,442,956	\$ 9,010,526	\$ 7,847,981
Fees	3,772,966	-	3,772,966	4,360,168
Diocesan assessments	4,844,465	-	4,844,465	4,373,425
Education income	1,463,115	-	1,463,115	1,366,773
Rental income	762,660	102,665	865,325	849,246
Insurance premium income	28,707,961	-	28,707,961	25,158,482
Communications income	69,700	-	69,700	68,792
Grant income	9,000	4,159,000	4,168,000	4,139,350
Other revenue	16,774	-	16,774	92,200
Net assets released from restrictions	<u>13,122,495</u>	<u>(13,122,495)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	<u>54,336,706</u>	<u>(1,417,874)</u>	<u>52,918,832</u>	<u>48,256,417</u>
Functional expenses				
Pastoral ministry	4,859,424	-	4,859,424	4,579,618
Support services	<u>46,743,227</u>	<u>-</u>	<u>46,743,227</u>	<u>41,346,569</u>
Total functional expenses	<u>51,602,651</u>	<u>-</u>	<u>51,602,651</u>	<u>45,926,187</u>
Change in net assets from operations	<u>2,734,055</u>	<u>(1,417,874)</u>	<u>1,316,181</u>	<u>2,330,230</u>
Non-operating				
Bad debt (expense) recovery	(37,625)	-	(37,625)	171,784
Investment returns, net	<u>3,544,051</u>	<u>4,651,376</u>	<u>8,195,427</u>	<u>7,433,427</u>
Total non-operating	<u>3,506,426</u>	<u>4,651,376</u>	<u>8,157,802</u>	<u>7,605,211</u>
Change in net assets	6,240,481	3,233,502	9,473,983	9,935,441
Net assets, beginning of year	77,163,618	93,684,341	170,847,959	147,310,875
Change in accounting principle (lay and priests pension plans)	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,601,643</u>
Beginning net assets, after change in accounting principle	<u>77,163,618</u>	<u>93,684,341</u>	<u>170,847,959</u>	<u>160,912,518</u>
Net assets, end of year	<u>\$ 83,404,099</u>	<u>\$ 96,917,843</u>	<u>\$180,321,942</u>	<u>\$170,847,959</u>

The accompanying notes are an integral part of these financial statements.

**Central Administrative Office of the Roman Catholic Diocese of San Jose**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2024**  
**(With Comparative Totals for 2023)**

	Program Services	Support Services						2024 Total	2023 Total
		Pastoral Ministry	Operating	Fundraising	Priests' Retirement	Insurances	Non- Operational Property	Total Support Services	
Insurance	\$ -	\$ -	\$ -	\$ -	\$ 27,797,618	\$ -	\$ 27,797,618	\$ -	\$ 27,797,618
Compensation and benefits	3,179,299	6,331,312	662,151	935,665	407,143	-	8,336,271	(1,285,915)	10,229,655
Other operating expenses	750,908	2,568,154	302,842	172,652	74,042	382,840	3,500,530	(379,673)	3,871,765
Scholarships and grants	160,519	4,900,406	3,030	-	97,500	-	5,000,936	-	5,161,455
Professional and contracted services	105,347	1,672,992	19,949	22,068	196,853	3,976	1,915,838	-	2,021,185
Information technology	-	553,627	-	-	-	-	553,627	-	553,627
Depreciation	48,298	971,217	-	54,317	-	153,506	1,179,040	-	1,227,338
Hosted events	615,053	101,308	23,449	-	198	-	124,955	-	740,008
	<b>\$ 4,859,424</b>	<b>\$ 17,099,016</b>	<b>\$ 1,011,421</b>	<b>\$ 1,184,702</b>	<b>\$ 28,573,354</b>	<b>\$ 540,322</b>	<b>\$ 48,408,815</b>	<b>\$ (1,665,588)</b>	<b>\$ 51,602,651</b>
									<b>\$ 45,926,187</b>

The accompanying notes are an integral part of these financial statements.

**Central Administrative Office of the Roman Catholic Diocese of San Jose**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2024**  
**(With Comparative Totals for 2023)**

	<u>2024</u>	<u>2023</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 9,473,983	\$ 9,935,441
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Bad debt expense (recoveries)	37,625	346,785
Depreciation	1,227,338	1,226,119
Investment gains	(6,457,826)	(5,303,609)
Change in fair value of charitable remainder trust	772,891	(385,972)
Changes in operating assets and liabilities		
Receivables	1,021,425	(138,283)
Deposits and prepaids	(73,403)	279,097
Accounts payable and pledges payable	1,437,550	801,704
Accrued liabilities	(5,075,916)	(8,354,510)
Held for parishes and institutions	(900,661)	9,368,332
Deferred revenue	43,923	78,454
Other assets	164,619	(687,811)
Net cash provided by operating activities	<u>1,671,548</u>	<u>7,165,747</u>
<b>Cash flows from investing activities</b>		
Purchases of land, buildings, and equipment	(98,744)	(43,299)
Purchases of investments	(3,903,587)	(2,911,453)
Proceeds from sales of investments	<u>10,326,362</u>	<u>3,728,140</u>
Net cash provided by investing activities	<u>6,324,031</u>	<u>773,388</u>
Net increase in cash and cash equivalents	7,995,579	7,939,135
Cash and cash equivalents, beginning of year	<u>28,042,203</u>	<u>20,103,068</u>
Cash and cash equivalents, end of year	<u>\$ 36,037,782</u>	<u>\$ 28,042,203</u>

The accompanying notes are an integral part of these financial statements.

Central Administrative Office of the Roman Catholic Diocese of San Jose  
Notes to Financial Statements  
June 30, 2024  
(With Comparative Totals for 2023)

1. NATURE OF OPERATIONS

The Roman Catholic Bishop of San Jose, a California corporation sole, was incorporated on March 19, 1981, and commenced financial operations on July 1, 1981, as the Roman Catholic Diocese of San Jose ("Diocese"). There are no stockholders, directors, or officers in the Diocese other than the holder of the office of the Bishop of San Jose (the "Bishop"). The Bishop holds title to all assets and is liable for all indebtedness of the Diocese. The title to all assets and the responsibility for all indebtedness passes to the Bishop's successor in office. The financial statements include the program and service activities that are under the direct administrative authority of the Central Administrative Offices (the "CAO"). The geographic territory administered by the Diocese is comprised of the California county of Santa Clara.

The financial statements include only those funds listed below for which the CAO maintains direct operational control. All significant interorganizational and interfund balances and transactions have been eliminated.

Following is a description of the fund groups:

1. Operating - This fund contains the unrestricted pastoral and administrative resources available for the support of the CAO. This includes the land, buildings, and equipment held for operations of the CAO and St. Joseph's Cathedral.
2. Restricted - This fund contains the donor-restricted activities of the CAO.
3. Priests' retirement - This fund has been established to provide support for retired priests. Specific assets have been designated for this purpose from parish payments.
4. Insurance - This fund contains resources held by the CAO to provide centralized benefits and insurance for parishes, schools, and institutions. They are billed for their respective shares of the costs.
5. Investment - This fund contains investments of the CAO, as well as those investments held for parishes and institutions. Note that the CAO investments in the fund are shown in each of the separate CAO funds. Ownership by specific funds or entities is accounted for by utilizing a pooling method based on market values. Revenues and expenses of the pool are reflected as net asset changes in the fund or entity for which the assets are held.
6. Non-Operating Property - This fund contains assets held for sale and for future parishes and institutions, and certain land/assets used for a fee by San Jose Catholic Cemeteries.
7. Invoicing and Payroll Fund - This fund holds the resources that fund the payroll of the Diocese.

The primary sources of revenue for the CAO are donations through the annual appeal, assessment on parish offertory revenue, assessment on cemetery revenue, reimbursements, premiums, and fees.

Central Administrative Office of the Roman Catholic Diocese of San Jose  
Notes to Financial Statements  
June 30, 2024  
(With Comparative Totals for 2023)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

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

For reporting purposes herein, the CAO classifies net assets into two categories according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net assets without donor restrictions* - Consist of resources of the CAO that have not been restricted by a donor. A portion of net assets without donor restriction of the operating fund has been Board-designated for certain initiatives.

*Net assets with donor restrictions* - Consist of cash and other assets received with donor stipulations that limit the use of donated assets. Donor restrictions are stipulated by either a time restriction or a purpose restriction. Upon expiration of a time restriction or completion of a purpose restriction, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restriction. Other net assets with donor restrictions include gifts with donor-imposed restrictions that the original gift amounts be maintained in perpetuity as an endowment, with only the income to be used to support operations or another specified purpose. Such undistributed earnings from donor-restricted endorsements remain as net assets with donor restrictions until appropriated for current year operations and utilized in accordance with their purpose restriction (if any), at which they become net assets without donor restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restriction or by law. Expirations of restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as transfers between the applicable classes of net assets.

Cash and cash equivalents

All highly liquid debt instruments purchased with a maturity of three months or less are considered cash equivalents and may include short-term commercial paper and repurchase agreements. The cash and cash equivalents balances held in financial institutions at June 30, 2024 and 2023 exceeded federal depository insurance coverage. The CAO has not experienced any losses in such accounts.

Central Administrative Office of the Roman Catholic Diocese of San Jose  
Notes to Financial Statements  
June 30, 2024  
(With Comparative Totals for 2023)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentration of credit risk

Financial instruments that potentially subject the CAO to concentrations of credit risk consist principally of cash and cash equivalents, time certificates of deposit, loan receivables and receivables from schools and parishes. Such balances with any one institution may, at times, be in excess of federally insured limits. Risks associated with cash and cash equivalents, loan receivables, receivables from schools and parishes, and time certificates of deposit are mitigated by banking with creditworthy institutions. The CAO has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Investments in general are exposed to various risks, such as interest rate, credit, and overall market volatility. To address the risk of investments, the CAO maintains a diversified portfolio, subject to an investment policy that sets out performance criteria, investment guidelines, and asset allocation guidelines, and requires review of the investment performance. Investments are managed by multiple investment managers, who have responsibility for investing the funds in various investment classes. This entire process is actively overseen by the Investment Committee of the Finance Council of the Diocese of San Jose.

Accounts receivable

Receivables are principally generated from the operations of the cemeteries and from billings from the CAO to the various parishes and schools within the Diocese for insurances, payroll, pension, and other costs. The CAO provides an allowance for doubtful accounts provision for those receivables in excess of 90 days past due and considers the financial position and payment history of the parish or school when estimating the allowance for doubtful accounts. Receivables are noninterest bearing and unsecured. Receivables are determined to be past due based on contractual terms.

Also included in receivables are employee loans receivable and Valley Catholic Newspaper receivables.

Charitable remainder trusts

In regards to the beneficial interests, the CAO is not the trustee for those trusts. The CAO records their interest in the trusts at the net present value (at discount rate of 5%) of the CAO's interest in the underlying trust assets, of which the CAO will be either the full or partial beneficiary, and beneficial interests are included in receivables from parties outside the Roman Catholic Bishop of San Jose ("RCBSJ") and in net assets with donor restrictions in the statement of financial position. The asset of one of the trusts consists of real property, and the trust provides for the payment of the income on the property to the donor over the donor's lifetime.

Central Administrative Office of the Roman Catholic Diocese of San Jose  
Notes to Financial Statements  
June 30, 2024  
(With Comparative Totals for 2023)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments are presented in the financial statements at fair value based on quoted market prices provided by the investment brokers. Dividends and interest are accrued as earned and recorded as unrestricted revenue unless income is restricted by the donor. Any unrealized gains or losses for the current period are reported as a component of investment income.

These investments are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible changes in the values of investment securities will occur in the near term, and such changes could materially affect total net assets and the amounts reported in the statement of financial position

Fair value measurements

U.S. GAAP establishes 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 prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

*Level 1* - Unadjusted, quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. The investments included in Level 1 are equity securities valued at the closing price reported on the active market on which the individual securities are traded.

*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. The investments included in Level 2 are fixed income securities, certificates of deposit, and real estate held for investment valued using recently executed transactions, market price quotations and pricing models that factor in, where applicable, interest rates, bond or credit-default swap spreads, volatility, and periodic market appraisals.

*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. The investments included in Level 3 are a beneficial interest and a charitable remainder trust valued using net present value of the future cash flows.

Investments measured at NAV - Management establishes the fair value of investments held at net asset value ("NAV") using a number of procedures, including review of audited financial statements for the investment funds, verification of the fair value of marketable securities in the funds, regular review of fund manager valuation approaches, and monitoring of fund activities with the assistance of its investment adviser for some of those procedures. The NAV is provided by the fund manager. Because of the inherent uncertainty of valuation of nonmarketable investments, the estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material.

Central Administrative Office of the Roman Catholic Diocese of San Jose  
Notes to Financial Statements  
June 30, 2024  
(With Comparative Totals for 2023)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value of financial instruments

Unless otherwise indicated, the fair values of all reported assets and liabilities which represent financial instruments approximate their carrying values.

Functional allocation of expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying statements of activities. The statements of functional expenses present expenses by function and natural classification. Salaries and benefits are recorded based on actual segregation of personnel by program or supporting service benefited. Depreciation and building operations have been allocated based on use of the asset among the functional categories. Distribution of all other expenses is based on actual usage or management's estimate of usage applicable to the various programs and supporting services benefited.

Assets held in trust

The CAO has been named trustee for two unit trusts. The donor is the income beneficiary until death, at which time the property transfers to the designated beneficiary. The CAO is not the beneficiary (diocesan parishes or schools are) and, therefore, the CAO records an asset and a corresponding liability that is included in the trust assets held for parishes item on the accompanying statement of financial position.

Land, buildings, and equipment

Land, buildings, and equipment are recorded at cost. Depreciation expense is calculated using the straight-line method over 3 to 30 years, the estimated useful lives of the assets. Maintenance and repairs, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred.

The CAO will capitalize fixed assets when the asset purchased, built, or leased has a useful life of one year or more, and the acquisition cost or manufactured cost of the asset is \$10,000 or more. Multiple assets acquired in one transaction whose cost individually is less than \$10,000 but in aggregate greater than \$25,000 are also capitalized.

The CAO reviews the carrying value of long-lived assets to determine if facts and circumstances suggest that they may be impaired or that the depreciation period may need to be changed. The CAO does not believe there are any indicators that would require an adjustment of the carrying value of its long-lived assets or their remaining useful lives at June 30, 2024 and 2023.

Investments in real estate

Investments in real estate are recorded at fair value as determined by periodic appraisals.

Central Administrative Office of the Roman Catholic Diocese of San Jose  
 Notes to Financial Statements  
 June 30, 2024  
 (With Comparative Totals for 2023)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred revenue

Deferred revenue consists principally of rental income, which is recognized on a straight-line basis over the term of the lease. Additionally, health insurance premiums are collected one month in advance and deferred as revenue to the month of coverage.

Changes in deferred revenue for the fiscal year ended June 30, 2024 is as follows:

	Rental Income	Insurance Premium Income	Total
Balance, June 30, 2023	\$ 7,034,342	\$ 1,310,545	\$ 8,344,887
Recognized revenue	(142,829)	(1,310,545)	(1,453,374)
Change in cash received during the period	<u>-</u>	<u>1,497,297</u>	<u>1,497,297</u>
	<u>(142,829)</u>	<u>186,752</u>	<u>43,923</u>
Balance, June 30, 2024	\$ 6,891,513	\$ 1,497,297	\$ 8,388,810

Changes in deferred revenue for the fiscal year ended June 30, 2023 is as follows:

	Rental Income	Insurance Premium Income	Total
Balance, June 30, 2022	\$ 7,177,171	\$ 1,089,262	\$ 8,266,433
Recognized revenue	(142,829)	(1,089,262)	(1,232,091)
Change in cash received during the period	<u>-</u>	<u>1,310,545</u>	<u>1,310,545</u>
	<u>(142,829)</u>	<u>221,283</u>	<u>78,454</u>
Balance, June 30, 2023	\$ 7,034,342	\$ 1,310,545	\$ 8,344,887

Revenue recognition

The CAO recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. All other revenues, such as insurance premiums, assessments, and fees, are billed by the CAO to the parishes and schools periodically throughout the year and recognized when earned.

Central Administrative Office of the Roman Catholic Diocese of San Jose  
Notes to Financial Statements  
June 30, 2024  
(With Comparative Totals for 2023)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Unconditional promises to give (pledges), are recognized as contribution revenue when the donor's written commitment is received, net of allowance for uncollectible accounts. Promises to give that are scheduled to be received in future periods are recognized as increases in net assets with donor restrictions at the estimated present value of future cash flows, net of an allowance for uncollectible pledges and a discount, and are reclassified to net assets without donor restrictions when the purpose or time restrictions are met. Promises to give subject to donor-imposed stipulations that the corpus be maintained permanently are recognized as increases in net assets with donor restrictions. For purposes of the Annual Diocesan Appeal ("ADA"), parishes are given an annual goal. Parishes that exceed their goal receive 100% of amounts received following the completion of that year's ADA

Conditional promises to give, which are those with a measurable performance or other barrier and a right of return or release, are not recognized until the conditions on which they depend have been met. As of June 30, 2024 and 2023, there were no conditional promises to give.

Dividends, interest, and net gains on investments subject to donor-imposed stipulations that the corpus be maintained in perpetuity are reported as increases in net assets with donor restrictions since the terms of these gifts impose restrictions on the income and net gains.

The CAO applied the practical expedients to account for revenue with similar characteristics as a collective group rather than individually and to not disclose the remaining unsatisfied or partially satisfied performance obligations for contracts with customers as of the end of the reporting period that have an original expected duration of one year or less, or for contracts where the performance obligation is recognized in the amount invoiced (right to invoice).

Use of estimates

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain amounts during the reporting period as well as the disclosure of contingent liabilities. Accordingly, actual results could ultimately differ from those estimates.

The CAO's allowances for present value adjustments and doubtful accounts on receivables and pledges, totaling \$136,075 and \$224,567 as of June 30, 2024 and 2023, respectively, are particularly sensitive estimates. The determination of the balances in these accounts is based on an analysis of the receivables and loans and reflects amounts which, in management's judgment, are adequate to provide for potential losses after giving consideration to the character of the receivables, current economic conditions, past collection experience, and such other factors that deserve current recognition in estimating losses.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

The Roman Catholic Bishop of San Jose has been granted tax exempt status by the Internal Revenue Service ("IRS") and the California Franchise Tax Board under code Sections 501(c)(3) and 23701d, respectively. The CAO has received a ruling that it is not a private foundation. Based on management's analysis, the CAO did not have any uncertain tax positions as of June 30, 2024 and 2023.

3. LIQUIDITY AND FUNDS AVAILABLE

Financial assets available within one year of the statement of financial position date of June 30, 2024 are as follows:

	2024	2023
Operating cash	\$ 27,623,371	\$ 21,543,197
Cash to be released from ADA	8,414,411	6,499,006
Accounts receivable, net	6,945,631	8,067,214
Pledges receivable, net	1,432,077	1,369,544
Charitable remainder trust	<u>1,632,831</u>	<u>2,405,722</u>
	<u><u>\$ 46,048,321</u></u>	<u><u>\$ 39,884,683</u></u>

The Roman Catholic Bishop of San Jose's goal is to maintain financial assets to meet at least 90 days of operating expenses (approximately \$7 million). As part of its liquidity plan, excess cash is invested in short-term investments.

4. ACCOUNTS RECEIVABLE AND PLEDGES RECEIVABLE

Accounts receivable, net and pledges receivable, net as of June 30, 2024 consist of the following:

	Parishes and institutions	Annual appeal pledges	Non- Diocesan Entities	Total
Receivable in less than one year	<u>\$ 6,824,686</u>	<u>\$ 1,476,995</u>	<u>\$ 257,020</u>	<u>\$ 8,558,701</u>
Less allowance for doubtful contributions	<u>(66,394)</u>	<u>(44,918)</u>	<u>(69,681)</u>	<u>(180,993)</u>
	<u><u>\$ 6,758,292</u></u>	<u><u>\$ 1,432,077</u></u>	<u><u>\$ 187,339</u></u>	<u><u>\$ 8,377,708</u></u>

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4. ACCOUNTS RECEIVABLE AND PLEDGES RECEIVABLE (continued)

Accounts receivable, net and pledges receivable, net as of June 30, 2023 consist of the following:

	Parishes and institutions	Annual appeal pledges	Non- Diocesan Entities	Total
Receivable in less than one year	\$ 7,622,779	\$ 1,373,094	\$ 669,002	\$ 9,664,875
Less allowance for doubtful contributions	(77,297)	(3,550)	(147,270)	(228,117)
	<u>\$ 7,545,482</u>	<u>\$ 1,369,544</u>	<u>\$ 521,732</u>	<u>\$ 9,436,758</u>

Pledges due greater than one year are recorded after discounting future cash flows to present value using a discount rate equivalent to the T-bill rate maturing at that year-end.

Annual campaign pledges payable from the CAO to parishes are expected to be paid within one year. As of June 30, 2024, pledges payable for which cash was for final payout totaled \$1,885,013.

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**5. INVESTMENTS, AT FAIR VALUE**

The following table, set forth by level within the fair value hierarchy, classifies the CAO's assets at fair value on a recurring basis as of June 30, 2024:

	Level 1	Level 2	Level 3	Fair Value	NAV	Total
Cash and cash equivalents	\$ 3,601,959	\$ -	\$ -	\$ 3,601,959	\$ -	\$ 3,601,959
Equity securities	97,911,785	-	-	97,911,785	-	97,911,785
Fixed income securities	-	46,269,779	-	46,269,779	-	46,269,779
Alternative investments (NAV)	-	-	-	-	29,532,091	29,532,091
	101,513,744	46,269,779	-	147,783,523	29,532,091	177,315,614
Charitable remainder trust	-	-	73,986	73,986	-	73,986
Land charitable remainder trust	-	-	1,558,845	1,558,845	-	1,558,845
Real estate held for investment	-	45,257,707	-	45,257,707	-	45,257,707
	<u>\$ 101,513,744</u>	<u>\$ 91,527,486</u>	<u>\$ 1,632,831</u>	<u>\$ 194,674,061</u>	<u>\$ 29,532,091</u>	<u>\$ 224,206,152</u>

The following table, set forth by level within the fair value hierarchy, classifies the CAO's assets at fair value on a recurring basis as of June 30, 2023:

	Level 1	Level 2	Level 3	Fair Value	NAV	Total
Cash and cash equivalents	\$ 3,474,118	\$ -	\$ -	\$ 3,474,118	\$ -	\$ 3,474,118
Equity securities	90,561,720	-	-	90,561,720	-	90,561,720
Fixed income securities	-	44,014,732	-	44,014,732	-	44,014,732
Certificates of deposit	-	1,993,000	-	1,993,000	-	1,993,000
Alternative investments (NAV)	-	-	-	-	26,419,136	26,419,136
	94,035,838	46,007,732	-	140,043,570	26,419,136	166,462,706
Charitable remainder trust	-	-	853,339	853,339	-	853,339
Land charitable remainder trust	-	-	1,552,383	1,552,383	-	1,552,383
Real estate held for investment	-	47,750,000	-	47,750,000	-	47,750,000
	<u>\$ 94,035,838</u>	<u>\$ 93,757,732</u>	<u>\$ 2,405,722</u>	<u>\$ 190,199,292</u>	<u>\$ 26,419,136</u>	<u>\$ 216,618,428</u>

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**5. INVESTMENTS, AT FAIR VALUE (continued)**

The table below summarizes fair value, unfunded commitments, redemption frequency and notice period, for investments which management uses net asset value, or its equivalent, to determine fair value as of June 30, 2024:

	<u>NAV in Funds</u>	<u># of Funds</u>	<u>Unfunded Commitments</u>	<u>Remaining Life</u>	<u>Redemption Terms</u>	<u>Redemption Restrictions</u>
Hedge funds	\$ 5,438,489	5	\$ -	6 open ended funds	1) Quarterly with 90 calendar days + 5 business days 2) Quarterly with notice on or before the last calendar day of the first month of applicable fiscal quarter 3) Quarterly with 60 calendar days notice 4) Quarterly with 90 calendar days + 5 business days 5) Semi-Annual redemptions (3/31 and 9/30) with 95 days notice 6) Quarterly with 70 days notice	1) 25% investor level gate 2) No restrictions 3) one year soft lock-up, 5% early redemption fee 4) 5% class level gate based on total HH & HH-C NAV 5) 5% class level gate based on total HH & HH-C NAV 6) No restrictions
Real estate	\$ 12,040,978	6	\$ 268,604	6 Open Ended Funds+ 21) 10 years, subject to 2 one-year extensions	18) Quarterly 19) Monthly with 3 days notice 20) Monthly with 3 days notice 21) No redemption permitted 22) Monthly with 3 days notice 23) Monthly with 3 days notice 24) No redemption permitted	18) Subject to available cash flow 19) Generally monthly repurchase of at least 2% of the NAV/month NTE 5% of NAV/quarter 20) Generally monthly repurchase of at least 2% of the NAV/month NTE 5% of NAV/quarter 21) No redemption permitted 22) Generally monthly repurchase of at least 2% of the NAV/month NTE 5% of NAV/quarter 23) Generally monthly repurchase of at least 2% of the NAV/month NTE 5% of NAV/quarter 24) No redemption permitted
Infrastructure	\$ 4,304,057	2	\$ -	7) 10 years, subject to 2 one-year extensions 8) Open Ended 9) 10 years, subject to 2 one-year extensions	7) No redemption permitted 8) Semi annual redemptions (3/31 and 9/30) with 90 days notice 9) No redemption permitted	7) No redemption permitted 8) No restrictions 9) No redemption permitted
Private Equity	\$ 7,748,567	5	\$ 4,702,967	10) 10 years, subject to three one-year extensions 11) 10 years, subject to 3 one-year extensions 12) 10 years from the start of the investment period 13) 10 years, subject to 2 one-year extensions 14) 10 years from the start of the investment period 15) 10 years from the start of the investment period 16) 10 years from the start of the investment period 17) 10 years from the start of the investment period	N/A	N/A

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5. INVESTMENTS, AT FAIR VALUE (continued)

Beneficial interest in remainder trusts are as follows at June 30, 2024:

Product	Strategy	NAV in Funds	# of Funds	Amount of Remaining Life	Unfunded Commitments	Timing to Draw Down Commitments	Redemption Terms	Redemption Restrictions	Redemption Price at Year End
Gabelli Associates Limited	Merger Arbitrage	\$ 3,296,412	1	N.A.	N.A.	N.A.	Monthly with 30 day notice	None	None

Investment income for the year ended June 30, 2024 consists of the following:

	2024	2023
Interest and dividend income	\$ 1,737,601	\$ 2,010,786
Net realized and unrealized gains	<u>6,457,826</u>	<u>5,422,641</u>
	<u><u>\$ 8,195,427</u></u>	<u><u>\$ 7,433,427</u></u>

6. LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment consisted of the following at June 30, 2024 and 2023:

	2024	2023
Buildings and improvements, and equipment	\$ 42,188,940	\$ 42,121,281
Less accumulated depreciation	<u>(25,561,620)</u>	<u>(24,334,282)</u>
	<u><u>16,627,320</u></u>	<u><u>17,786,999</u></u>
Land		
Sites for future development	17,340,517	17,340,517
Land under operating leases	613,588	613,588
Operating properties	<u>5,607,491</u>	<u>5,607,491</u>
	<u><u>23,561,596</u></u>	<u><u>23,561,596</u></u>
Construction in progress	48,385	17,300
	<u><u>\$ 40,237,301</u></u>	<u><u>\$ 41,365,895</u></u>

Depreciation expense was \$1,227,338 for the year ended June 30, 2024.

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7. HELD FOR PARISHES AND INSTITUTIONS

Amounts held for parishes and institutions consisted of the following at June 30, 2024 and 2023:

	2024	2023
Insurance premium credit	\$ 4,061,583	\$ 4,840,030
Investment pool	96,465,359	87,900,908
National and local second collections	<u>868,172</u>	<u>1,229,273</u>
	<u><u>\$ 101,395,114</u></u>	<u><u>\$ 93,970,211</u></u>

8. LINE OF CREDIT

On November 17, 2021 the Diocese entered into a Variable Rate Draw Down Line of Credit with Heritage Bank of Commerce for \$10,000,000 due on November 17, 2026. The rate of interest on this loan is the Prime Rate as published in the Wall Street Journal. The collateral for this loan is the Diocese's properties at 1150 North First Street, 300 South 10th Street, and a parcel at Murillo and Goesback Hill Drive, all in San Jose, California. To date, the Diocese has not drawn any funds from this Line of Credit and there is no balance outstanding as of June 30, 2024 and 2023.

9. FUTURE MINIMUM RENTAL INCOME

In October 1987, the CAO entered into an 85-year lease, which allowed the lessee to build and operate a continuing care retirement home on land owned by the CAO. First year base rent of \$480,000 was paid in October 1987. Base rent of \$600,000 was paid in October 1988 for the second year. Lease payments of \$7,180,000 were received during 1990. Lease payments of \$1,000,000 were received each October 1 from 1995 through 1999. The payments received in 1990 and later years are being recognized as income ratably (approximately \$142,830 annually) over the remaining term of the lease. Amounts to be recognized in future periods are recorded as deferred revenue. Deferred revenue associated with the lease was \$6,891,513 and \$7,034,342 at June 30, 2024 and 2023, respectively.

The CAO is the lessor of certain other rental properties. Future minimum rental income from all long-term noncancelable operating leases is as follows:

Year ending June 30,

2025	\$ 649,299
2026	483,043
2027	420,294
2028	407,675
Thereafter	<u>6,766,214</u>
	<u><u>\$ 8,726,525</u></u>

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10. COMMITMENTS AND CONTINGENCIES

From time to time, the CAO is subject to certain claims and contingent liabilities that arise in the normal course of business. After consultation with legal counsel, management is of the opinion that liabilities, if any, arising from such litigation and examinations would not have a material effect on the CAO's financial position.

The Diocese is a defendant in various lawsuits related to allegations of historical sexual abuse involving certain clergy and diocesan personnel. The Diocese remains committed to supporting survivors and is actively engaged in efforts to resolve these cases responsibly and compassionately.

Estimated liability - Based on the number of claims filed, the current stage of litigation and stay of consolidated proceedings, the bankruptcy proceeding of co-defendant the Archdiocese of San Francisco, and consultations with legal counsel, the Diocese is presently unable to reasonably estimate a range of liability for these matters.

In addition, while the Diocese believes any accrued liability cannot reasonably be estimated, the actual cost of resolving these matters may differ materially due to the complexity and sensitivity of each case for any present approximation. As litigation progresses, the Diocese will continue to evaluate the adequacy of any accrued liability and adjust the amount as necessary and when subject to reasonable approximation.

Insurance coverage - The Diocese carries liability insurance policies, including some historical coverage, which may cover a portion of these claims. While insurers are currently reviewing the claims, and discussions regarding potential coverage and reimbursements are ongoing, there can be no assurance that insurance recoveries will fully cover the Diocese's obligations. Therefore, any accrued liability and carrier contribution is presently unknown, as the Diocese cannot reliably estimate these amounts at this time.

Future Impact and Actions - The Diocese has implemented robust policies and procedures designed to safeguard minors and vulnerable adults and prevent further incidents of abuse. Furthermore, the Diocese continues to offer counseling and support resources to survivors.

It is possible that additional claims may be filed in the future or that existing claims may result in higher-than-estimated liabilities. As a result, there may be a further impact on the Diocese's financial position in subsequent periods. Management will continue to review the range of estimated liabilities annually or as new information becomes available.

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11. BOARD DESIGNATED NET ASSETS

Board designated net assets consisted of the following:

	2024	2023
Education/tuition	\$ 34,264,020	\$ 33,154,532
Operational efficiency endowment	202,908	207,779
Guardian angel program	1,942,090	1,962,714
Seminarian fund	732,955	701,901
Restricted fund carryover	2,368,443	2,334,279
Margaret Reed fund	561,967	439,587
Priest counseling reserve	779,424	815,693
Incardination track clergy	786,589	742,541
Health insurance reserve	5,886,183	5,459,830
Worker compensation insurance reserve	14,354,960	12,322,306
Insurance reserve fund	<u>18,970,716</u>	<u>18,427,635</u>
	<u><u>\$ 80,850,255</u></u>	<u><u>\$ 76,568,797</u></u>

12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	2024	2023
Annual appeal programs for general operations with time restrictions	\$ 6,948,546	\$ 6,646,414
General education and tuition assistance (non-endowed) with purpose restrictions	22,546,626	22,730,279
Specific ministries and purposes (non-endowed) with purpose restrictions	52,690,116	50,762,815
Available endowment funds with purpose restrictions	10,269,166	9,081,444
Endowment funds invested in perpetuity and not available	<u>4,463,389</u>	<u>4,463,389</u>
	<u><u>\$ 96,917,843</u></u>	<u><u>\$ 93,684,341</u></u>

Net assets with donor restrictions released from restriction during the year were as follows:

	2024	2023
Purpose restrictions accomplished	\$ 6,434,713	\$ 4,153,244
Time restrictions expired	<u>6,687,782</u>	<u>6,282,442</u>
	<u><u>\$ 13,122,495</u></u>	<u><u>\$ 10,435,686</u></u>

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13. ENDOWMENT

The endowments of the CAO consist of funds established for scholarships for children in the primary and secondary Catholic Schools in the Diocese, for seminarian formation, priest retirement, and for operational efficiency projects. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The CAO has interpreted the California version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the CAO classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified within net assets with donor restrictions until those amounts are appropriated for expenditure by the CAO in a manner consistent with the standard of prudence prescribed by the California version of UPMIFA.

In accordance with the California version of UPMIFA, the CAO considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (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 CAO
- (7) The investment policies of the CAO

Spending policy

The CAO has a policy of appropriating for distribution each year up to 5% of the restricted endowment fund's average fair value over the prior year. In establishing this policy, the CAO considered the long-term expected return on its endowment. This policy is subject to periodic review and revision by the Diocesan Finance Council. Other restricted funds are spent in accordance with their restrictions.

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13. ENDOWMENT (continued)

Endowment composition

Endowment net asset composition by type of fund as of June 30, 2024 is as follows:

	With Donor Time and Purpose Restrictions	Perpetual Endowments	Total
Donor-restricted endowment funds	\$ 10,269,164	\$ 4,463,389	\$ 14,732,553
	<u>\$ 10,269,164</u>	<u>\$ 4,463,389</u>	<u>\$ 14,732,553</u>

Endowment net asset composition by type of fund as of June 30, 2023 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ 9,081,445	\$ 4,463,389	\$ 13,544,834
	<u>\$ 9,081,445</u>	<u>\$ 4,463,389</u>	<u>\$ 13,544,834</u>

Changes in endowment net assets for the fiscal year ended June 30, 2024 is as follows:

	With Donor Time and Purpose Restrictions	Perpetual Endowments	Total
Balance, June 30, 2023	\$ 9,081,445	\$ 4,463,389	\$ 13,544,834
Contributions	292,626	-	292,626
Investment income	278,284	-	278,284
Investment appreciation	1,166,811	-	1,166,811
Appropriations for expenditure	(550,000)	-	(550,000)
	<u>1,187,721</u>	<u>-</u>	<u>1,187,721</u>
Balance, June 30, 2024	<u>\$ 10,269,166</u>	<u>\$ 4,463,389</u>	<u>\$ 14,732,555</u>

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13. ENDOWMENT (continued)

Endowment composition (continued)

Changes in endowment net assets for the fiscal year ended June 30, 2023 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, June 30, 2022	\$ 8,246,727	\$ 4,463,389	\$ 12,710,116
Investment return			
Contributions	28,955	-	28,955
Investment income	252,425	-	252,425
Investment appreciation	1,120,838	-	1,120,838
Appropriations for expenditure	(567,500)	-	(567,500)
	<u>834,718</u>	<u>834,718</u>	<u>834,718</u>
Balance, June 30, 2023	\$ 9,081,445	\$ 4,463,389	\$ 13,544,834

14. POST-RETIREMENT BENEFITS OTHER THAN PENSIONS

The Roman Catholic Bishop of San Jose sponsors a multiple-employer, post-retirement Medicare supplemental plan for retired priests who are eligible to receive Medicare. The plan pays for post-retirement healthcare expenses including individual premiums for each retired priest who is enrolled in a Medicare Part F supplemental plan as well as individual premiums for a Medicare Part D prescription drug plan. The plan also pays deductibles, co-pays, and coverage gaps not covered by the prescription drug plan through a health reimbursement account. The plan also pays up to \$2,000 for a one-time reimbursement of hearing aid costs.

An actuary performs an analysis of per capita claims costs and individual premiums on a fiscal-year basis for determining future plan costs.

There were no contributions made to the plan in the years ended June 30, 2024 and 2023. Benefit payments of \$292,000 and \$251,000 were made from the plan during the years ended June 30, 2024 and 2023, respectively.

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15. PENSION PLANS

The CAO participates in three multiple-employer defined benefit pension plan operated by the Roman Catholic Bishop of San Jose, providing benefits for lay employees and priest personnel. Although the Diocese is exempt from the funding requirements of Employee Retirement Income Security Act of 1974 ("ERISA"), it has been the Diocese's practice to make contributions annually to the plan that are not less than the pre-ERISA minimum funding requirement as applicable to churches, and not in excess of the amount that could be deducted for federal income tax purposes, assuming the Diocese was not exempt from taxation. In general, it has been the policy of the Diocese to fund any unfunded past service liability over no more than 20 years.

The risks of participating in multiple-employer defined benefit pension plans are different from single-employer plans because: (a) assets contributed to the multiple-employer plan by one employer may be used to provide benefits to employees of other participating employers and (b) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be required to be borne by the Diocese and the remaining participating employers. There is currently no provision in the plans to recognize an employer withdrawal.

*Lay Employees*

All full-time lay employees hired before July 1, 2020 were eligible for the Lay Plan. For employees hired before January 1, 2007, the plan provides benefits based on the highest final average salary and all years and months of service, counting partial months as whole months. For employees hired after January 1, 2007, the plan provides benefits based on an account balance that accumulates each year with pay credits and interest credits. In September 2019, the Diocese announced that effective July 1, 2020 the defined benefit pension plan will be frozen and a new 403(b) plan will be implemented. The pension benefits accrued will remain for participating employees, and eligible employees will participate in the 403(b) plan.

For purposes of the financial statements, the pension plan is considered to be a multiple-employer plan as defined under FASB 715-20, *Defined Benefit Plans*, since the financial activity of parishes and other entities within the Diocese, which contribute to these plans, are not included in these financial statements. The CAO contributed \$11,788,000 and \$7,000,000 to the defined benefit plan in 2024 and 2023, respectively. The Diocese obtained a valuation of the benefit obligation with a measurement date of June 30, 2024 which reported an excess accumulated assets over benefits of \$356,270 (market value of assets of \$125,078,589 and present value of accumulated benefits of \$124,722,319) using a discount rate of 5.50% and an expected long-term rate of return on assets of 5.50%.

*Priest Plans*

The Diocese has two priest pension plans; 1) a nonqualified retirement plan for priests in which plan assets are held in a rabbi trust 2) a qualified plan that covers priest benefit accrual for service after January 1, 2019 as well as benefits accrued when the benefit formula is increased. The priest plans provides retirement benefits to priest personnel for life based on age and year of service.

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15. PENSION PLANS (continued)

For purposes of the financial statements, the pension plans are considered to be multiple-employer plans as defined under FASB 715-20, *Defined Benefit Plans*, since the financial activity of parishes and other entities within the Diocese, which contribute to these plans, are not included in these financial statements. The CAO did not contribute to the nonqualified plan in 2024 and 2023. The CAO contributed \$3,765,713 and \$1,200,000 to the qualified plan in 2024 and 2023, respectively. The Diocese obtained a valuation of the benefit obligation with a measurement date of June 30, 2024 which reported accumulated excess assets for the nonqualified plan of \$9,577,994 (market value of assets of \$15,999,419 and present value of accumulated benefits of \$6,421,425) and an unfunded benefit obligation for the qualified plan of \$10,241,633 (market value of assets of \$5,625,304 and present value of accumulated benefits of \$15,866,937). The nonqualified plan used a discount rate of 5.50% and the qualified plan used a discount rate of 5.50%. Both plans used an expected long-term rate of return on assets of 5.50%.

16. SELF-INSURANCE PROGRAMS

The Diocese is self-insured with respect to its general liability coverage for the first \$250,000 per occurrence.

For sexual abuse and harassment coverage, the Diocese has a per claim deductible of \$250,000.

The Diocese is self-insured through a \$25,000 deductible with respect to fiduciary liability coverage and a \$50,000 deductible with respect to crime coverage.

The Diocese is self-insured with respect to its property all-risk coverage (excluding earthquake and flood) through a \$250,000 deductible per occurrence. The Diocese is self-insured through a deductible of 5% or \$100,000 per occurrence with respect to its earthquake and \$100,000 per occurrence except \$500,000 per occurrence for locations within special flood hazard areas for catastrophic flood insurance coverage.

For claims incurred prior to July 1, 2023, the Diocese is self-insured for the first \$500,000 for worker's compensation and has Excess Workers Compensation coverage through a nonaffiliated insurer. After June 30, 2023, the Diocese is fully insured on a fixed cost contract.

The Diocese is also self-insured with respect to retired priests' medical costs not covered by Medicare.

Monetary reserves are maintained to cover the probable self-insured exposure for the various insurance coverages and uninsured risks. The CAO has a reserve of \$5,251,837 and \$4,753,507 recorded in accrued liabilities on the statements of financial position for 2024 and 2023, respectively.

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 June 30, 2024  
 (With Comparative Totals for 2023)

**17. DEFINED CONTRIBUTION 403(B) PLAN**

The CAO has a defined contribution 403(b) plan which allows eligible lay employees to contribute a portion of their compensation to the plan, subject to annual limits. The Diocese contributes a required amount equal to 3% of employee compensation and makes an elective additional matching contribution of up to 3% of compensation. The CAO's total contributions for employees for the years ended June 30, 2024 and 2023 were \$5,231,440 and \$4,905,472 , respectively.

**18. RELATED PARTY TRANSACTIONS**

The following is a summary of the related party activity for the year ended June 30, 2024:

Activity	2024	Name of Related Party/Parties
<b>Revenue</b>		
Payroll processing/Unemployment coverage	\$ 1,021,399	Diocesan parishes and schools
IT services/central purchasing	846,628	Diocesan schools
Hospital Ministry fee	516,096	Diocesan parishes
Parish Offertory Assessment	3,332,868	Diocesan parishes
Cemetery Assessment	1,511,597	San Jose Catholic Cemeteries
Department of Catholic Schools Assessment	1,168,965	Diocesan schools
Insurance premiums	20,870,677	Diocesan parishes and schools and Catholic Telemedia Network
Valley Catholic subscriptions	69,700	Diocesan parishes
Education grants	2,500,000	Catholic Telemedia Network
<b>Expenses</b>		
Direct expenses to support parish operations	1,100,000	Cathedral Basilica/Christ the King
Educational software (excluding reimbursements)	312,162	Catholic Telemedia Network
Retirement home rental	48,000	St. Joseph Parish, Cupertino

**19. 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. Management has evaluated such events through July 7, 2025, which is the date the financial statements are available to be issued.