

Financial Statements with
Supplementary Information and Report
of Independent Certified Public
Accountants

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

June 30, 2022

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Most Reverend Oscar Cantu
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 ("CAO"), which comprise the statement of financial position as of June 30, 2022, and the related statement 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, 2022 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audit of the financial statements in accordance with auditing standards generally accepted in the United States of America (US 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 CAO 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.

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, this includes 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 CAO's ability to continue as a going concern for one year after the date the financial statements are 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 US 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 US 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 CAO'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 CAO's ability to continue as a going concern for a reasonable period of time.

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

Other matters

Supplementary information

The statements of financial position and of activities, on pages 39 and 40 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



San Jose, California
May 25, 2023

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

STATEMENT OF FINANCIAL POSITION

June 30, 2022

ASSETS

Cash and cash equivalents	\$ 20,103,068
Investments	157,537,395
Receivables, net	
Receivables from parishes and institutions of the Roman Catholic Bishop of San Jose ("RCBSJ")	6,717,942
Pledges	2,298,812
Receivables from parties outside the RCBSJ	3,414,152
Deposits and prepaid expenses	497,581
Investments held for long-term purposes	4,438,389
Investments in real estate	47,750,000
Assets held in trust	261,331
Land, buildings and equipment, net	42,548,715
	<hr/>
Total assets	<u><u>\$ 285,567,385</u></u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 5,740,191
Pledges payable to parishes	1,450,135
Accrued liabilities	37,936,541
Trust assets held for parishes	261,331
Held for parishes and institutions	84,601,879
Deferred revenue	8,266,433
	<hr/>
Total liabilities	<u>138,256,510</u>

NET ASSETS

Without donor restrictions	57,829,805
With donor restrictions	89,481,070
	<hr/>
Total net assets	<u>147,310,875</u>
	<hr/>
Total liabilities and net assets	<u><u>\$ 285,567,385</u></u>

The accompanying notes are an integral part of this financial statement.

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

STATEMENT OF ACTIVITIES

Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Gifts, bequests, and collections	\$ 810,019	\$ 6,077,386	\$ 6,887,405
Fees	6,305,235	-	6,305,235
Diocesan assessment	4,538,880	-	4,538,880
Education income	1,252,563	-	1,252,563
Rental income	708,830	91,257	800,087
Interest income from loans	1,224	-	1,224
Cemetery revenues	914	-	914
Insurance premium income	22,867,160	-	22,867,160
Communications income	68,792	-	68,792
Grant income	-	3,370,064	3,370,064
Other income	21,133	-	21,133
	<hr/>	<hr/>	<hr/>
Subtotal revenues from operations	36,574,750	9,538,707	46,113,457
Net assets released from restrictions (See Note 8)	8,232,482	(8,232,482)	-
	<hr/>	<hr/>	<hr/>
Total revenues	44,807,232	1,306,225	46,113,457
Expenses			
Compensation and benefits	10,200,395	-	10,200,395
Operating expenses	5,880,775	-	5,880,775
Travel and events	414,640	-	414,640
Professional services	1,622,356	-	1,622,356
Insurance	23,453,270	-	23,453,270
Depreciation	1,266,802	-	1,266,802
Interest	32,155	-	32,155
	<hr/>	<hr/>	<hr/>
Total Expenses	42,870,393	-	42,870,393
	<hr/>	<hr/>	<hr/>
Change in net assets from operations	1,936,839	1,306,225	3,243,064
Bad debt recovery	4,417	-	4,417
Change in obligations for post-retirement benefits	12,518,464	-	12,518,464
Investment return, net	(5,579,550)	(2,272,436)	(7,851,986)
	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	8,880,170	(966,211)	7,913,959
	<hr/>	<hr/>	<hr/>
Net assets, beginning of year	48,949,635	90,447,281	139,396,916
	<hr/>	<hr/>	<hr/>
Net assets, end of year	<u>\$ 57,829,805</u>	<u>\$ 89,481,070</u>	<u>\$ 147,310,875</u>

The accompanying notes are an integral part of this financial statement.

Central Administrative Office of
The Roman Catholic Diocese of San Jose

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2022

	Supporting Activities								
	Pastoral Ministry	Operating	Fundraising	Priests' Retirement	Insurance	Non-Operational Property	Total Supporting	Eliminations	Total
Insurance premiums	\$ -	\$ -	\$ -	\$ -	\$ 23,420,560	\$ -	\$ 23,420,560	\$ -	\$ 23,420,560
Compensation, payroll taxes, and benefits	2,482,427	4,585,313	578,401	3,797,960	426,347	-	9,388,021	(1,670,053)	10,200,395
Gifts, grants, donations, and subsidies	572,167	107,784	2,632	552	-	-	110,968	-	683,135
Professional services	87,181	1,352,214	22,027	39,867	98,236	22,831	1,535,175	-	1,622,356
Depreciation	735,106	309,431	-	55,090	-	167,175	531,696	-	1,266,802
Interest	-	-	-	-	32,155	-	32,155	-	32,155
Other operating expenses	(104,840)	5,122,505	231,786	157,704	174,281	508,061	6,194,337	(444,507)	5,644,990
Total expenses	\$ 3,772,041	\$ 11,477,247	\$ 834,846	\$ 4,051,173	\$ 24,151,579	\$ 698,067	\$ 41,212,912	\$ (2,114,560)	\$ 42,870,393

The accompanying notes are an integral part of this financial statement.

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

STATEMENT OF CASH FLOWS

Year Ended June 30, 2022

Operating activities

Change in net assets	\$ 7,913,959
Adjustments to reconcile change in net assets to net cash from operating activities:	
Change in obligations from post-retirement benefits and unfunded pension liabilities	(12,649,286)
Change in allowance for doubtful accounts	(4,417)
Depreciation	1,266,802
Investment loss realized and unrealized	9,205,913
Changes in operating assets and liabilities:	
Receivables	1,070,396
Deposits and prepaid expenses	(2,245)
Unrealized gain on real estate held for investment	(2,620,000)
Accounts payable and pledges payable	457,093
Accrued liabilities	837,322
Trust assets held for parishes	(36,775)
Held for parishes and institutions	(7,791,043)
Deferred revenue	(160,689)
	<hr/>
Net cash used in operating activities	(2,476,195)

Investing activities:

Additions to land, buildings, and equipment	841,316
Disposal of land, buildings, and equipment	(214,604)
Purchases of investments	(13,092,012)
Proceeds from sales of investments	23,517,379
	<hr/>
Net cash provided by investing activities	9,798,655

Financing activities:

Loan from SJ Catholic Account of Parishes and Schools	3,500,000
Repayment of loan from SJ Catholic Account for Parishes and Schools	(3,500,000)
	<hr/>
Net cash provided by financing activities	-

NET CHANGE IN CASH AND CASH EQUIVALENTS	7,322,460
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Cash and cash equivalents, beginning of year	12,780,608
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Cash and cash equivalents, end of year	\$ 20,103,068
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Supplemental disclosures for cash paid for:

Interest	\$ 32,155
Taxes	\$ -

The accompanying notes are an integral part of this financial statement.

Central Administrative Office of the Roman Catholic Diocese of San Jose

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 - ORGANIZATION

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").

The Roman Catholic Bishop of San Jose Master Irrevocable Trust is a trust, created on August 8, 2011 (of which the Roman Catholic Bishop of San Jose, a corporation sole, is the trustee of) to provide ease of administration for certain real property assets.

The Chancery funds of the aforementioned entities are collectively referred to as the Central Administrative Office ("CAO" or "Chancery") within these notes to the financial statements.

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. Those entities not included in these financial statements are the parish churches (except selected Cathedral and Christ the King assets), elementary, and secondary schools, San Jose Catholic Cemeteries (formerly consolidated as the "Cemeteries Fund"), The San Jose Catholic Account for Parishes and Schools (formerly consolidated as the "Deposits and Loan Fund"), The Catholic Community Foundation of Santa Clara County, Catholic Charities of Santa Clara County, the Roman Catholic Seminary Corporation of San Jose ("Seminary"), Pastor of Our Lady of Refuge, an unincorporated religious association, the Cathedral Foundation, Jeanne d'Arc Manor, Giovanni Center, Charities Housing Development Corporation of Santa Clara County, San Tomas/Charities Housing Corporation, Sierra Vista/Charities Housing Corporation, Sunset Charities Housing Corporation, Stoney Pine Villa, St. John XXIII College Preparatory, and the Roman Catholic Communications Corporation of the Bay Area/Catholic Telemedia Network.

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.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and with the financial statement standards applicable to religious organizations. A summary of the significant accounting policies applied consistently in the preparation of the accompanying financial statements follows:

Accrual Basis

The financial statements of the CAO have been prepared on the accrual basis of accounting.

Fund Accounting

The accounts of the CAO are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded by the fund group. However, for the financial statements, transactions are reported by the net asset categories described below.

Net Assets

The CAO is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restriction - 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 restriction - 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.

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, 2022 exceeded federal depository insurance coverage. The CAO has not experienced any losses in such accounts.

Concentration of Credit Risk

Financial instruments that potentially subject the Chancery 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 Chancery has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Central Administrative Office of the Roman Catholic Diocese of San Jose

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

Investments in general are exposed to various risks, such as interest rate, credit, and overall market volatility. To address the risk of investments, the Chancery 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 Finance Committee of the Diocese of San Jose.

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.

Receivables

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.

Allowances on receivables as of June 30, 2022 are as follows:

	Customer Grouping			
	Diocese Parishes and Institutions	Pledges	Non-Diocesan Entities	Total
Gross	\$ 7,110,901	\$ 2,357,825	\$ 3,537,082	\$ 13,005,808
Allowances	(392,959)	(59,013)	(122,930)	(574,902)
Net	<u>\$ 6,717,942</u>	<u>\$ 2,298,812</u>	<u>\$ 3,414,152</u>	<u>\$ 12,430,906</u>

Also included in receivables are employee loans receivable, Valley Catholic Newspaper receivables, and beneficial interests in charitable remainder, unitrusts and other 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 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.

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 - CONTINUED

June 30, 2022

Assets Held in Trust

The CAO has been named trustee for two unitrusts. 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 on the straight-line method over 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.

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.

	<u>Rental Income</u>	<u>Insurance Premium Income</u>	<u>Total</u>
As of June 30, 2021	\$ 7,320,001	\$ 1,107,121	\$ 8,427,122
Revenue recognized that was included in deferred revenue at the beginning of the year	(142,830)	(1,107,121)	(1,249,951)
Increase/(decrease) in deferred revenue due to cash received during the period	<u>-</u>	<u>1,089,262</u>	<u>1,089,262</u>
As of June 30, 2022	<u>\$ 7,177,171</u>	<u>\$ 1,089,262</u>	<u>\$ 8,266,433</u>

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.

Promises to Give

Contributions are recognized as pledges receivable and revenue in the statement of financial position at the time a donor makes a promise to give to the CAO that is, in substance, unconditional. 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 discount rate applicable to the years in which the promises are received. Conditional promises to give or intentions to give are not recorded in the financial statements until the conditions are substantially met.

Central Administrative Office of the Roman Catholic Diocese of San Jose

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

Fair Value Measurements

Fair value is defined as 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 fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value:

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.

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. 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.

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.

Use of Estimates

In preparing the financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as revenues and expenses during the reporting period. Actual results could differ from those estimates.

The CAO's allowances for present value adjustments and doubtful accounts on receivables and pledges, totaling \$584,496 as of June 30, 2021, 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.

Tax Exempt Status

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 Diocese has received a ruling that it is not a private foundation. However, it is subject to tax on unrelated business income resulting from newspaper advertising income received.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

Accounting for Income Taxes - Uncertain Tax Positions

U.S. GAAP provides accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all the positions taken in its federal and state exempt organization returns are more likely than not to be sustained upon examination.

Functional Expense Allocations

Expenses are allocated among ministry and program services and supporting activities.

Recent Accounting Pronouncements

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958)*. The standard increases transparency of contributed nonfinancial assets for not-for-profit ("NFP") entities through enhancements to presentation and disclosure. In particular, the standard requires NFP entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. The updated standard also requires NFP entities to further disclose qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period and include a description of any donor-imposed restrictions associated with the contributed nonfinancial assets. The CAO has adopted ASU 2020-07 during the current fiscal year with minor impact to the financial statements.

In August 2018, the FASB issued ASU 2018-15, *Intangibles – Goodwill and Other – Internal-use Software (Subtopic 350-40)*. The standard requires entities to implement costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. This requires the entity in a hosting arrangement that is a service contract to determine which implementation costs to capitalize as an asset related to the service contract and which to costs to expense. Adoption of this standard did not impact the financial statements for the year ended June 30, 2022.

In August 2018, the FASB issued ASU 2018-14, *Disclosure Framework-Changes to the Disclosure Requirements for Defined Benefit Plans (Subtopic 715-20)*. The standard removed certain historical disclosures from the requirements and added others. The Diocese has updated its disclosures upon adoption of the standard during the year ended June 30, 2022.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements in the financial statements of lessees. This update is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The adoption is effective for the CAO's fiscal year ending June 30, 2023. Management is currently evaluating the impact of the provisions of ASU 2016-02 on the financial statements.

Central Administrative Office of the Roman Catholic Diocese of San Jose

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

NOTE 3 - INVESTMENTS

Marketable securities at June 30 consist of the following:

	<u>2022</u>
Cash and cash equivalents	\$ 6,548,439
Equity securities	86,802,577
Fixed income securities	45,693,201
Alternative investments	22,896,128
Other	<u>35,439</u>
Total	<u>\$ 161,975,784</u>

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

	<u>2022</u>
Interest and dividends	\$ 1,353,927
Losses realized and unrealized	<u>(9,205,913)</u>
Total investment loss	<u>\$ (7,851,986)</u>

NOTE 4 - PLEDGES RECEIVABLE AND PAYABLE

Pledges receivable and payable are as follows at June 30, 2022:

	<u>Drexel</u>	<u>Annual Appeal</u>	<u>Total</u>
Due within one year	\$ 875,000	\$ 1,489,547	\$ 2,364,547
Due greater than one year	-	-	-
Less discount for present value	(6,722)	-	(6,722)
Less allowance for doubtful accounts	<u>(43,414)</u>	<u>(15,599)</u>	<u>(59,013)</u>
Net pledges receivable	<u>824,864</u>	<u>1,473,948</u>	<u>2,298,812</u>
Annual campaign pledges payable from CAO to parishes	<u>\$ -</u>	<u>\$ 1,450,135</u>	<u>\$ 1,450,135</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.

The rates used for the year ended June 30, 2021 were from 0.05 % to 0.25%.

Annual campaign pledges payable from the CAO to parishes are expected to be paid within one year.

Central Administrative Office of the Roman Catholic Diocese of San Jose

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

NOTE 5 - LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment consist of the following at June 30, 2022:

	<u>Operating Fund</u>	<u>Non-Operations Property Fund</u>	<u>Restricted Fund</u>	<u>Priest Retirement</u>	<u>Service Fund</u>	<u>Total</u>
Buildings and improvements	\$ 33,218,149	\$ 4,780,445	\$ -	\$ 1,449,107	\$ -	\$ 39,447,701
Leasehold improvements	-	48,500	-	420,661	-	469,161
Furniture and fixtures	665,995	41,447	-	-	-	707,442
Vehicles	31,567	-	-	29,009	-	60,576
Equipment	88,098	-	-	-	11,705	99,803
Other	1,585,481	-	-	-	-	1,585,481
	<u>35,589,290</u>	<u>4,870,392</u>	<u>-</u>	<u>1,898,777</u>	<u>11,705</u>	<u>42,370,164</u>
Less accumulated depreciation	<u>(19,725,132)</u>	<u>(3,109,739)</u>	<u>-</u>	<u>(536,469)</u>	<u>(11,705)</u>	<u>(23,383,045)</u>
	<u>15,864,158</u>	<u>1,760,653</u>	<u>-</u>	<u>1,362,308</u>	<u>-</u>	<u>18,987,119</u>
Land						
Sites for future development	-	16,155,517	1,185,000	-	-	17,340,517
Land under operating leases	-	613,588	-	-	-	613,588
Operating properties	<u>4,948,358</u>	<u>659,133</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,607,491</u>
Construction in progress	<u>4,948,358</u>	<u>17,428,238</u>	<u>1,185,000</u>	<u>-</u>	<u>-</u>	<u>23,561,596</u>
Total land, building and equipment	<u>\$ 20,812,516</u>	<u>\$ -</u>	<u>\$ 1,185,000</u>	<u>\$ 1,362,308</u>	<u>\$ -</u>	<u>\$ 42,548,715</u>

NOTE 6 - NOTE PAYABLE AND LINE OF CREDIT

During the year ended June 30, 2022, the Diocese entered into a fixed rate loan agreement with the San Jose Catholic Account for Parishes and Schools, Inc. on August 2, 2021 for \$3,500,000 at a fixed rate of 2.00% to paid in full in June 2022. The loan was for the purpose of financing our annual package insurance whose premium is due in total to Waldorf Risk Solutions in August but is only collected from our locations in installments through June of the fiscal year. The loan principal was paid in full on June 1, 2022.

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, 2022.

Central Administrative Office of the Roman Catholic Diocese of San Jose

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

NOTE 7 - NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction are available for the following at June 30:

	2022
Annual appeal programs for general operations with time restrictions	\$ 6,282,443
General education and tuition assistance (non-endowed) with purpose restrictions	20,598,546
Specific ministries and purposes (non-endowed) with purpose restrictions	49,889,965
Available endowment funds with purpose restrictions	8,246,727
Endowment funds invested in perpetuity and not available	4,463,389
	<hr/>
Total donor restricted net assets	\$ 89,481,070

NOTE 8 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Net assets released from restrictions during the year ended June 30, 2022 consisted of the following:

	2022
Purpose restrictions accomplished	\$ 2,932,482
Time restrictions expired	5,300,000
	<hr/>
Total restrictions released	\$ 8,232,482

NOTE 9 - ENDOWMENTS

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 permanently restricted net assets (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 that is not classified in permanently restricted net assets is classified as temporarily restricted net assets 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 funds:

1. Duration and preservation of the fund

Central Administrative Office of the Roman Catholic Diocese of San Jose

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization

Endowment Net Asset Composition by Type of Fund

	June 30, 2022		
	With Donor Time and Purpose Restrictions	Perpetual Endowments	Total
Donor restricted	\$ 8,246,727	\$ 4,463,389	\$ 12,710,116
Total funds	\$ 8,246,727	\$ 4,463,389	\$ 12,710,116

Changes in Endowment Net Assets

	With Donor Time and Purpose Restrictions	Perpetual Endowments	Total
Endowment net assets, June 30, 2021	\$ 10,554,064	\$ 4,438,389	\$ 14,992,453
Contributions	29,525	25,000	54,525
Investment income/expenses	213,584	-	213,584
Investment loss	(1,970,381)	-	(1,970,381)
Appropriations for expenditure	(580,065)	-	(580,065)
Endowment net assets, June 30, 2022	\$ 8,246,727	\$ 4,463,389	\$ 12,710,116

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or California version of UPMIFA requires the CAO to retain as a fund of permanent duration. These deficiencies would generally result from unfavorable fluctuations in the underlying value of the funds held for these accounts. At June 30, 2022, none of the funds had deficiencies.

Return Objectives and Risk Parameters

The CAO has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

Central Administrative Office of the Roman Catholic Diocese of San Jose

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

Strategies Employed for Achieving Objectives

To satisfy its long-term and rate-of-return objectives, the CAO relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The CAO targets a diversified asset allocation and instructs its fund managers to follow the Socially Responsible Investment Guidelines as promulgated by the United States Council of Catholic Bishops.

Spending Policy and How the Investment Objectives Relate to 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.

NOTE 10 - 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 \$7,177,171 at June 30, 2022.

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

For the Years Ending June 30:

2023	\$ 816,946
2024	457,421
2025	321,050
2026	323,145
2027	260,396
Thereafter	<u>7,013,996</u>
	<u>\$ 9,192,954</u>

NOTE 11 - COMMITMENTS, CONTINGENCIES AND RISKS

Leases

The CAO conducts some of its operations in leased facilities under operating leases, including the facilities used by Christ the King Parish, the Records and Archives Center, and the Clergy Retirement House. In addition to the minimum rental payments, the CAO must pay a proportionate share of the operating expenses of the facilities. Rent expense for the year ended June 30, 2022 was \$219,643.

Central Administrative Office of the Roman Catholic Diocese of San Jose

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

Future minimum rental payments are as follows (excluding operating expenses):

For the Years Ending June 30:

2023	\$	215,679
2024		106,000
2025		106,000
2026		106,000
2027		106,000
Thereafter		<u>70,667</u>
Total	\$	<u>710,346</u>

Construction Agreements

The CAO will occasionally enter into construction agreements for CAO projects. At June 30, 2022, total commitments are \$0.

Litigation

The CAO is party to various other litigation matters in the normal course of business. Management believes that the resolution of these matters will not have a material adverse effect on the financial condition of the CAO.

Other Risks

Although the perception is that the COVID-19 pandemic is over, it remains a public health event that continues to adversely and strongly affect the public's health. Diocesan and CAO activity has largely returned to pre-COVID status (with a strong remote focus) and management continues to carefully monitor the situation.

NOTE 12 - POST-RETIREMENT BENEFITS OTHER THAN PENSIONS

The Roman Catholic Bishop of San Jose sponsors a 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.

The CAO uses the accrual method of accounting for post-retirement benefits based on actuarially determined costs to be recognized over the period the employee provides service to the CAO. FASB Accounting Standards Codification ("ASC") 715 requires entities to accrue for expected medical and other post-retirement benefits over the years that the employees render the necessary service. CAO also follows the disclosure provisions of ASC 715, which requires additional employers' disclosures about pension and other post-retirement benefit plans.

Central Administrative Office of the Roman Catholic Diocese of San Jose

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

Contributions of \$0 were made to the plan in the year ended June 30, 2022. Benefit payments of \$251,000 were made from the plan during the year ended June 30, 2022. The Diocese expects to contribute \$0 to the plan's rabbi trust fund during the year ending June 30, 2023.

Funded Status

The following table sets forth the plan's funded status as of June 30:

	<u>2022</u>
Accumulated post-retirement benefit obligations for service rendered to date	\$ (6,985,185)
Plan assets at fair value	<u>6,552,849</u>
Funded status as of end of year	<u>(432,336)</u>
Liability for post-retirement benefits	<u>\$ (432,336)</u>

Amounts recognized in net assets without donor restriction for the year ended June 30:

	<u>2022</u>
Net (gain)/loss	\$ (1,515,331)

Net Periodic Post-Retirement Benefit Cost

The following items are the components of the net periodic post-retirement benefit cost for the plan as a whole for the year ended June 30:

	<u>2022</u>
Service cost-benefits earned during the period	\$ 430,137
Interest cost on projected benefit obligation	286,501
Actual return on plan assets	<u>(457,915)</u>
Net periodic post-retirement benefit cost	<u>\$ 258,723</u>

Changes in plan assets and benefit obligations recognized in non-operating income for the year ended June 30:

	<u>2022</u>
Net actuarial (gain) or loss	\$ (2,007,109)
Amortization of net actuarial gain or (loss) during the year	<u>-</u>
Total recognized in non-operating income	<u>(2,007,109)</u>
Total recognized in net periodic benefit cost and non-operating income	<u>\$ (1,748,386)</u>

Central Administrative Office of the Roman Catholic Diocese of San Jose

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

Assumptions

Assumptions used to determine net periodic post-retirement benefit cost for the year ended June 30:

	2022
Discount rate	2.92%
Expected long-term rate of return on assets	6.00%
Future health cost inflation rate	Age graded 5.80 - 4.50%

Assumptions used to determine benefit obligations at year-end for the year ended June 30:

	2022
Discount rate	4.66%
Future health cost inflation rate	Graded 6.00% - 4.50%

Cash Flows - Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid from the Medicare supplement plan.

Year Ending June 30:

2023	\$ 235,371
2024	245,251
2025	256,230
2026	271,654
2027	286,416
2028 - 2032	1,662,934

NOTE 13 - PENSION PLANS

The CAO uses the accrual method of accounting for post-retirement benefits based on actuarially determined costs to be recognized over the period the employee provides service to the CAO. ASC 715 requires entities to accrue for expected pension benefits over the years that the employees render the necessary service. CAO also follows the disclosure provisions of ASC 715, which requires additional employers' disclosures about pension and other post-retirement benefit plans.

Lay Employees

The CAO participates in a defined benefit pension plan operated by the Roman Catholic Bishop of San Jose. All full-time lay employees hired before July 1, 2020 were eligible. 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.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

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 CAO administers the plan and assesses each of the participating entities its portion of estimated annual pension cost. The aggregate pension liability for the plan as a whole is \$59,271,986 for the year ended June 30, 2022. The amounts allocated to the CAO for the year ended June 30 are as follows:

	<u>Lay Retirement Plan 2022</u>
Net amount of pension liability recognized at year-end	\$ (462,354)
Pension (income) expenses	(162,511)
Plan contributions	593,465

The assumptions used to determine net periodic pension cost and benefit obligations for the year ended June 30, 2022 are as follows:

	<u>Lay Retirement Plan 2022</u>
For Net Periodic Pension Cost (Income)	
Discount rate	2.71%
Expected long-term rate of return on assets	5.50%
Rate of compensation increase	N/A

The fair values of the Diocesan Lay Pension Plan assets as of June 30 by asset category, are as follows:

<u>Asset Category</u>	<u>2022 Fair Value Measurements</u>				
	<u>Total Fair Value</u>	<u>Quoted Prices (Level 1)</u>	<u>Significant Observation Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Investments Measured at NAV</u>
Cash and cash equivalents	\$ 10,941,587	\$ 10,941,587	\$ -	\$ -	\$ -
Equity securities	100,231,593	100,231,593	-	-	-
Fixed income securities	55,600,634	-	55,600,634	-	-
Alternative investments	56,278,451	-	-	-	56,278,451
Total	<u>\$ 223,052,265</u>	<u>\$ 111,173,180</u>	<u>\$ 55,600,634</u>	<u>\$ -</u>	<u>\$ 56,278,451</u>

No one security in the plan represents more than 5% of total assets other than U.S. Treasury Securities and a money market fund, which is an exchange traded fund.

The Diocese utilizes the NAV as the practical expedient to value funds for which the underlying investment funds (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The administrator of the funds held by the Diocese provides the NAVs, considering variables such as the actual market exchanges and/or trade quotations provided by third parties. The Diocese's

Central Administrative Office of the Roman Catholic Diocese of San Jose

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

management and investment committee reviews and evaluates NAVs, provided by the funds' administrator and believes that the carrying amounts of these investments are reasonable estimates of fair value.

<u>Attribute</u>	<u>NAV</u>	<u>Number of Funds</u>	<u>Unfunded Commitments</u>	<u>Remaining Life</u>	<u>Redemption Terms</u>	<u>Redemption Restrictions</u>
Hedge Funds	\$ 28,419,903	10	\$ 4,396,929	10	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, 70 days prior written notice 4) Daily with 3 days' notice 5) Quarterly, 30 calendar days' notice 6) Quarterly, 60 days' notice 7) Quarterly with 60 calendar days' notice 8) Quarterly with 60 calendar days' notice 9) Quarterly with 60 days' notice 10) Quarterly with 90 calendar days + 5 business days	1) 25% investor level gate 3) One year soft lock-up, 5% 4) 5% class level gate based on total HH & HH-C NAV 5) 5% class level gate based on total HH & HH-C NAV
Real estate	\$ 16,468,050	4	\$ 1,669,908	4 Open ended funds + 14) 10 years, subject to 2 one-year extensions	11) Monthly, 3 days' notice 12) Quarterly	11) Generally monthly repurchase offers of at least 2% of the NAV/month not to exceed 5% of NAV/quarter 1 year soft lock, 5% early redemption fee. 12) Subject to available cash flow.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

Attribute	NAV	Number of Funds	Unfunded Commitments	Remaining Life	Redemption Terms	Redemption Restrictions
					13) Monthly, 3 days' notice	13) Generally monthly repurchase offers of at least 2% of the NAV/month not to exceed 5% of NAV/ quarter. 1 year soft lock, 5% early redemption fee.
					14) No redemption	14) No redemption.
Infrastructure	\$ 2,782,594	2	\$ 3,534,409	2 Open ended funds +	15) Monthly, 3 days' notice	7) No redemption permitted
				14) 10 years, subject to 2 one-year extensions	16) Quarterly	
				15) Open ended fund	17) Monthly, 3 days' notice	
				16) 10 years, subject to 2 one-year extensions	18) No redemption	
					19) Semi-Annual redemptions (3/31 and 9/30) with a 90 day notice	
					20) No redemption	
Private equity	\$ 8,607,905	3	\$ 8,427,447	17) 10 years, subject to 3 one-year extensions	No redemption permitted.	No redemption permitted
				18) 10 years, subject to 3 one-year extensions		
				19) 10 years from the start of the investment period		
Total	\$ 56,278,452	19	\$ 18,028,693			

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

Plan Asset Investment Strategy and Allocation

The asset allocation for the pension plan and the target allocation, by asset category, are:

<u>Asset Category</u>	<u>Policy Range (Min - Max)</u>	<u>Policy Target</u>	<u>Actual Percentage of Plan Assets</u>
Equities	40% - 70%	55%	45%
Fixed income	20% - 40%	30%	25%
Other	5% - 20%	15%	25%
Cash and cash equivalents	N/A	N/A	5%
Total		100%	100%

The Diocese has adopted an official Statement of Investment Policy for this plan. Pension plan assets are invested by an independent professional investment manager, with the objective of achieving long-term growth in assets with reasonable risk as compared to established benchmarks. The investment policy requires high quality investments and adequate diversification. The Diocese regularly monitors the investment manager's performance relative to short-term and long-term objectives as set forth in the official policy. A compliance audit of the managers' adherence to policy guidelines is conducted as a component of each performance evaluation. The Statement of Investment Policy includes consideration for social responsibility and Roman Catholic social teaching.

The Diocese 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 and investment consulting firms while incorporating specific asset-class risk factors.

Priests' Pension Plans

The Roman Catholic Bishop of San Jose has sponsored a nonqualified defined benefit pension plan for all Diocesan priests who are ordained for or incardinated in the Diocese and in good standing and not on probation. The plan provides benefits based on a flat benefit prorated for years and months of service less than 35 years.

The Roman Catholic Bishop of San Jose has also sponsored a non-qualified supplemental defined benefit pension plan for certain priests listed in Appendices A and B of the plan document. Benefits for priests in Appendix A are based on the excess of their benefit calculated under the regular retirement plan with additional years of service over their actual retirement plan benefit. Benefits for priests in Appendix B are based on the excess of their benefit calculated according to the formula defined in Appendix B over their actual regular retirement plan benefit.

Effective January 1, 2019, these two plans were frozen and merged together into The Diocese of San Jose Combined Nonqualified Retirement Plan for Priests. Plan assets for this plan are held in a rabbi trust. Also, effective January 1, 2019, a new qualified plan was formed, The Diocese of San Jose Qualified Retirement Plan for Priests. This qualified plan covers priest benefit accrual for service after January 1, 2019 as well as benefits accrued when the benefit formula is increased.

Since the Roman Catholic Bishop of San Jose is exempt from the funding requirements of ERISA, it has been the CAO's practice to make contributions annually to the plan based on actuarial principles. In general, it has been the CAO's policy to fund any unfunded past service liability over not more than 20 years.

Central Administrative Office of the Roman Catholic Diocese of San Jose

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

Contributions of \$2,592,000 were made to qualified plan and \$0 to the nonqualified plan nonqualified plan in the year ended June 30, 2022 by the CAO on behalf of the parishes, schools or other units to which the participating clergy were assigned. Benefit payments of \$123,616 were made from the qualified plan and

\$1,532,794 from the nonqualified plan during the year ended June 30, 2022. The Diocese expects to contribute \$1,200,000 to the qualified plan and \$0 to the nonqualified plan during the year ending June 30, 2023.

The fair values of Diocesan Priest Pension Plans assets as of June 30 by asset category follow. The assets of the nonqualified plan are held in rabbi trusts and, as such, are held as general assets of the CAO in the statement of financial position in the amount of \$6,925,415 as of June 30, 2022. At June 30, 2022, \$9,981,869 of investments held in the new qualified plan are presented as an offset to the projected benefit obligation.

2022 Fair Value Measurements - Non-Qualified Plan					
<u>Asset Category</u>	<u>Total Fair Value</u>	<u>Quoted Prices (Level 1)</u>	<u>Significant Observation Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Investments Measured at NAV</u>
Cash and cash equivalents	\$ 337,485	\$ 337,485	\$ -	\$ -	\$ -
Equity securities	3,807,333	3,807,333	-	-	-
Fixed income securities	2,109,288	-	2,109,288	-	-
Alternative investments	671,309	-	-	-	671,309
Total	\$ 6,925,415	\$ 4,144,818	\$ 2,109,288	\$ -	\$ 671,309
2022 Fair Value Measurements - Qualified Plan					
<u>Asset Category</u>	<u>Total Fair Value</u>	<u>Quoted Prices (Level 1)</u>	<u>Significant Observation Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Investments Measured at NAV</u>
Cash and cash equivalents	\$ 5,009,665	\$ 5,009,665	\$ -	\$ -	\$ -
Equity securities	2,349,585	2,349,585	-	-	-
Fixed income securities	1,303,366	-	-	-	-
Alternative investments	1,319,255	-	-	-	1,319,255
Total	\$ 9,981,871	\$ 7,359,250	\$ -	\$ -	\$ 1,319,255

No one security in either the plan represents more than 5% of total assets other than a money market fund and exchange-traded fund.

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June 30, 2022

The Diocese utilizes the NAV as the practical expedient to value funds for which the underlying investment funds (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The administrator of the funds held by the Diocese provides the NAVs, considering variables such as the actual market exchanges and/or trade quotations provided by third parties. The Diocese's management and investment committee reviews and evaluates NAVs, provided by the funds' administrator and believes that the carrying amounts of these investments are reasonable estimates of fair value.

Alternative Investments - Qualified Priest Pension:

Attribute	NAV	Number of Funds	Unfunded Commitments	Remaining Life	Redemption Terms	Redemption Restrictions
Hedge Funds	\$ 666,206	10	\$ 4,396,929	10 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, 70 days prior written notice 4) Daily with 3 days' notice 5) Quarterly, 30 calendar days' notice 6) Quarterly, 60 days' notice 7) Quarterly with 60 calendar days' notice 8) Quarterly with 60 calendar days' notice 9) Quarterly with 60 days' notice 10) Quarterly with 90 calendar days + 5 business days	1) 5% class level gate based on total HH & HH-C NAV 2) 25% investor-level gate 6) 20% fund level gate 7) 25% investor level gate
Real estate	\$ 386,037	4	\$ 39,145	4 Open ended funds +	11) Monthly, 3 days' notice	11) Generally monthly repurchase offers of at least 2% of the NAV/month not to exceed 5% of NAV/month not to exceed 5% of NAV/quarter 1 year soft lock, 5% NAV/quarter.1 year soft lock, 5%

Central Administrative Office of the Roman Catholic Diocese of San Jose

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

Alternative Investments - Nonqualified Priest Pension:

Attribute	NAV	Number of Funds	Unfunded Commitments	Remaining Life	Redemption Terms	Redemption Restrictions
				14) 10 years, subject to 2 one-year extensions	12) Quarterly	12) Subject to available cash flow.
					13) Monthly, 3 days' notice	13) Generally monthly repurchase offers of at least 2% of the NAV/month not to exceed 5% of NAV/quarter. 1 year soft lock, 5% early redemption fee
					14) No redemption	14) No redemption.
Infrastructure	\$ 65,228	2	\$ 82,852	15) Open ended fund	15) Semiannual redemptions (3/31 and 9/30) with a 90 day notice	No redemption permitted
				16) 10 years, subject to 2 one-year extensions	16) No redemption	
Private equity	\$ 201,784	3	\$ 197,553	17) 10 years, subject to three one- year extensions	No redemption permitted.	No redemption permitted
				18) 10 years, subject to 3 one-year extensions		
				19) 10 years from the start of the investment period		
Total	<u>\$ 1,319,255</u>	<u>19</u>	<u>\$ 422,621</u>			

Central Administrative Office of the Roman Catholic Diocese of San Jose

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

Alternative Investments - Nonqualified Priest Pension:

<u>Attribute</u>	<u>NAV</u>	<u>Number of Funds</u>	<u>Unfunded Commitments</u>	<u>Remaining Life</u>	<u>Redemption Terms</u>	<u>Redemption Restrictions</u>
Hedge funds	\$ 150,354	3	\$ 140,000	10 Open ended funds	1) Quarterly with 90 calendar days + 5 business days	1) 5% class level gate based on total HH & HH-C NAV
Real estate	\$ 520,955	2	\$ 515,000	2 Open ended funds	2) Monthly, 3 days' notice	2) Generally monthly repurchase offers of at least 2% of the NAV/month not to exceed 5% of NAV/quarter. 1 year soft lock, 5% early redemption fee
Total	<u>\$ 671,309</u>		<u>\$ 655,000</u>			

Plan Asset Investment Strategy and Allocation

The asset allocation for both the nonqualified and qualified pension plans and the target allocation, by asset category, are:

<u>Asset Category</u>	<u>Policy Range (Min - Max)</u>	<u>Policy Target</u>	<u>Actual Percentage of Plan Assets</u>
Equities	40% - 70%	55%	45%
Fixed income	20% - 40%	30%	25%
Other	5% - 20%	15%	25%
Cash and cash equivalents	N/A	N/A	5%
Total		<u>100%</u>	<u>100%</u>

The Diocese has adopted an official Statement of Investment Policy for these plans. Pension plan assets are invested by an independent professional investment manager, with the objective of achieving long-term growth in assets with reasonable risk as compared to established benchmarks. The investment policy requires high quality investments and adequate diversification. The Diocese regularly monitors the investment manager's performance relative to short-term and long-term objectives as set forth in the official policy. A compliance audit of the managers' adherence to policy guidelines is conducted as a component of each performance evaluation. The Statement of Investment Policy includes consideration for social responsibility and Roman Catholic social teaching.

The Diocese 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 and investment consulting firms while incorporating specific asset-class risk factors.

Central Administrative Office of the Roman Catholic Diocese of San Jose

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

Table 1 - Funded Status

	Priests' Pension Plans 2022		
	Nonqualified	Qualified Plan	Total
Vested benefit obligation	\$ (19,269,357)	\$ (4,720,001)	\$ (23,989,358)
Accumulated benefit obligation	(19,288,790)	(4,724,761)	(24,013,551)
Projected benefit obligation	(19,288,790)	(10,360,887)	(29,649,677)
Plan assets at fair value	6,925,415	9,981,869	16,907,284
Funding status of the plan	(12,363,375)	(379,018)	(12,742,393)
Net amount recognized	\$ (12,363,375)	\$ (379,018)	\$ (12,742,393)

Table 2 - Amounts Recognized in the Statement of Financial Position

	Priests' Pension Plans 2022		
	Nonqualified	Qualified Plan	Total
Noncurrent liabilities	\$ (12,363,375)	\$ (379,018)	\$ (12,742,393)

Table 3 - Amounts Recognized in Non-Operating Income

	Priests' Pension Plans 2022		
	Nonqualified	Qualified Plan	Total
Net loss	\$ 4,022,310	\$ 571,495	\$ 4,593,805
Prior service cost	823,000	979,000	1,802,000
	<u>\$ 4,845,310</u>	<u>\$ 1,550,495</u>	<u>\$ 6,395,805</u>

Table 4 - Net Periodic Pension Cost

	Priests' Pension Plans 2022		
	Nonqualified	Qualified Plan	Total
Service cost-benefits earned during the period	\$ 33,000	\$ 979,852	\$ 1,012,852
Interest cost on projected benefit obligation	666,293	325,907	992,200
Actual return on plan assets	(473,582)	(502,629)	(976,211)
Net amortization and deferral	471,413	101,276	572,689
Net periodic pension cost	<u>\$ 697,124</u>	<u>\$ 101,276</u>	<u>\$ 1,601,530</u>

Central Administrative Office of the Roman Catholic Diocese of San Jose

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

Table 5 - Other Changes in Plan Assets and Benefit Obligations Recognized in Non-Operating Income

The amounts recognized in net assets without donor restriction for the year ended June 30 consist of:

	Priests' Pension Plans 2022		
	Nonqualified	Qualified Plan	Total
Net actuarial (gain) loss	\$ (2,800,170)	\$ (1,446,792)	\$ (4,246,962)
Prior service cost/(credit)	-	-	-
Amortization of gain/(loss)	(275,413)	(43,276)	(318,689)
Amortization of prior service cost/(credit)	(196,000)	(58,000)	(254,000)
Total recognized in non-operating income	(3,271,583)	(1,548,068)	(4,819,651)
Total recognized in net periodic cost and non-operating income	<u>\$ (2,574,459)</u>	<u>\$ (643,661)</u>	<u>\$ (3,218,121)</u>

Table 6 - Assumptions

	Priests' Pension Plans 2022	
	Nonqualified	Qualified Plan
For net periodic pension cost		
Discount rate	2.83%	2.83%
Expected long-term rate of return on investments	5.50%	5.50%
Salary increases	N/A	N/A
Future benefit increases	0.00%	2.00%
For Benefit Obligation at Year End		
Discount rate	4.59%	4.67%
Salary increases	N/A	N/A
Future benefit increases	0.00%	2.00%

Table 7 - Estimated Future Benefit Payments

	Priests' Pension Plans 2022		
	Nonqualified	Qualified Plan	Total
2023	\$ 1,355,564	\$ 214,674	\$ 1,570,238
2024	1,321,849	240,488	1,562,337
2025	1,275,406	268,442	1,543,848
2026	1,259,059	301,721	1,560,780
2027	1,188,792	316,782	1,505,584
2028-2032	5,896,093	2,370,295	8,266,388

Central Administrative Office of the Roman Catholic Diocese of San Jose

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

NOTE 14 - RELATED-PARTY TRANSACTIONS

<u>Activity</u>	<u>FY2022</u>	<u>Name of Related Party/Parties</u>
<u>Revenue:</u>		
Payroll processing/unemployment coverage	\$ 1,292,863	Diocesan parishes and schools
Priest retirement contributions	2,371,460	Diocesan parishes
IT services/central purchasing	1,493,358	Diocesan schools
Hospital ministry fee	526,176	Diocesan parishes
Parish offertory assessment	3,179,947	Diocesan parishes
Cemetery assessment	1,358,933	San Jose Catholic Cemeteries
Dept of Catholic schools assessment	978,632	Diocesan schools
Insurance premiums	19,026,670	Diocesan parishes and schools and Catholic Telemedia Network
Valley Catholic subscriptions	68,792	Diocesan parishes
Education grants	2,000,000	Catholic Telemedia Network
<u>Expenses:</u>		
Direct expenses to support parish operations	927,010	Cathedral Basilica/Christ the King
Accounting services	144,000	St. Joseph Financial Services, Inc
Educational software (excluding reimbursements)	87,456	Cathedral Basilica/Christ the King
Retirement home rental	48,000	St. Joseph Financial Services, Inc

NOTE 15 - SELF-INSURED RISK

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.

The Diocese is self-insured for the first \$500,000 for worker's compensation and has Excess Workers Compensation coverage through a nonaffiliated insurer.

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.

NOTE 16 - FAIR VALUE MEASUREMENTS OTHER THAN RETIREMENT ASSETS

Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Securities

The fair value of investments is based on quoted market prices for those or similar assets.

Central Administrative Office of the Roman Catholic Diocese of San Jose

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

Fixed Income Securities

The fair value of fixed income securities is estimated using recently executed transactions, market price quotations and pricing models that factor in, where applicable, interest rates, bond or credit-default swap spreads, and volatility. These investments are generally categorized in Level 2 of the fair value hierarchy.

Certificates of Deposit

The fair value of certificates of deposit is based on maturity and interest rates.

Beneficial Interest and Charitable Remainder Trust

The beneficial interest stated in the statement of financial position has been estimated by management using net present value of the future cash flows.

Real Estate Held for Investment

Fair value is estimated by periodic appraisals.

Other (Limited Partnership)

The Diocese utilizes the NAV as the practical expedient to value funds for which the underlying investment funds (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The administrator of the funds held by the Diocese provides the NAVs, considering variables such as the actual market exchanges and/or trade quotations provided by third parties. The Diocese's management and investment committee reviews and evaluates NAVs, provided by the funds' administrator and believes that the carrying amounts of these investments are reasonable estimates of fair value.

Fair Value Measurements

The fair values of assets measured on a recurring basis at June 30 are:

Assets	2022 Fair Value Measurements				
	Total Fair Value	Quoted Prices (Level 1)	Significant Observation Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV
Cash and cash equivalents (Note 3)	\$ 6,210,954	\$ 6,210,954	\$ -	\$ -	\$ -
Equity Securities (Note 3)	82,995,245	82,995,245	-	-	-
Fixed Income Securities (Note 3)	43,583,912	-	43,583,912	-	-
Alternative Investments (Note 3)	22,224,819	-	-	-	22,224,819
Other (Note 3)	35,439	-	-	-	35,439
Charitable remainder trust	485,178	-	-	485,178	-
Land charitable remainder trust	2,300,468	-	-	2,300,468	-
Beneficial interests	-	-	-	-	-
Real estate held for investment	47,750,000	-	47,750,000	-	-
Total	\$ 205,586,015	\$ 89,206,199	\$ 91,333,912	\$ 2,785,646	\$ 22,260,258

Central Administrative Office of the Roman Catholic Diocese of San Jose

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

The Diocese uses NAV to determine the fair value of all underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following table lists the attributes of investments valued using NAV:

Attribute	NAV	Number of Funds	Unfunded Commitments	Remaining Life	Redemption Terms	Redemption Restrictions
Hedge Funds	\$ 5,087,149	6	\$ 2,285,000	6 Open ended funds	1) Quarterly with notice on or before the last calendar day of the first month of applicable fiscal quarter 2) Quarterly with 70 days prior written notice 3) Semiannual redemptions (3/31 and 9/30) with 95 days' notice 4) Quarterly with 90 calendar days + 5 business days 5) Quarterly with 90 calendar days + 5 business days 6) Quarterly, 60 calendar days' notice	1) 25% investor level gate 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
Real estate	\$ 13,865,505	6	\$ 897,253	5 Open ended funds + 15) 10 years, subject to 2 one- year extensions	12) Quarterly 13) Monthly with 3 days' notice 14) Monthly with 3 days' notice 15) No redemption permitted 16) Monthly with 3 days' notice	12) Subject to available cash flow 13) Generally monthly repurchase of at least 2% of the NAV/month NTE 5% of NAV/ quarter 14) Generally monthly repurchase of at least 2% of the NAV/month NTE 5% of NAV/ quarter 15) No redemption permitted 16) Generally monthly repurchase of at least 2% of the NAV/ month NTE 5% of NAV/quarter

Central Administrative Office of the Roman Catholic Diocese of San Jose

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

Attribute	NAV	Number of Funds	Unfunded Commitments	Remaining Life	Redemption Terms	Redemption Restrictions
					17) Monthly with 3 days' notice	17) Generally monthly repurchase of at least 2% of the NAV/ month NTE 5% of NAV/ quarter
Infrastructure	\$ 2,627,859	2	\$ 1,899,062	7) 10 years, subject to 2 one-year extensions	7) No redemption permitted	7) No redemption permitted
				8) Open ended	8) Semiannual redemptions (3/31 and 9/30) with 90 days' notice	
Private equity	\$ 644,306	3	\$ 4,226,315	9) 10 years, subject to three one- year extensions	No redemption permitted	No redemption permitted
				10) 10 years, subject to 3 one-year extensions		
				11) 10 years from the start of the investment period		
Total	<u>\$ 22,224,819</u>	<u>17</u>	<u>\$ 9,307,630</u>			

NOTE 17 - LIQUIDITY

Financial assets available within one year of the statement of financial position date of June 30, 2021 are as follows:

Operating Cash - US Bank, WFB, PayPal, Petty Cash	\$ 14,043,541
Cash to be released from ADA - Heritage Bank	5,978,182
Drexel cash which will meet restriction (including AR)	<u>800,000</u>
Total	<u>\$ 20,821,723</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. In recent years, excess liquidity has been used to pay down debt.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2022

NOTE 18 - 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 CAO 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 CAO'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 CAO has evaluated subsequent events through May 25, 2023, which is the date the financial statements are available to be issued.

There are no significant subsequent events to report.

SUPPLEMENTARY INFORMATION

Central Administrative Office of
The Roman Catholic Diocese of San Jose

STATEMENT OF FINANCIAL POSITION - ALL FUNDS

June 30, 2022

	Operating Fund	Restricted Fund	Priests' Retirement	Insurance Fund	Non Operating Property Fund	Investment Pool	Invoicing & Payroll Fund	Eliminations	Total
ASSETS									
Cash and cash equivalents	\$ 10,005,205	\$ 8,333,235	\$ (489,870)	\$ 3,020,247	\$ (940,659)	\$ -	\$ 174,910	\$ -	\$ 20,103,068
Investments	239,230	33,931,944	14,088,360	35,719,271	-	73,558,590	-	-	157,537,395
Receivables, net									
Receivables from parishes and institutions of the Roman Catholic Bishop of San Jose ("RCBSJ")	-	-	-	-	-	-	6,717,942	-	6,717,942
Pledges	-	2,298,812	-	-	-	-	-	-	2,298,812
Receivables from parties outside the RCBSJ	-	2,985,645	-	-	-	-	428,507	-	3,414,152
Deposits and prepaid expenses	488,498	-	-	-	9,083	-	-	-	497,581
Investments held for long-term purposes	-	-	-	-	-	4,438,389	-	-	4,438,389
Investments in real estate	-	44,150,000	-	-	3,600,000	-	-	-	47,750,000
Assets held in trust	-	-	-	-	-	261,331	-	-	261,331
Land, buildings and equipment, net	20,812,516	1,185,000	1,362,308	-	19,188,891	-	-	-	42,548,715
Total assets	<u>\$ 31,545,449</u>	<u>\$ 92,884,636</u>	<u>\$ 14,960,798</u>	<u>\$ 38,739,518</u>	<u>\$ 21,857,315</u>	<u>\$ 78,258,310</u>	<u>\$ 7,321,359</u>	<u>\$ -</u>	<u>\$ 285,567,385</u>
LIABILITIES AND NET ASSETS									
Liabilities									
Accounts payable	\$ 1,809,573	\$ -	\$ 45,335	\$ 62,050	\$ 28,200	\$ -	\$ 3,795,033	\$ -	\$ 5,740,191
Pledges payable to parishes	-	1,450,135	-	-	-	-	-	-	1,450,135
Accrued liabilities	1,361,827	1,953,431	27,647,642	2,921,926	9,500	-	4,042,215	-	37,936,541
Trust assets held for parishes	-	-	-	-	-	261,331	-	-	261,331
Held for parishes and institutions	1,081,372	-	-	5,523,528	-	77,996,979	-	-	84,601,879
Deferred revenue	-	-	-	1,089,262	7,177,171	-	-	-	8,266,433
Total liabilities	<u>4,252,772</u>	<u>3,403,566</u>	<u>27,692,977</u>	<u>9,596,766</u>	<u>7,214,871</u>	<u>78,258,310</u>	<u>7,837,248</u>	<u>-</u>	<u>138,256,510</u>
NET ASSETS									
Without donor restrictions	27,292,677	-	(12,732,179)	29,142,752	14,642,444	-	(515,889)	-	57,829,805
With donor restrictions	-	89,481,070	-	-	-	-	-	-	89,481,070
Total net assets	<u>27,292,677</u>	<u>89,481,070</u>	<u>(12,732,179)</u>	<u>29,142,752</u>	<u>14,642,444</u>	<u>-</u>	<u>(515,889)</u>	<u>-</u>	<u>147,310,875</u>
Total liabilities and net assets	<u>\$ 31,545,449</u>	<u>\$ 92,884,636</u>	<u>\$ 14,960,798</u>	<u>\$ 38,739,518</u>	<u>\$ 21,857,315</u>	<u>\$ 78,258,310</u>	<u>\$ 7,321,359</u>	<u>\$ -</u>	<u>\$ 285,567,385</u>

Central Administrative Office of
The Roman Catholic Diocese of San Jose

STATEMENT OF ACTIVITIES

Year Ended June 30, 2022

	Operating Fund	Restricted Fund	Priests' Retirement	Insurance Fund	Non Operating Property Fund	Investment Pool	Invoicing & Payroll Fund	Eliminations	Total
Revenue									
Gifts, bequests, and collections	\$ 703,525	\$ 6,077,386	\$ 106,494	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,887,405
Fees	3,293,413	-	2,508,313	772,796	-	-	-	(269,287)	6,305,235
Diocesan assessment	3,587,627	-	-	-	951,253	-	-	-	4,538,880
Education income	1,252,563	-	-	-	-	-	-	-	1,252,563
Rental income	178,421	91,257	88,000	-	442,409	-	-	-	800,087
Interest income from loans	1,224	-	-	-	-	-	-	-	1,224
Cemetery revenues	-	-	-	-	914	-	-	-	914
Insurance premium income	-	-	-	24,712,433	-	-	-	(1,845,273)	22,867,160
Communications income	68,792	-	-	-	-	-	-	-	68,792
Grant income	-	3,370,064	-	-	-	-	-	-	3,370,064
Other income	12,815	-	-	8,318	-	-	-	-	21,133
Subtotal revenues from operations	9,098,380	9,538,707	2,702,807	25,493,547	1,394,576	-	-	(2,114,560)	46,113,457
Net assets released from restrictions (See Note 8)	9,205,263	(8,232,482)	45,240	-	(1,018,021)	-	-	-	-
Total revenues	18,303,643	1,306,225	2,748,047	25,493,547	376,555	-	-	(2,114,560)	46,113,457
Expenses									
Compensation and benefits	7,646,141	-	3,797,960	426,347	-	-	-	(1,670,053)	10,200,395
Operating expenses	5,247,507	-	152,217	(6,835)	487,886	-	-	-	5,880,775
Travel and events	407,054	-	5,429	2,157	-	-	-	-	414,640
Professional services	1,461,422	-	39,867	98,236	22,831	-	-	-	1,622,356
Insurance	277,473	-	611	23,599,519	20,174	-	-	(444,507)	23,453,270
Depreciation	1,044,537	-	55,090	-	167,175	-	-	-	1,266,802
Interest	-	-	-	32,155	-	-	-	-	32,155
Total expenses	16,084,134	-	4,051,174	24,151,579	698,066	-	-	(2,114,560)	42,870,393
Change in net assets from operations	2,219,509	1,306,225	(1,303,127)	1,341,968	(321,511)	-	-	-	3,243,064
Bad debt expense	19,478	-	-	-	-	-	(15,061)	-	4,417
Change in obligations for post-retirement benefits	2,692,577	-	9,825,887	-	-	-	-	-	12,518,464
Investment income realized and unrealized	(8,185)	(2,272,436)	(2,056,038)	(3,985,327)	470,000	-	-	-	(7,851,986)
CHANGE IN NET ASSETS	4,923,379	(966,211)	6,466,722	(2,643,359)	148,489	-	(15,061)	-	7,913,959
Net assets, beginning of year	22,369,298	90,447,281	(19,198,901)	31,786,111	14,493,955	-	(500,828)	-	139,396,916
Net assets, end of year	\$ 27,292,677	\$ 89,481,070	\$ (12,732,179)	\$ 29,142,752	\$ 14,642,444	\$ -	\$ (515,889)	\$ -	\$ 147,310,875