



Financial Statements
June 30, 2024 and 2023

**The Chancery Office of The Roman
Catholic Bishop of San Bernardino
(A Corporation Sole)**

The Chancery Office of The Roman Catholic Bishop of San Bernardino

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Independent Auditor's Report

To His Excellency the Most Reverend Alberto Rojas
The Chancery Office of The Roman Catholic Bishop of San Bernardino, a Corporation Sole
San Bernardino, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Chancery Office of The Roman Catholic Bishop of San Bernardino (the Diocese) (a Corporation Sole), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of The Chancery Office of The Roman Catholic Bishop of San Bernardino as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Diocese 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Diocese'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 Diocese'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.

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

Rancho Cucamonga, California
August 15, 2025

The Chancery Office of The Roman Catholic Bishop of San Bernardino

Statements of Financial Position

June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets		
Cash and cash equivalents (Note 3)	\$ 7,371,359	\$ 5,324,645
Investments (Note 3)	74,369,263	61,893,154
Investments held in trust for others (Note 9)	36,157,904	34,232,699
Receivables (Note 5)		
Accounts receivable, net	3,902,624	4,931,575
Notes receivable	181,834	243,664
Deposits and prepaid expenses (Note 6)	211,522	514,066
Land, property, and equipment, net of accumulated depreciation (Note 7)	<u>13,767,017</u>	<u>14,223,871</u>
Total assets	<u><u>\$ 135,961,523</u></u>	<u><u>\$ 121,363,674</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 964,962	\$ 1,319,658
Notes payable (Note 8)	1,216,264	1,661,773
Funds held in trust for others (Note 9)	36,157,904	34,232,699
Accrued net pension liability (Note 10)	16,977,189	23,511,689
Insurance reserves (Note 12)	<u>250,000</u>	<u>250,000</u>
Total liabilities	<u>55,566,319</u>	<u>60,975,819</u>
Net Assets (Note 13)		
Net assets without donor restrictions	51,300,630	33,458,306
Net assets without donor restrictions - designated	3,132,351	2,958,796
Net assets with donor restrictions	<u>25,962,223</u>	<u>23,970,753</u>
Total net assets	<u>80,395,204</u>	<u>60,387,855</u>
Total Liabilities and Net Assets	<u><u>\$ 135,961,523</u></u>	<u><u>\$ 121,363,674</u></u>

The Chancery Office of The Roman Catholic Bishop of San Bernardino
Statements of Activities
Years Ended June 30, 2024 and 2023

	2024			2023		
	Net assets without donor restrictions	Net assets with donor restrictions	Total	Net assets without donor restrictions	Net assets with donor restrictions	Total
Revenues						
Gifts, bequests, and collections	\$ 1,172,479	\$ 1,378,908	\$ 2,551,387	\$ 1,301,682	\$ 1,961,333	\$ 3,263,015
Assessments	10,116,151	-	10,116,151	7,473,374	-	7,473,374
Diocesan development fund subsidy	4,320,000	-	4,320,000	3,240,000	-	3,240,000
Fees and expense reimbursements	1,814,144	-	1,814,144	1,743,710	1,032	1,744,742
Insurance premiums	9,015,708	-	9,015,708	7,575,734	-	7,575,734
Interest/dividend income	321,569	-	321,569	49,599	-	49,599
Endowment payout	369,829	-	369,829	359,754	-	359,754
Grant income	479,111	281,887	760,998	146,331	698,453	844,784
Other income	546,336	-	546,336	304,780	-	304,780
Net assets released from restrictions	1,339,479	(1,339,479)	-	995,187	(995,187)	-
Total revenues	29,494,806	321,316	29,816,122	23,190,151	1,665,631	24,855,782
Expenses						
Program services						
Pastoral services	5,103,355	-	5,103,355	5,023,260	-	5,023,260
Education	2,733,388	-	2,733,388	2,978,245	-	2,978,245
Religious personnel development	2,230,005	-	2,230,005	2,307,533	-	2,307,533
Ministries and social services	5,488,584	-	5,488,584	2,793,258	-	2,793,258
Grants and donations	237,424	-	237,424	823,024	-	823,024
General and administrative services						
Diocesan administration	7,818,594	-	7,818,594	6,075,030	-	6,075,030
Insurance premiums and benefits	8,970,169	-	8,970,169	8,742,027	-	8,742,027
Fundraising	897,029	-	897,029	817,259	-	817,259
Total expenses	33,478,548	-	33,478,548	29,559,636	-	29,559,636
Excess (Deficiency) of Revenues over Expenses	(3,983,742)	321,316	(3,662,426)	(6,369,485)	1,665,631	(4,703,854)
Other Changes in Net Assets						
Investment income not used in operations	11,576,972	1,670,154	13,247,126	5,243,294	1,251,255	6,494,549
Gain (loss) on disposal of property, net of proceeds	329,603	-	329,603	(15,583)	-	(15,583)
Loss on legal settlements	(60,092)	-	(60,092)	(2,400)	-	(2,400)
Loan forgiveness	-	-	-	(3,550,035)	-	(3,550,035)
Discretionary Priest Pension contributions	-	-	-	(2,104,800)	-	(2,104,800)
Pension related changes other than net periodic pension cost	10,153,138	-	10,153,138	(7,322,659)	-	(7,322,659)
Total other changes in net assets	21,999,621	1,670,154	23,669,775	(7,752,183)	1,251,255	(6,500,928)
Change in Net Assets	18,015,879	1,991,470	20,007,349	(14,121,668)	2,916,886	(11,204,782)
Net Assets, Beginning of Year	36,417,102	23,970,753	60,387,855	50,538,770	21,053,867	71,592,637
Net Assets, End of Year	\$ 54,432,981	\$ 25,962,223	\$ 80,395,204	\$ 36,417,102	\$ 23,970,753	\$ 60,387,855

See Notes to Financial Statements

The Chancery Office of The Roman Catholic Bishop of San Bernardino

Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating Activities		
Change in net assets	\$ 20,007,349	\$ (11,204,782)
Adjustments to reconcile change in net assets to net cash flows from (used for) operating activities		
Depreciation expense	484,690	593,727
Gain on sale of land, property, and equipment	(329,603)	(507,796)
Unrealized gain on investments	(12,409,456)	(6,677,420)
Realized loss (gain) on investments	(107,603)	5,743
Contributions restricted for long-term purposes	(493,357)	(952,994)
Forgiveness of notes receivable	-	3,550,035
Pension expense	(6,534,500)	10,092,537
Change in assets and liabilities		
Accounts receivable	1,028,951	(1,770,505)
Deposits and prepaid expenses	302,544	60,079
Accounts payable and accrued expenses	(354,696)	396,676
Funds held for others	1,925,205	3,407,637
Net Cash from (used for) Operating Activities	<u>3,519,524</u>	<u>(3,007,063)</u>
Investing Activities		
Purchase of land, property, and equipment	(143,984)	(1,483,908)
Proceeds from disposal of land, property, and equipment	445,751	1,640,483
Collections on notes receivable	61,830	170,637
Purchase of investments	(15,935,126)	(6,218,882)
Proceeds from sale of investments	14,050,871	9,558,029
Net Cash from (used for) Investing Activities	<u>(1,520,658)</u>	<u>3,666,359</u>
Financing Activities		
Collection of contributions restricted for long-term purposes	493,357	952,994
Payments on notes payable	(445,509)	(2,165,232)
Net Cash from (used for) Financing Activities	<u>47,848</u>	<u>(1,212,238)</u>
Net Change in Cash and Cash Equivalents	2,046,714	(552,942)
Cash and Cash Equivalents, Beginning of Year	5,324,645	5,877,587
Cash and Cash Equivalents, End of Year	<u>\$ 7,371,359</u>	<u>\$ 5,324,645</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	<u>\$ 94,102</u>	<u>\$ 90,164</u>

Note 1 - Nature of Organization and Summary of Significant Accounting Policies

Organization

The Chancery Office of The Roman Catholic Bishop of San Bernardino, also known as the Diocese of San Bernardino (the Diocese), is a nonprofit corporation established under the laws of the State of California, and operates as a religious organization. The Diocese is exempt from Federal and State income tax under provisions of Section 501(c) of the Internal Revenue Code as a member of group exemption number 928 and Section 23701d of the California Revenue and Taxation Code as a religious organization. The primary purpose of the accounting and reporting of financial information is for resources received and applied rather than the determination of net income.

The Chancery Office of The Roman Catholic Bishop (RCB) of San Bernardino, a Corporation Sole, is supported primarily through assessments to parishes under the direction of the Bishop and contributions.

Financial Statement Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with Accounting Principles and Reporting Practices for Churches and Church-Related Organizations, adopted by the National Conferences of Catholic Bishops, and in accordance with accounting principles generally accepted in the United States of America.

The accompanying financial statements include the assets, liabilities, and operations of departments for which the Chancery Office, also called the Diocesan Pastoral Center (DPC or Diocese) of The Roman Catholic Bishop of San Bernardino, maintains direct operational control. The financial statements do not include the assets, liabilities, and operations of the parishes or any other affiliated organization under the jurisdiction of the Bishop, except for transactions with the DPC as reflected in the records of the DPC.

Net Asset Categories

The accompanying financial statements present information regarding the Diocese's financial position and results of activities according to the following net asset categories:

- Net assets without donor restrictions include all support that is not subject to donor-imposed restrictions. Property and equipment include all long-lived assets and renewal and replacement funds net of related liabilities. The board has designated, from net assets without donor restrictions, net assets for specific programs and events.

The Chancery Office of The Roman Catholic Bishop of San Bernardino

Notes to Financial Statements

June 30, 2024 and 2023

- Net assets with donor restrictions include gifts and income subject to donor (or certain grantor) restrictions. Some donor-imposed (or grantor) restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Diocese reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. It is also the Diocese's policy to release the restrictions on gifts of cash or other assets received for the acquisitions of long-lived assets when the long-lived assets are placed into service.

Revenue Recognition

Parish assessments are assessments levied to the parishes and are calculated based on their assessable income each year. The Diocese's performance obligation for the assessment is for administrative services provided to the parishes. Insurance premiums are billed to the parishes and are calculated based on the insurance policy for the specific parish. The Diocese's performance obligation for the assessment is cost efficient insurance policies for parishes. The Diocese bills the parishes each month on the first of the month. Fees for other services are billed to the parishes and are calculated based on the individual contract agreement. The Diocese's performance obligation is other services provided to the parishes. The Diocese bills the parishes each month or quarterly depending on the specific contract. Billings are on the first of the month or quarterly. These revenues are recognized when parishes are billed; therefore, there are no unbilled or deferred revenues. Additionally, parish assessments, insurance premiums, and other service revenues are recognized proportionately over time as services are simultaneously received and consumed by the parishes.

The beginning and ending balances for receivables from contracts with parishes were as follows for the year ended June 30, 2024:

	2024	2023
Accounts receivable	\$ 3,146,855	\$ 3,401,079

The beginning and ending balances for receivables from contracts with parishes were as follows for the year ended June 30, 2023:

	2023	2022
Accounts receivable	\$ 3,401,079	\$ 2,953,235

Contributions, including unconditional promises to give and the annual Diocesan Development Fund subsidy, are recognized as revenues in the period the contribution or unconditional promise is received. Contributions of assets other than cash are recorded at their estimated fair value at the time of the gift. Contributions are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are released from restrictions.

The Chancery Office of The Roman Catholic Bishop of San Bernardino

Notes to Financial Statements

June 30, 2024 and 2023

When a donor's restriction is met within the same year as the donation, the donation is reported as net assets without donor restrictions. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The Diocese did not have any conditional promises to give for the years ending June 30, 2024 and 2023.

A portion of the Diocese's revenues is derived from contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue, the Diocese has incurred expenditures in compliance with specific contract or grant provisions.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable represent amounts due from various parishes and other institutions within the Diocese for parish assessments, services fees, insurance, property taxes, and other fees, which are believed to be fully collectible unless an entity experiences a material adverse change in its ability to meet its financial obligations to the Diocese. The Diocese has tracked historical loss information for its accounts receivable and compiled historical credit loss percentages for different aging categories (current, 1–30 days past due, 31–60 days past due, 61–90 days past due, and more than 90 days past due).

Management believes that the historical loss information it has compiled is a reasonable base on which to determine expected credit losses for accounts receivable held at June 30, 2024 and June 30, 2023 because the composition of the accounts receivable at those dates are consistent with that used in developing the historical credit-loss percentages (i.e., the similar risk characteristics of its customers and its lending practices have not changed significantly over time).

Additionally, management has determined that the current and reasonable and supportable forecasted economic conditions are consistent with the economic conditions included in the historical information. As a result, the historical loss rates have not been adjusted for differences in current conditions or forecasted changes. Accordingly, the allowance for credit losses at June 30, 2024 and 2023 totaled \$1,477,823 and \$1,380,242, respectively.

Changes in the allowance for credit losses for receivables are as follows for the years ended June 30:

	2024	2023
Allowance for Credit Losses, Beginning of Year	\$ 1,380,242	\$ 1,262,659
Provisions for credit losses	1,018,007	175,476
Charge-offs	(920,426)	(57,893)
Allowance for Credit Losses, End of Year	<u>\$ 1,477,823</u>	<u>\$ 1,380,242</u>

Investment Return

Investment income and realized and unrealized gains and losses are recorded and reported as increases or decreases to the appropriate net asset category.

Expense Recognition

Expenses are generally reported as decreases in net assets without donor restrictions. The financial statements present expenses by functional classification in accordance with the overall mission of the Diocese.

Allocation of Certain Expenses

The statement of activities presents expenses by functional classification. Depreciation and the cost of operation and maintenance of facilities are allocated to functional categories based on building square footage dedicated to that specific function. Note 15 presents the detail of expenses presented by functional classification.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates, and those differences could be material.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Diocese considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash.

Concentration of Credit Risk

The Diocese maintains cash and investment balances at banks in excess of Federal Deposit of Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC) limits. As of June 30, 2024, and 2023, the Diocese had approximately \$7.4 million and \$5.6 million, respectively in excess of FDIC limits. As of June 30, 2024, and 2023, the Diocese had approximately \$110.0 million and \$95.6 million, respectively in excess of SIPC limits. Deposit concentration risk is managed by placing cash and investment balances with financial institutions believed by the Diocese to be creditworthy. Management believes credit risk is limited.

Investments

Where permitted by gift agreement and/or applicable Diocesan policies, the Diocese pools investments for management purposes. The remainder of investments is managed as separate investments. Cash equivalents are resources invested in money market funds, including any such investments held by external investment managers. Marketable securities are reported at fair market value, except for real estate investments, trust deed loans, and other miscellaneous assets, which are stated at cost.

The cost of securities sold is determined by the average cost method and is used to compute realized gains and losses. Unrealized gains and losses reflect the changes in the market values of investments from the prior year. Investment income and gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation. The date of record for investments is the trade date.

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets on the statements of activities. Realized gains and losses are also recorded on the statements of activities.

Endowment Funds

The Diocese has interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2024 and 2023, there were no such donor stipulations. As a result of this interpretation, the Diocese retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the Endowment and (b) any accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The mission of the Diocese and the purpose of the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and/or deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Diocese
7. The investment policy of the Diocese

Management of Catholic Foundation Pooled Investment Funds

The investment objectives of the Catholic Foundation endowment funds is to grow the funds over the long run and have earnings through a combination of investment income and capital appreciation, a rate of return (time-weighted total return) in excess of the benchmarks established for the medium (three years) and long-term (five years).

The endowment fund has a spending policy of appropriating 4.25% of the average of the three previous years ending fair market value.

Fair Value Measurement of Investment Assets

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity.

Unobservable inputs are inputs that reflect the Diocese's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 - Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Diocese's assessment of the quality, risk, or liquidity profile of the asset or liability.

A significant portion of investment assets are classified within Level 1 because they comprise open-end mutual funds, money market funds, and U.S. government and agency instruments with readily determinable fair values based on daily redemption values. The corporate bonds are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions and are classified within Level 2. The Diocese uses net asset value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, as a practical expedient to estimate the fair values of certain private real estate funds, which do not have readily determinable fair values. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy.

Property and Equipment

Property and equipment are recorded at cost for purchased assets and appraised fair value for contributed assets. The assets are depreciated over their useful lives. The Diocese capitalizes land at the purchase cost or donated fair value, buildings at the purchase cost or construction cost. Capitalization for other assets includes equipment with an initial value in excess of \$5,000 and building, leasehold or land improvements with an initial value in excess of \$50,000; anything less is expensed in the current period. The straight-line method of depreciation is used for all depreciable assets. The estimated useful lives range from seven years to thirty years.

The Diocese reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the way the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment, there was no impairment at June 30, 2024 and 2023.

Related Parties

Substantial portions of the Diocesan transactions are with related parishes and other religious organizations. The Diocese receives contributions from the Diocesan Development Fund, an affiliate, as an annual subsidy. At June 30, 2024 and 2023, the annual subsidy totaled \$4,320,000 and \$3,240,000, respectively. The Diocese has three notes receivable with the Land Development Corporation, an affiliate. These notes receivables are for purchases of properties from the Dioceses for the Land Development Corporation to develop for future parishes or facilities expansions. The outstanding balance owed to the Diocese as of June 30, 2024 and 2023, was \$0 and \$40,801, respectively.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Adoption of New Accounting Standard

As of July 1, 2023, the Diocese adopted Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13), which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including trade and loan receivables, and held to maturity debt securities. CECL requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The update also requires that credit losses on available-for-sale debt securities be presented as an allowance rather than a write-down of the security. This standard provides financial statement users with more decision-useful information about the expected losses on financial instruments.

The Diocese adopted ASU 2016-13 using the modified retrospective review method for all financial assets measured at amortized cost. Results for reporting periods beginning after July 1, 2023, are presented under Topic 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The adoption of this standard did not materially impact the Diocese's financial statements.

The Chancery Office of The Roman Catholic Bishop of San Bernardino

Notes to Financial Statements

June 30, 2024 and 2023

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position sheet date, comprise the following:

	2024	2023
Cash and cash equivalents	\$ 3,328,411	\$ 1,640,157
Investments	33,534,220	24,769,194
Accounts receivable, net	1,539,500	1,442,362
Notes receivable	15,812	58,512
	<u>\$ 38,417,943</u>	<u>\$ 27,910,225</u>

The Diocese uses these sources to meet its ongoing obligations with respect to general expenditures, liabilities and other obligations as they become due. Cash in excess of daily requirements is invested in various short-term investments with maturities designed to meet obligations as they come due.

Note 3 - Cash, Cash Equivalents, and Investments

Cash, cash equivalents, and investments at June 30, 2024 and 2023 are as follows:

	2024	2023
Cash and cash equivalents	\$ 7,371,359	\$ 5,324,645
Investments	74,369,263	61,893,154
	<u>\$ 81,740,622</u>	<u>\$ 67,217,799</u>

The Chancery Office of The Roman Catholic Bishop of San Bernardino

Notes to Financial Statements

June 30, 2024 and 2023

Cash, cash equivalents, and investments at June 30, 2024 were held for the following purposes:

	2024	2023
Grant Funds		
Black & Indian grant	\$ 188,524	\$ 163,442
Campaign for Human Development grant	120,233	103,970
Catholic Education Foundation - Current year	47,322	41,953
Insurance Funds		
Property insurance fund	379,477	271,515
Auto insurance fund	456,956	448,863
Priests' pension plan	1,020,558	565,430
Workers' compensation fund	1,999,918	1,612,798
Priests' health plan	105,912	85,271
State unemployment insurance fund	5,905,064	5,183,555
Earthquake insurance fund	8,690,214	8,553,827
Restricted Funds		
Mission Center restricted donations	1,605,325	1,748,219
Catholic Foundation, for the benefit of Seminarians and Preists	21,937,266	19,884,304
Designated Funds		
Valley Missionary Program	244,276	244,276
Bishop charity and special work	732,727	697,569
Designated donations	1,349,070	1,123,768
Other Funds		
Excess funds	35,002,019	25,164,688
Operating fund	589,362	234,542
Fixed asset funds	1,366,399	1,089,809
	<u>\$ 81,740,622</u>	<u>\$ 67,217,799</u>

At June 30, 2024 and 2023, funds held for Mission Center restricted donations of \$1,605,325 and \$1,748,219, respectively, and Catholic Foundation for the benefit of Seminarians and Priests of \$21,937,266 and \$19,884,304, respectively, represent funds that are restricted by virtue of the donor and by the canon laws regulating the activities of the Roman Catholic Church. The Diocese has fiduciary oversight over these funds and they are not available for Diocesan operations, as they are held for the charitable purpose for which they were specifically intended and given. Funds for the Catholic Foundation for the benefit of Seminarians and Priests are restricted in perpetuity through the Catholic Foundation Trust and trust agreements.

The Chancery Office of The Roman Catholic Bishop of San Bernardino

Notes to Financial Statements

June 30, 2024 and 2023

The following schedule summarizes the Diocese's investment returns for the year ended June 30, 2024 and 2023:

	2024	2023
Interest and dividends	\$ 2,106,801	\$ 893,474
Unrealized gain for the year	12,409,456	6,677,420
Realized gain (loss) for the year	107,603	(5,743)
	<u>14,623,860</u>	<u>7,565,151</u>
Investment expense	(253,474)	(255,564)
Spending policy payout	(801,691)	(765,439)
	<u>(1,055,165)</u>	<u>(1,021,003)</u>
Net investment returns	<u>\$ 13,568,695</u>	<u>\$ 6,544,148</u>

The following table summarizes the Diocese's investments at June 30, 2024:

	June 30, 2024		
	Adjusted Cost	Fair Market Value	Unrealized Gain (Loss) Cumulative
Money market funds	\$ 7,071,720	\$ 7,071,720	\$ -
Mutual funds	49,321,619	96,102,033	46,780,414
U.S. Government and agency instruments	2,715,600	2,354,601	(360,999)
Corporate bonds	3,304,677	3,148,404	(156,273)
Private real estate funds	1,670,124	1,850,409	180,285
	<u>\$ 64,083,740</u>	<u>\$ 110,527,167</u>	<u>\$ 46,443,427</u>

The following table summarizes the Diocese's investments at June 30, 2023:

	June 30, 2023		
	Adjusted Cost	Fair Market Value	Unrealized Gain (Loss) Cumulative
Money market funds	\$ 11,806,680	\$ 11,806,680	\$ -
Mutual funds	44,146,523	76,176,068	32,029,545
U.S. Government and agency instruments	2,680,769	2,300,332	(380,437)
Corporate bonds	4,018,251	3,757,563	(260,688)
Private real estate funds	1,566,123	2,085,210	519,087
	<u>\$ 64,218,346</u>	<u>\$ 96,125,853</u>	<u>\$ 31,907,507</u>

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Notes to Financial Statements

June 30, 2024 and 2023

Note 4 - Fair Value Measurement of Financial Instruments

The fair value measurements and level within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis, except those measured by using NAV per share as a practical expedient, at June 30, 2024 and 2023 are as follows:

	June 30, 2024			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 7,071,720	\$ -	\$ -	\$ 7,071,720
Mutual funds	96,102,033	-	-	96,102,033
U.S. Government and agency instruments	2,354,601	-	-	2,354,601
Corporate bonds	-	3,148,404	-	3,148,404
At NAV				
Private real estate funds	-	-	-	1,850,409
	<u>\$ 105,528,354</u>	<u>\$ 3,148,404</u>	<u>\$ -</u>	<u>\$ 110,527,167</u>

	June 30, 2023			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 11,806,680	\$ -	\$ -	\$ 11,806,680
Mutual funds	76,176,068	-	-	76,176,068
U.S. Government and agency instruments	2,300,332	-	-	2,300,332
Corporate bonds	-	3,757,563	-	3,757,563
At NAV				
Private real estate funds	-	-	-	2,085,210
	<u>\$ 90,283,080</u>	<u>\$ 3,757,563</u>	<u>\$ -</u>	<u>\$ 96,125,853</u>

Investments in certain entities that are measured at fair value using NAV per share as a practical expedient are as follows at June 30, 2024 and 2023:

	June 30, 2024			
	Number of Investments	Fair Value	Redemption Frequency	Redemption Notice Period
Private real estate funds	15.3519	<u>\$ 1,850,409</u>	Quarterly	90 days

	June 30, 2023			
	Number of Investments	Fair Value	Redemption Frequency	Redemption Notice Period
Private real estate funds	14.7900	<u>\$ 2,085,210</u>	Quarterly	90 days

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Notes to Financial Statements

June 30, 2024 and 2023

Private Real Estate Funds – Funds focused primarily on core real estate products with income and long-term appreciation potential in industrial, residential, office, retail, and specialty sectors in major markets nationwide. These investments are not redeemable. Instead, distributions are received through the liquidation of the underlying assets in the fund. The terms of these investments range from 5 to 10 years.

Note 5 - Accounts and Notes Receivable

Accounts receivable (net of allowance for credit losses) at June 30, 2024 and 2023 are as follows:

	2024	2023
General receivables	\$ 3,146,855	\$ 3,401,079
Payroll receivables	2,080,997	2,561,461
Other receivables	152,595	349,277
Total gross receivables	5,380,447	6,311,817
Less allowance for credit losses	(1,477,823)	(1,380,242)
Total accounts receivable, net	<u>\$ 3,902,624</u>	<u>\$ 4,931,575</u>

Notes receivable at June 30, 2024 and 2023 are as follows:

	2024	2023
Clergy receivable	\$ 3,762	\$ 7,363
Seminarian education notes receivable	178,072	195,500
Note receivable from Land Development Corporation	-	40,801
Total notes receivable	<u>\$ 181,834</u>	<u>\$ 243,664</u>

The Diocese has three notes receivable with the Land Development Corporation, a legally separate but affiliated organization. The outstanding balance owed to the Diocese as of June 30, 2024 and 2023 was \$0 and \$40,801, respectively. As of June 30, 2023, the Diocese has forgiven the remaining principal balance due from the Land Development Corporation. Amounts due from the Land Development Corporation as of June 30, 2023 represent interest from the previous balance.

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Notes to Financial Statements

June 30, 2024 and 2023

Note 6 - Deposits and Prepaid Expenses

Deposits and prepaid expenses as of June 30, 2024 and 2023 were comprised of the following:

	2024	2023
Prepaid expenses - operating funds	\$ 26,999	\$ 79,484
Prepaid expenses - insurance funds	-	314,883
Prepaid expenses - other	-	970
Deposit - insurance programs	184,523	119,729
Total deposits and prepaid expenses	<u>\$ 211,522</u>	<u>\$ 514,066</u>

Note 7 - Land, Property, and Equipment

The composition of plant assets at June 30, 2024 and 2023 is as follows:

	2024	2023
Land	\$ 6,820,009	\$ 6,741,713
Construction in progress	141,664	133,549
Building	16,964,433	17,191,860
Equipment	1,557,837	1,557,837
Furnishings	452,528	455,364
Vehicles	192,432	192,432
Total land, property, and equipment	26,128,903	26,272,755
Accumulated depreciation	<u>(12,361,886)</u>	<u>(12,048,884)</u>
Total land, property, and equipment, net	<u>\$ 13,767,017</u>	<u>\$ 14,223,871</u>

Depreciation expense for the years ended June 30, 2024 and 2023 was \$484,690 and \$593,727, respectively.

Building assets with depreciated value of \$217,063 are pledged as collateral for the notes payable referenced in Note 8.

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Notes to Financial Statements

June 30, 2024 and 2023

Note 8 - Notes Payable

Notes payable at June 30, 2024 and 2023 are as follows:

	2024	2023
Citizens Business Bank note payable, interest rate of 3.50%, due September 6, 2026	\$ 1,161,264	\$ 1,606,773
Note payable to Wilfrid Lemann, successor trustee for property bequest, interest only payments at 6.00% annual interest	55,000	55,000
Total notes payable	<u>\$ 1,216,264</u>	<u>\$ 1,661,773</u>

Interest expense was \$94,102 and \$90,164 for the years ended June 30, 2024 and 2023, respectively.

Note 9 - Funds Held in Trust for Others

Funds held in trust for others totaled \$36,157,904 and \$34,232,699 at June 30, 2024 and 2023, respectively. These amounts represent other parish and school funds held in trust by the Diocese, and are detailed at June 30, 2024 and 2023 as follows:

	2024	2023
National collections (Religious retirement, combined collections)	\$ 294,723	\$ 378,667
State use tax and other tax withholdings	14,329	6,991
Parish funds - Insurance	195,690	16,179
Payroll funds - Employee health, pension, and other deductions	1,956,124	3,381,793
Catholic Foundation and Education		
Foundation funds (schools and parishes)	33,612,717	30,387,982
PPE Grant funds reserved for parishes and schools	-	36,632
Other	84,321	24,455
	<u>\$ 36,157,904</u>	<u>\$ 34,232,699</u>

Note 10 - Pension Plans

Pension Plans for Priests

The Diocese adopted a pension plan for priests in conjunction with the Diocese of San Diego. All priests under the authority of the Diocese shall be eligible to participate in the plan provided they make the required contributions. Priest contributions are \$33.33 per month, payable in semi-annual or annual payments.

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Notes to Financial Statements

June 30, 2024 and 2023

Pension expense for the years ended June 30, 2024 and 2023, was \$1,261,167 and \$1,028,875, respectively, allocable to the Diocese of San Bernardino. These amounts include normal cost plus amortization of unfunded past service cost and reflect the required contribution for the plan year ended June 30, 2024. The plan uses a projected method that takes into account future service and, therefore, produces a measure of plan liabilities that exceed plan assets. This amount will be funded over the entire working lifetime of the current group of priests in the valuation.

The changes in the pension benefit obligation and fair value of plan assets for the years ended June 30, 2024 and 2023 are as follows:

	2024	2023
Benefit obligations, beginning of year	\$ 16,523,806	\$ 14,236,179
Service cost	388,960	247,377
Expected employee contributions	33,109	25,450
Interest cost	834,823	751,970
Actuarial loss	75,140	17,341
Change in assumptions	1,585,375	2,433,606
Benefit payments	<u>(1,184,050)</u>	<u>(1,188,117)</u>
Benefit obligations, end of year	<u>18,257,163</u>	<u>16,523,806</u>
Fair value of plan assets, beginning of year	12,995,748	10,025,387
Actual return on plan assets	1,318,752	1,095,228
Actual employee contributions	33,109	25,450
Benefit payments	(1,184,050)	(1,188,117)
Employer contribution	<u>707,300</u>	<u>3,037,800</u>
Fair value of plan assets, end of year	<u>13,870,859</u>	<u>12,995,748</u>
Unfunded	<u>\$ (4,386,304)</u>	<u>\$ (3,528,058)</u>
Accumulated benefit obligation, end of year	<u>\$ 15,618,576</u>	<u>\$ 14,986,510</u>

Net periodic pension costs for the years ended June 30, 2024 and 2023 was:

	2024	2023
Net periodic pension cost		
Service cost	\$ 388,960	\$ 247,377
Interest cost	834,823	751,970
Expected return on plan assets	(766,436)	(657,777)
Amortization of net loss/(gain)	426,307	309,792
Amortization of transition obligation	358,909	358,909
Amortization of prior service costs	<u>18,604</u>	<u>18,604</u>
Net periodic pension cost	<u>\$ 1,261,167</u>	<u>\$ 1,028,875</u>

The Chancery Office of The Roman Catholic Bishop of San Bernardino

Notes to Financial Statements

June 30, 2024 and 2023

Items not recognized as a component of net periodic pension cost for the years ended June 30, 2024 and 2023 was:

	<u>2024</u>	<u>2023</u>
Items not yet recognized as a component of net periodic pension cost		
Transition obligation	\$ 358,903	\$ 717,812
Prior year service costs	97,485	116,089
Net loss/(gain)	<u>8,756,949</u>	<u>(8,009,964)</u>
Items not yet recognized as a component of net periodic pension cost	<u>\$ 9,213,337</u>	<u>\$ (7,176,063)</u>

The following are weighted-average assumptions used to determine benefit obligations at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Discount rate	5.49%	5.21%
Rate of compensation increase	3.00%	2.00%

The following are weighted-average assumptions used to determine net periodic pension cost for the years ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Discount rate	5.49%	5.21%
Rate of compensation increase	3.00%	2.00%
Expected long-term rate of return on plan assets	6.00%	6.00%

The Diocese's expected long-term rate of return on plan assets assumption was derived from an analysis conducted by the Diocese's actuaries. The analysis included a review of the asset allocation strategy, anticipated future long-term performance of individual asset classes, and risks and correlations for each of the asset classes that comprise the asset allocation. While the analysis gives appropriate consideration to recent performance and historical returns, the assumption is primarily a long-term prospective rate.

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Notes to Financial Statements

June 30, 2024 and 2023

The following table sets forth by level, within the fair value hierarchy, the pension plan's assets at fair value as of June 30, 2024 and 2023:

June 30, 2024	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 510,741	\$ 510,741	\$ -	\$ -
Equity securities	139	139	-	-
Equity mutual funds	10,190,793	10,190,793	-	-
Fixed income mutual funds	3,169,186	3,169,186	-	-
Total assets at fair value	\$ 13,870,859	\$ 13,870,859	\$ -	\$ -
June 30, 2023				
Cash and cash equivalents	\$ 450,264	\$ 450,264	\$ -	\$ -
Equity securities	802,154	802,154	-	-
Equity mutual funds	8,589,935	8,589,935	-	-
Fixed income mutual funds	3,153,395	3,153,395	-	-
Total assets at fair value	\$ 12,995,748	\$ 12,995,748	\$ -	\$ -

The pension benefit plan assets are carried at fair value in accordance with the fair value hierarchy as discussed in Note 1.

In setting investment policies and strategies, the ability of the selected investment allocation to fund the pension plan liabilities effectively, meet the long-term return target, and align the selected allocation with the risk tolerance of the plan's fiduciaries was taken into account. The strategic allocation has reduced exposure to market risk and increased allocation to asset classes which are not highly correlated, as well as asset classes where management has historically generated excess returns, and places greater emphasis on manager skills to produce excess return while employing various risk mitigation strategies to reduce volatility.

The target allocation and actual allocation of the plan assets for the year ended June 30, 2024, are summarized in the following table:

Assets by Category	Target Allocation	Actual Allocation
Interest bearing cash	3%	4%
Equity	0%	0%
Equity mutual funds	72%	73%
Debt	25%	23%

The target allocation and actual allocation of the plan assets for the year ended June 30, 2023, are summarized in the following table:

Assets by Category	Target Allocation	Actual Allocation
Interest bearing cash	5%	4%
Equity	5%	6%
Equity mutual funds	65%	66%
Debt	25%	24%

The Diocese expects to contribute \$768,000 to the pension plan in the 2025 fiscal year.

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Notes to Financial Statements

June 30, 2024 and 2023

The following estimated future benefit payments, which reflect expected future service, as appropriate, are expected to be paid in following five fiscal years:

2025	\$ 1,158,786
2026	1,145,785
2027	1,133,524
2028	1,140,494
2029	1,149,393
2030-2034	6,119,098

Restated Pension Plan for Lay Employees

The Diocese of San Bernardino maintains a defined benefit plan for lay employees. The plan was amended and restated on September 1, 2009. All regular and full-time employees of the Diocese shall be eligible to participate in the plan provided they agree to make the required contributions under the plan. The plan is funded in part by employee contributions of two percent of gross wages. The Diocese contributes 7.5% of payroll.

Benefits under the plan are determined based on a formula which takes into account years of service and the monthly average of total compensation paid during the five (5) consecutive years of participation when compensation was the highest. Effective with the plan year September 1, 2011, the benefit formula has been changed to take into account years of service and the monthly average total compensation paid during the ten (10) consecutive years of participation when compensation was the highest. Normal retirement is the first day of the month upon attaining age 65. Each year, an actuarial valuation is performed to determine the benefit security of the participants and the sufficiency of the Diocesan contributions on an ongoing plan basis.

As of September 1, 2023, there are 1979 total lay plan participants; covered payroll for 692 active participants was \$25,309,644.

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Notes to Financial Statements

June 30, 2024 and 2023

The changes in the pension benefit obligation and fair value of plan assets for the years ended June 30, 2024 and 2023 are as follows:

	2024	2023
Benefit obligations, beginning of year	\$ 104,035,098	\$ 87,037,290
Service cost	1,839,502	1,289,173
Expected employee contributions	711,843	797,619
Interest cost	5,333,096	5,548,336
Actuarial loss	87,142	1,429,040
Change in assumptions	(3,307,709)	13,091,842
Benefit payments	(5,109,336)	(5,158,202)
Benefit obligations, end of year	<u>103,589,636</u>	<u>104,035,098</u>
Fair value of plan assets, beginning of year	84,051,467	77,828,930
Actual return on plan assets	8,665,724	8,141,755
Actual employee contributions	1,017,872	955,851
Benefit payments	(5,109,336)	(5,158,202)
Employer contribution	<u>2,373,024</u>	<u>2,283,133</u>
Fair value of plan assets, end of year	<u>90,998,751</u>	<u>84,051,467</u>
Unfunded	<u>\$ (12,590,885)</u>	<u>\$ (19,983,631)</u>
Accumulated benefit obligation, end of year	<u>\$ 100,153,004</u>	<u>\$ 100,167,455</u>

Net periodic pension costs for the years ended June 30, 2024 and 2023 consisted of the following:

	2024	2023
Net periodic pension cost		
Service cost	\$ 1,839,502	\$ 1,289,173
Interest cost	5,333,096	5,548,336
Expected return on plan assets	(5,407,496)	(4,996,506)
Recognition of net loss	<u>592,369</u>	<u>-</u>
Net periodic pension cost	<u>\$ 2,357,471</u>	<u>\$ 1,841,003</u>

Items not recognized as a component of net periodic pension cost for the years ended June 30, 2024 and 2023 was:

	2024	2023
Items not yet recognized as a component of net periodic pension cost		
Transition obligation	\$ -	\$ -
Prior year service costs	-	-
Net loss/(gain)	<u>592,369</u>	<u>-</u>
Items not yet recognized as a component of net periodic pension cost	<u>\$ 592,369</u>	<u>\$ -</u>

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Notes to Financial Statements

June 30, 2024 and 2023

The following are weighted-average assumptions used to determine benefit obligations at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Discount rate	5.48%	5.21%
Rate of compensation increase	3.00%	2.00%

The following are weighted-average assumptions used to determine net periodic pension cost for the years ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Discount rate	5.48%	5.21%
Rate of compensation increase	3.00%	2.00%
Expected long-term rate of return on plan assets	6.00%	6.50%

The Diocese's expected long-term rate of return on plan assets assumption was derived from an analysis conducted by the Diocese's actuaries. The analysis included a review of the asset allocation strategy, anticipated future long-term performance of individual asset classes, and risks and correlations for each of the asset classes that comprise the asset allocation. While the analysis gives appropriate consideration to recent performance and historical returns, the assumption is primarily a long-term prospective rate.

The following table sets forth by level, within the fair value hierarchy, the pension plan's assets at fair value as of June 30, 2024 and 2023:

<u>June 30, 2024</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 792,337	\$ 792,337	\$ -	\$ -
Equity mutual funds	55,271,923	55,271,923	-	-
Fixed income mutual funds	31,431,583	31,431,583	-	-
Real estate investment fund	3,502,908	-	3,502,908	-
	<u>3,502,908</u>	<u>-</u>	<u>3,502,908</u>	<u>-</u>
Total assets at fair value	<u>\$ 90,998,751</u>	<u>\$ 87,495,843</u>	<u>\$ 3,502,908</u>	<u>\$ -</u>
<u>June 30, 2023</u>				
Cash and cash equivalents	\$ 962,106	\$ 962,106	\$ -	\$ -
Equity mutual funds	53,078,699	53,078,699	-	-
Fixed income mutual funds	26,063,189	26,063,189	-	-
Real estate investment fund	3,947,473	-	3,947,473	-
	<u>3,947,473</u>	<u>-</u>	<u>3,947,473</u>	<u>-</u>
Total assets at fair value	<u>\$ 84,051,467</u>	<u>\$ 80,103,994</u>	<u>\$ 3,947,473</u>	<u>\$ -</u>

The pension benefit plan assets are carried at fair value in accordance with the fair value hierarchy as discussed in Note 1.

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June 30, 2024 and 2023

In setting investment policies and strategies, the ability of the selected investment allocation to fund the pension plan liabilities effectively, meet the long-term return target, and align the selected allocation with the risk tolerance of the plan's fiduciaries was taken into account. The strategic allocation has reduced exposure to market risk and increased allocation to asset classes which are not highly correlated, as well as asset classes where management has historically generated excess returns, and places greater emphasis on manager skills to produce excess return while employing various risk mitigation strategies to reduce volatility.

The target allocation and actual allocation of the plan assets for the year ended June 30, 2024, are summarized in the following table:

<u>Assets by Category</u>	<u>Target Allocation</u>	<u>Actual Allocation</u>
Interest bearing cash	0%	0%
Equity securities	0%	0%
Equity common collective trust	0%	0%
Equity mutual funds	60%	61%
Debt mutual funds	35%	35%
Debt securities	0%	0%
Real estate	5%	4%

The target allocation and actual allocation of the plan assets for the year ended June 30, 2023, are summarized in the following table:

<u>Assets by Category</u>	<u>Target Allocation</u>	<u>Actual Allocation</u>
Interest bearing cash	0%	1%
Equity securities	0%	0%
Equity common collective trust	0%	0%
Equity mutual funds	60%	63%
Debt mutual funds	35%	31%
Debt securities	0%	0%
Real estate	5%	5%

The Diocese expects to contribute \$2,423,003 to the pension plan in the 2025 fiscal year.

The following estimated future benefit payments, which reflect expected future service, as appropriate, are expected to be paid in following five fiscal years:

2025	\$ 6,523,880
2026	6,763,567
2027	6,931,913
2028	7,029,712
2029	7,215,557
2030-2034	36,661,574

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Notes to Financial Statements

June 30, 2024 and 2023

Note 11 - 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 during the fiscal year.

	2024	2023
Purpose of restrictions accomplished		
Mission and denominational support	\$ 733,729	\$ 583,491
Mission office expense	175,113	115,452
Grant expenses	376,637	183,248
Catholic Education Foundation grants	54,000	112,996
	<u>\$ 1,339,479</u>	<u>\$ 995,187</u>

Note 12 - Insurance Reserve Liability

The Diocese has established a self-insured reserve for automobile insurance coverage in the amount of \$250,000.

Note 13 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes:

Net assets subject to donor-imposed restrictions that either lapse through the passage of time or can be satisfied through the actions of the Diocese, and endowment gains available for use under the Diocese's spending policy:

	2024	2023
Mission and denominational support		
Propagation of the Faith	\$ 939,002	\$ 969,681
Catholic Relief Services	534,349	572,568
Holy Childhood Association	11,024	10,851
National World Apostolates	203,273	193,233
Grant income	1,380,276	1,408,241
Bishop's charity work	711,727	686,569
Catholic Education Foundation	41,953	41,953
Family Trust for Charismatic Renewal	203,353	203,353
	<u>\$ 4,024,957</u>	<u>\$ 4,086,449</u>

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Net assets restricted to investment in perpetuity through the Catholic Foundation Trust and trust agreements, the investment returns from which is expendable to support:

	With Donor Restrictions	
	2024	2023
Diocesan activities	\$ 1,111,812	\$ 1,034,359
Seminarian activities and education	9,916,004	9,097,083
Priest relief endowment	10,827,011	9,676,081
Priests ongoing education	82,439	76,781
Total	<u>\$ 21,937,266</u>	<u>\$ 19,884,304</u>

The corpus balance restricted to investment in perpetuity was \$13,444,514 and \$12,951,135 at June 30, 2024 and June 30, 2023, respectively.

The changes in endowment funds for the years then ended are as follows:

	With Donor Restrictions	
	2024	2023
Endowment funds, beginning of year	\$ 19,884,304	\$ 17,774,379
Interest and dividends	539,767	492,630
Gain (loss) in value of assets	1,854,006	1,464,203
Contributions	493,357	952,994
Fees	(32,477)	(34,463)
Distributions	(801,691)	(765,439)
Endowment funds, end of year	<u>\$ 21,937,266</u>	<u>\$ 19,884,304</u>

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Diocese has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

Note 14 - Catholic Umbrella Pool

The Catholic Umbrella Pool (the Pool or CUP) was created as a self-insurance fund for certain (Arch) Dioceses of The Roman Catholic Church in North America. Effective July 1, 1987, the Pool provides excess liability coverage for its membership. The Pool is responsible for the following coverage, as described in their disclosure statement, for:

Liability (Occurrence Based):

Pool Members:

July 1, 1987 to July 1, 1988	\$3,700,000 in excess of \$1,300,000
July 1, 1988 to July 1, 1999	\$3,500,000 in excess of \$1,500,000
July 1, 1999 to July 1, 2002	No exposure (reinsurance purchased)
July 1, 2002 to July 1, 2003	46% of \$3,500,000 in excess of \$1,500,000
	10% of \$15,500,000 in excess of \$5,000,000
July 1, 2003 to January 1, 2005	50% of \$3,500,000 in excess of \$1,500,000
	20% of \$15,500,000 in excess of \$5,000,000
January 1, 2005 to January 1, 2007	74.995% of \$3,500,000 in excess of \$1,500,000
	25% of \$15,500,000 in excess of \$5,000,000
January 1, 2007 to January 1, 2013	74.996% of \$3,500,000 in excess of \$1,500,000
	30% of \$15,500,000 in excess of \$5,000,000
January 1, 2013 to January 1, 2014	74.998% of \$3,500,000 in excess of \$1,500,000
	70.831% of \$3,500,000 in excess of \$1,500,000*
	40% of \$5,000,000 in excess of \$5,000,000
	30% of \$10,500,000 in excess of \$10,000,000
January 1, 2014 to January 1, 2019	75% of \$3,500,000 in excess of \$1,500,000
	(Includes Nursing Home Liability)
	40% of \$5,000,000 in excess of \$5,000,000
	30% of \$10,500,000 in excess of \$10,000,000
January 1, 2019 to present	100% of \$3,500,000 in excess of \$1,500,000
	75% of \$3,500,000 in excess of \$1,500,000*
	40% of \$5,000,000 in excess of \$5,000,000
	10% of \$10,500,000 in excess of \$10,000,000

*Excess Nursing Home Liability

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All Certificates issued by the Society (after CUP or CUP II retention, if applicable):

July 1, 2002 to July 1, 2003	10% of \$19,000,000 in excess of \$1,500,000
July 1, 2003 to January 1, 2005	20% of \$19,000,000 in excess of \$1,500,000
January 1, 2005 to January 1, 2007	25% of \$19,000,000 in excess of \$1,500,000
January 1, 2007 to January 1, 2013	30% of \$19,000,000 in excess of \$1,500,000
January 1, 2013 to January 1, 2019	40% of \$8,500,000 in excess of \$1,500,000
	30% of \$3,500,000 in excess of \$1,500,000*
	30% of \$10,500,000 in excess of \$10,000,000
January 1, 2019 to present	40% of \$8,500,000 in excess of \$1,500,000
	30% of \$3,500,000 in excess of \$1,500,000*
	10% of \$10,500,000 in excess of \$10,000,000

*Excess Nursing Home Liability

The Pool also participates at five percent for coverages in excess of \$500,000 to a limit of \$1,500,000 for certificates issued from July 1, 2007 to January 2012, and at ten percent for certificates issued from January 1, 2012 to January 1, 2013, and at forty percent for certificates issued after January 1, 2013.

Sexual Misconduct (Occurrence Based to July 1, 1990, Claims-Made Basis thereafter):

Pool Members (Occurrence Based):

July 1, 1987 to July 1, 1990	\$150,000 in excess of \$100,000
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All Certificates issued by the Society (Claims-Made Basis):

July 1, 1990 to present	30% of \$3,500,000 in excess of \$1,500,000
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These coverages are placed through the Catholic Mutual Relief Society of America and the Catholic Relief Insurance Company of America (CRIC), and include both Pool and non-Pool members. Member (Arch) Dioceses are liable for any losses beyond the Pool's responsibilities to fund such losses. A member may elect to obtain morality coverage outside the Pool with the approval of the Board of Trustees.

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Note 15 - Functional Expense

The following schedule presents the natural classification of expenses by function for the years ended June 30, 2024 and 2023:

	2024										
	Program					Management and Administrative		Total			
	Pastoral Services	Education	Religious Personnel	Ministries and Social Services	Grants and Donations	Total Program	Diocesan Administration	Insurances	Administration	Fundraising	Total
Personnel costs	\$3,838,859	\$2,054,365	\$ 257,265	\$ 2,197,562	\$ -	\$ 8,348,051	\$ 3,936,259	\$5,159,270	\$ 9,095,529	\$ 330,139	\$ 17,773,719
Contract services	11,348	34,350	5,900	83,989	5,000	140,587	1,684,221	38,851	1,723,072	144,478	2,008,137
Facility, construction and equipment costs	548,660	34,109	6,218	287,924	8,773	885,684	228,455	3,476,918	3,705,373	710	4,591,767
Office, printing, and other expenses	472,526	67,553	20,164	1,065,555	794	1,626,592	1,091,355	270,349	1,361,704	357,793	3,346,089
Education and travel	77,008	221,508	85,654	227,087	750	612,007	43,993	22,275	66,268	4,631	682,906
Special events	151,298	321,503	426,354	58,318	392	957,865	328,462	2,506	330,968	10,504	1,299,337
Donations, gifts, charity, and subsidies	3,656	-	1,428,450	1,564,849	221,715	3,218,670	-	-	-	48,774	3,267,444
Diocesan dues and assessments	-	-	-	-	-	-	415,047	-	415,047	-	415,047
Interest expense	-	-	-	3,300	-	3,300	90,802	-	90,802	-	94,102
Total Expenses	\$5,103,355	\$2,733,388	\$2,230,005	\$ 5,488,584	\$ 237,424	\$ 15,792,756	\$ 7,818,594	\$8,970,169	\$ 16,788,763	\$ 897,029	\$ 33,478,548

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	2023										
	Program					Management and Administrative		Total Management and Administrative			
	Pastoral Services	Education	Religious Personnel	Ministries and Social Services	Grants and Donations	Total Program	Diocesan Administration	Insurances	Administration	Fundraising	Total
Personnel costs	\$3,469,152	\$2,121,565	\$ 430,411	\$ 1,471,139	\$ -	\$ 7,492,267	\$ 3,614,915	\$5,134,499	\$ 8,749,414	\$ 319,642	\$ 16,561,323
Contract services	24,310	9,499	2,917	14,640	-	51,366	854,325	8,290	862,615	64,636	978,617
Facility, construction and equipment costs	932,964	148,284	2,523	404,817	6,928	1,495,516	218,516	3,275,846	3,494,362	14,766	5,004,644
Office, printing, and other expenses	386,092	92,124	15,662	88,796	252	582,926	480,450	216,833	697,283	333,702	1,613,911
Education and travel	65,347	290,453	45,217	90,400	256	491,673	36,048	104,988	141,036	10,276	642,985
Special events	144,637	316,320	410,803	63,566	-	935,326	346,193	1,571	347,764	737	1,283,827
Donations, gifts, charity, and subsidies	-	-	1,400,000	650,000	815,588	2,865,588	-	-	-	73,500	2,939,088
Diocesan dues and assessments	-	-	-	-	-	-	445,078	-	445,078	-	445,078
Interest expense	758	-	-	9,900	-	10,658	79,505	-	79,505	-	90,163
Total Expenses	<u>\$5,023,260</u>	<u>\$2,978,245</u>	<u>\$2,307,533</u>	<u>\$ 2,793,258</u>	<u>\$ 823,024</u>	<u>\$ 13,925,320</u>	<u>\$ 6,075,030</u>	<u>\$8,742,027</u>	<u>\$ 14,817,057</u>	<u>\$ 817,259</u>	<u>\$ 29,559,636</u>

Note 16 - Commitments and Contingencies

Litigation

The Diocese is involved in lawsuits arising in the ordinary course of its operations. In the opinion of management, the ultimate resolution of these lawsuits is not expected to have a material effect on the Diocese's financial position or change in net assets.

Note 17 - Subsequent Events

The Diocese's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through August 15, 2025, which is the date the financial statements were available to be issued.