



Report of Independent Auditors and
Financial Statements with
Supplementary Information

**The Roman Catholic Bishop of Stockton,
a Corporation Sole**

June 30, 2024 (with summarized comparative totals
for the year ended June 30, 2023)

Table of Contents

Report of Independent Auditors	1
Financial Statements	
Statements of Financial Position	5
Statements of Activities	6
Statements of Cash Flows	7
Notes to Financial Statements	8
Supplementary Information	
Combining Statements of Financial Position – All Funds	33
Combining Statements of Activities – All Funds	35

Report of Independent Auditors

The Most Reverend Myron J. Cotta
The Roman Catholic Bishop of Stockton, a Corporation Sole

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Roman Catholic Bishop of Stockton, a Corporation Sole as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Plan of Reorganization

As discussed in Note 11 to the financial statements, the Diocese has previously filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code. The Diocese also filed its consensual Plan of Reorganization (Plan) and Disclosure Statement which was accepted by the court and on February 14, 2017 the Plan became effective. As of June 30, 2024, the Diocese has a deficit in net assets without donor restrictions. These circumstances initially raised substantial doubt about the Diocese's ability to continue as a going concern. Management's plans regarding these matters are described in Note 11. Our opinion is not modified with respect to this matter.

Basis for Opinion

We conducted our audit 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The combining statements of financial position – all funds and the combining statements of activities – all funds are presented for purposes of additional analysis and is 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 applied in the audit of the financial statements and certain additional 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.

Other Matter

Report on Summarized Comparative Information

We have previously audited the Diocese June 30, 2023, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 12, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Moss Adams LLP".

San Francisco, California
December 12, 2024

Financial Statements

The Roman Catholic Bishop of Stockton, a Corporation Sole
Statements of Financial Position
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and cash equivalents	\$ 15,076,676	\$ 11,843,830
Short-term investments	-	806,039
Receivables		
Parishes and institutions, net of allowance for credit losses of \$939,000 for June 30, 2024 and 2023	480,550	449,538
Other receivables	569,203	582,746
Pledge receivables	333,333	833,333
Investments held in trust	4,263,293	5,026,559
Deposits	35,000	35,000
Property and equipment, net	<u>1,326,705</u>	<u>1,388,151</u>
TOTAL ASSETS	<u><u>\$ 22,084,760</u></u>	<u><u>\$ 20,965,196</u></u>
LIABILITIES AND NET ASSETS (DEFICIT)		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 330,468	\$ 308,654
Custodian funds	411,631	300,362
Notes payable	3,288,270	3,452,085
Held for insurance and retirement plans	12,249,855	12,207,615
Unfunded pension benefits	<u>3,526,320</u>	<u>3,333,745</u>
TOTAL LIABILITIES	<u>19,806,544</u>	<u>19,602,461</u>
NET ASSETS (DEFICIT)		
Net assets (deficit) without donor restrictions		
Undesignated net assets without donor restrictions	422,952	92,814
Pension liability in excess of pension assets	(4,660,316)	(4,665,458)
Prepaid pension benefit	<u>1,133,996</u>	<u>1,331,713</u>
Total net deficit without donor restrictions	(3,103,368)	(3,240,931)
Net assets with donor restrictions		
Program services	3,245,289	2,609,580
Endowment	<u>2,136,295</u>	<u>1,994,086</u>
Total net assets with donor restrictions	5,381,584	4,603,666
TOTAL NET ASSETS	<u>2,278,216</u>	<u>1,362,735</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 22,084,760</u></u>	<u><u>\$ 20,965,196</u></u>

See accompanying notes.

The Roman Catholic Bishop of Stockton, a Corporation Sole
Statements of Activities
Year Ended June 30, 2024 (with Summarized Totals for Year Ended June 30, 2023)

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUES AND OTHER ADDITIONS				
Diocesan appeal	\$ 2,550,000	\$ -	\$ 2,550,000	\$ 2,478,729
Service fee	1,913,617	-	1,913,617	1,809,199
Interest and dividend income, net	64,299	109,993	174,292	69,188
Diocesan ministries	242,335	-	242,335	191,209
Gifts, bequests, and collections	53,582	1,024,679	1,078,261	782,223
Miscellaneous	117,692	9,352	127,044	192,315
Net realized and unrealized gains	-	250,413	250,413	157,843
Net assets released from restrictions	616,519	(616,519)	-	-
Total revenues and other additions	5,558,044	777,918	6,335,962	5,680,706
EXPENSES				
Diocesan ministries	3,531,429	-	3,531,429	3,576,465
Administrative expenses	1,281,690	-	1,281,690	1,271,995
Grant expenses	64,169	-	64,169	49,025
Depreciation expense	98,942	-	98,942	97,037
Interest expense	103,504	-	103,504	110,928
Other expenses	148,172	-	148,172	114,344
Total expenses	5,227,906	-	5,227,906	5,219,794
CHANGE IN NET ASSETS BEFORE PENSION RELATED CHANGES	330,138	777,918	1,108,056	460,912
PENSION RELATED CHANGES OTHER THAN NET PERIODIC PENSION COST	(192,575)	-	(192,575)	477,568
CHANGE IN NET ASSETS	137,563	777,918	915,481	938,480
NET ASSETS (DEFICIT), beginning of year	(3,240,931)	4,603,666	1,362,735	424,255
NET ASSETS (DEFICIT), end of year	\$ (3,103,368)	\$ 5,381,584	\$ 2,278,216	\$ 1,362,735

See accompanying notes.

The Roman Catholic Bishop of Stockton, a Corporation Sole
Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 915,481	\$ 938,480
Adjustments to reconcile change in net assets to net cash from operating activities		
Net realized and unrealized gains on investments held in trust	(250,413)	(157,843)
Depreciation expense	98,942	97,037
Pension related changes other than net periodic pension cost	192,575	(477,568)
Change in assets and liabilities		
Parishes and institutions receivable	(31,012)	(1,765)
Other receivables	13,543	(33,249)
Accounts payable and accrued liabilities	21,814	(58,350)
Net cash from operating activities	<u>960,930</u>	<u>306,742</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of short-term investments	-	(806,039)
Purchase of investments held in trust	(553,692)	(2,461,343)
Proceeds from sale of short-term and investments held in trust	2,373,410	358
Purchase of property and equipment	(37,496)	(69,131)
Net cash from (used in) investing activities	<u>1,782,222</u>	<u>(3,336,155)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in held for insurance and retirement plans	42,240	1,215,587
Change in custodian funds	111,269	398
Pledge receivable for long-term purposes	-	-
Cash collected on endowment pledges	500,000	500,000
Proceeds from issuance of notes payable	95,616	95,149
Principal payments on notes payable	(259,431)	(251,547)
Net cash (used in) from financing activities	<u>489,694</u>	<u>1,559,587</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,232,846	(1,469,826)
CASH AND CASH EQUIVALENTS, beginning of year	<u>11,843,830</u>	<u>13,313,656</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 15,076,676</u>	<u>\$ 11,843,830</u>
Supplemental disclosures of cash flow information		
Interest paid	<u>\$ 103,774</u>	<u>\$ 111,191</u>

See accompanying notes.

The Roman Catholic Bishop of Stockton, a Corporation Sole

Notes to Financial Statements

Note 1 – Organization

The Roman Catholic Bishop of Stockton, a Corporation Sole, was incorporated and commenced financial operations on June 1, 1962, as The Roman Catholic Diocese of Stockton (Diocese). The Diocese encompasses the counties of San Joaquin, Stanislaus, Calaveras, Tuolumne, Alpine, and Mono.

The financial statements include only those funds for which the Diocese maintains direct operational controls. Those entities not included in these financial statements are the various parish churches; elementary and secondary schools; The Catholic Charities of Stockton; cemetery operations; the Madonna of Peace Retreat Center; the Society for the Propagation of the Faith; the Diocese of Stockton Revocable Trust; the Diocese of Stockton Irrevocable Trust; the Bishop Ministry Appeal Trust; the Bishop's Educational Foundation; the Church for Tomorrow Fund; and the Roman Catholic Welfare Corporation of Stockton (the Welfare Corporation).

Following is a description of the funds included in the financial statements:

Current fund – This fund contains the undesignated resources available to support the Diocese's operations.

Custodian fund – This fund contains special purpose funds held for transmittal to third parties such as special collections and disaster appeals.

Insurance fund – This fund includes funds collected, disbursed, and maintained for the benefit programs and property/liability insurance.

Plant fund – This fund contains the land, buildings, and equipment held for use by the Diocese.

Donor restricted fund – This fund is primarily expendable donations subject to purpose or time restrictions set by the donors.

Note 2 – Summary of Accounting Policies

Basis of accounting – The financial statements of the Diocese have been prepared under accounting principles generally accepted in the United States of America for not-for-profit organizations (U.S. GAAP). The accounting policies of the Diocese conform to U.S. GAAP, applicable to not-for-profit organizations. A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows.

Tax exempt status – The Diocese has been recognized as a tax-exempt entity by the Internal Revenue Service except to the extent of unrelated business taxable income as defined under Internal Revenue Code (IRC) Sections 511 through 515 and 501(c)(3) and the California Revenue and Taxation Code under Section 23701d. Accordingly, no tax provision has been recorded in the financial statements. The Diocese had no unrecognized tax benefits at either June 30, 2024 and 2023, and had no uncertain tax positions.

The Roman Catholic Bishop of Stockton, a Corporation Sole

Notes to Financial Statements

Summarized financial information – The financial statements include certain prior-period summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Diocese's financial statements for the year ended June 30, 2023, from which the summarized information was derived.

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

Fair value of assets – The Diocese presents certain assets at fair value. 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. Fair value measurement establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The hierarchy describes three levels of inputs that may be used to measure 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 active markets for securities that are not traded actively; 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.

All of the Diocese's investments held in trust and pension plan assets are measured at fair value on a recurring basis and are classified as Level 1 pursuant to the valuation hierarchy. Level 1 investments include mutual funds and real estate fund equities, and therefore, are valued based on quoted market prices in an active market. Short term investments are classified as Level 2 pursuant to the valuation hierarchy.

Net asset composition – Net assets and changes therein are classified as follows:

- Net assets without donor restrictions are net assets not subject to donor-imposed restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the governing board or otherwise limited by contractual arrangements with outside parties.

The Roman Catholic Bishop of Stockton, a Corporation Sole

Notes to Financial Statements

- Net assets with donor restrictions are net assets subject to donor-imposed restrictions on the specific use or the occurrence of a certain future event. Net assets with donor restrictions consist of restricted grants, pledges, and other contributions. Net assets consisting of the initial fair value of the gifts where the donor has specified that the assets donated are to be retained in an endowment, providing a permanent source of revenue for charitable purposes, are classified as with donor restrictions. The accumulation of assets, above historic gift value, in donor restricted endowment funds is classified as with donor restrictions until appropriated for use based on the Diocese's spending policy.

Cash equivalents – All highly liquid debt instruments purchased with an original maturity of three months or less are considered cash equivalents.

Short-term investments – All securities or instruments with an original maturity of more than three months but less than one year are considered short-term investments. These investments are held in certificates of deposit, which are considered to be Level 2 investments per the fair value hierarchy table.

Deposits – A deposit required to satisfy a proof of insurance filing requirement with the Department of Motor Vehicles.

Parish-related receivables – Parish-related receivables represent service fees and insurance billings due from parishes and Roman Catholic organizations in the Diocese of Stockton. These receivables are reported at face value, which approximates fair value, and are not subject to interest. The Diocese holds no collateral. The amounts due from parishes are assessed annually and payments are due on a quarterly basis.

Other receivables – Other receivables represent other miscellaneous receivables and are recorded in the financial statements in the period received. Other receivables consisted of the following as of June 30:

	<u>2024</u>	<u>2023</u>
Other receivables	\$ 542,203	\$ 555,746
Inter-related party note receivable	<u>27,000</u>	<u>27,000</u>
Total other receivables	<u>\$ 569,203</u>	<u>\$ 582,746</u>

The Roman Catholic Bishop of Stockton, a Corporation Sole

Notes to Financial Statements

Allowance for credit losses – In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) 326, which significantly changed how entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred-loss model to the expected-loss model. Under the standard, disclosures are required to provide users of the consolidated financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Diocese that are subject to the guidance in FASB ASC 326 were parish-related receivables. The Diocese adopted the standard effective July 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

The allowance estimate is derived from a review of the Diocese's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Diocese. The Diocese believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as the receivables are predominately parish-related receivables for service fees and insurance billings due from parishes and Roman Catholic organizations in the Diocese of Stockton. These are generally collectible within one year. There were no recoveries or write offs for the years ended June 30, 2024 and 2023.

Pledge receivables – Contributions are recorded at their estimated fair value when unconditionally received or made rather than in the period for which the pledges are designated. Unconditional promises to give are recorded as revenue when the promise is made. Contributions expected to be collected within one year are reported at their net realizable value. Contributions expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique.

To determine the net realizable value of contributions, a loss provision is calculated as a percentage of pledges receivable. As described above, management assesses the risks of uncollectability to determine a reasonable loss provision. If actual collection results differ significantly from expectations, contributions in a subsequent period may be adjusted accordingly.

Investments held in trust – The Diocese has deposited its investment securities portfolio with the Diocese of Stockton Revocable Trust (Trust). The Trust holds and invests the Diocese's investment holdings. The Diocese is allocated the actual income (or loss) of the Diocese's share of the Trust's investment portfolio. Investment income or loss (including realized and unrealized gains and losses, interest, and dividends) is included in the statements of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. It is reasonably possible that the estimated fair value of investment securities will change significantly in the future, with the result that the carrying amount of the investment securities may change materially based on market conditions and risk associated with certain investment securities. The investments held in trust are maintained by the Diocese according to their investment policy.

The Roman Catholic Bishop of Stockton, a Corporation Sole

Notes to Financial Statements

Property and equipment – Property and equipment are recorded at cost and donated property and equipment are recorded at fair value at the time of receipt. For the years ended June 30, 2024 and 2023, the Diocese capitalizes assets with a cost or donated value of \$1,000 or more. Depreciation expense is recorded on the straight-line basis for all property and equipment over the following estimated useful lives:

Pastoral operating properties and improvements	20 to 35 years
Computer equipment	3 to 5 years
Furniture and equipment	5 to 7 years

Custodian funds – Special purpose funds received by the parishes as a result of special collections and remitted to the Diocese to be paid directly to the organizations for which the collections were taken. The Diocese accounts for assets that are received from the parishes for the benefit of the organizations for which the collections were taken as a liability to the specified beneficiary concurrent with its recognition of the assets received. All asset transfers of this type, and the activity associated with those assets, are recognized as agency transactions, and are not reflected in the statements of activities. In the statements of financial position, the assets held on behalf of the agency are included in cash and cash equivalents, and the related liability is classified as custodian funds.

Held for insurance and retirement plans – Held for insurance and retirement plans represents amounts that the Diocese collects from and remits to plan or policyholders on behalf of the parishes and self-insurance retentions.

Revenue recognition

- Diocesan appeal, gifts, grants, and bequests revenue consists of contributions. These contributions are considered to be without donor restrictions unless they are specifically restricted by the donor. Contributions designated for future periods or restricted by the donor for specific purposes or in perpetuity are reported as contributions with donor restrictions. The Diocese recognizes all unconditional contributions and promises to give in the period notified. Unconditional promises to give expected to be collected in future years are recorded at the discounted present value of their estimated future cash flows using a discount rate that is commensurate with the risks involved. Conditional promises to give or intentions to give, as defined by Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, are not recorded in the financial statements until the conditions are met.
- Service fees are charged to parishes and Roman Catholic organizations in the Diocese of Stockton for the various administrative, financial, and programmatic support services provided to them by the Dioceses staff. Service fees are recognized as revenue when services are performed.

The Roman Catholic Bishop of Stockton, a Corporation Sole

Notes to Financial Statements

- The Bishop's awards dinner revenue is the revenue generated from the Bishop's awards dinner and are considered to be contributions. Contributions are recognized as revenue when received or unconditionally promised. The Bishop's awards dinner revenue are recognized net of related expenses incurred. The revenue is recorded as miscellaneous income on the statements of activities. Gross contributions recorded for the years ended June 30, 2024 and 2023, were \$209,040 and \$201,392, respectively. Expenses incurred relating to the awards dinner for the years ended June 30, 2024 and 2023, were \$209,075 and \$201,415, respectively.

Grant expenses – Grant expenses are recorded by the Diocese upon approval by management provided the grant is not subject to future barriers. There were no conditional grants payable as of June 30, 2024 and 2023.

Functional allocation of expenses – The costs of providing the Diocesan programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses which apply to more than one functional category have been allocated among program, general and administrative, and fundraising based on the time spent on these functions by specific employees as estimated by management. All other costs are charged directly to the appropriate functional category.

Concentrations of credit risk – Substantially all of the Diocese's cash and securities are maintained at financial institutions which are subject to the protections of the Federal Deposit Insurance Corporation (FDIC), for losses up to \$250,000.

Financial instruments that potentially subject the Diocese to concentration of credit risk consist of cash and cash equivalents deposited with financial institutions in excess of amounts insured by the FDIC (\$250,000) and by the Security Investor Protection Corporation (\$500,000), and accounts receivable generated in the normal course of business. The Diocese maintains its cash and cash equivalents with multiple financial institutions. At times, balances may exceed insured limits. Management monitors the financial condition of these financial institutions. If any of the financial institutions with whom we do business were to be placed into receivership, we may be unable to access the cash we have on deposit with such institutions. If we are unable to access our cash and cash equivalents as needed, our financial position and ability to operate our business could be adversely affected.

As of June 30, 2024 and 2023, three entities accounted for 52% and three entities accounted for 54%, respectively, of the Diocese's parish and institution receivable balances. As of June 30, 2024 and 2023, three vendors accounted for 62% and three vendors accounted for 63%, respectively, of the Diocese's accounts payable balances.

Reclassification of prior year presentation – Certain prior year amounts have been reclassified for consistency with current year presentation. These reclassifications had no effect on reported change in net assets.

The Roman Catholic Bishop of Stockton, a Corporation Sole

Notes to Financial Statements

Subsequent events – Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are available to be issued. The Diocese recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the financial position, including the estimates inherent in the process of preparing the financial statements. The Diocese's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the financial position but arose after the financial position date and before the financial statements are available to be issued.

The Diocese has evaluated subsequent events through December 12, 2024, which is the date the financial statements are available to be issued.

Note 3 – Pledges Receivable

The purpose of the pledge is to establish an endowment fund and as cash is received, it is invested in accordance with the investment policy as described in Note 10. Pledges receivable consist of unconditional promises to give for the purpose noted below as of June 30:

	<u>2024</u>	<u>2023</u>
Seminarian education and retirement funds for priests - endowment	<u>\$ 333,333</u>	<u>\$ 833,333</u>
Total pledges receivable	<u><u>\$ 333,333</u></u>	<u><u>\$ 833,333</u></u>

There was no allowance for uncollectible pledges as of June 30, 2024 and 2023. The discount associated with the pledges receivable is insignificant to the financial statements. The maturity of pledges receivable as of June 30, 2024, are as follows:

Less than one year	<u>\$ 333,333</u>
Total	<u><u>\$ 333,333</u></u>

100% of pledges receivable are due from one donor at June 30, 2024.

The Roman Catholic Bishop of Stockton, a Corporation Sole

Notes to Financial Statements

Note 4 – Investments Held In Trust

Investments held in trust are comprised as follows, as of June 30:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 172,830	\$ 149,043
Equities		
Mutual funds		
Corporate equities		
Domestic	1,581,755	1,794,093
International	694,972	921,112
Real Estate funds		
Domestic	155,239	178,849
International	<u>80,615</u>	<u>96,303</u>
Total equities and equities funds	<u>2,512,581</u>	<u>2,990,357</u>
Bonds		
U.S. government bonds and treasuries	16,959	10,654
Mutual funds		
Fixed income		
Domestic	1,249,321	1,498,883
International	<u>311,602</u>	<u>377,622</u>
Total bonds and bond funds	<u>1,577,882</u>	<u>1,887,159</u>
Investments held in trust	<u><u>\$ 4,263,293</u></u>	<u><u>\$ 5,026,559</u></u>

All investments held in trust at June 30, 2024 and 2023, are held in the donor-restricted fund and the insurance fund.

The Roman Catholic Bishop of Stockton, a Corporation Sole

Notes to Financial Statements

Note 5 – Property and Equipment

The total land, buildings, and equipment are as follows as of June 30:

	<u>2024</u>	<u>2023</u>
Pastoral operating properties and improvements	\$ 2,016,007	\$ 1,998,658
Land	338,812	338,812
Computer equipment	361,959	341,812
Furniture and equipment	<u>190,696</u>	<u>190,696</u>
Gross property and equipment	2,907,474	2,869,978
Less accumulated depreciation	<u>(1,580,769)</u>	<u>(1,481,827)</u>
Total	<u><u>\$ 1,326,705</u></u>	<u><u>\$ 1,388,151</u></u>

The Roman Catholic Bishop of Stockton, a Corporation Sole

Notes to Financial Statements

Note 6 – Notes Payable

The balances of notes payable consist of the following as of June 30:

	2024	2023
On April 1, 2020, the Diocese restructured an existing loan and entered into a new loan agreement. The new loan agreement consisted of a \$1.510 million promissory note with a maturity date of April 15, 2030. The note bears interest at 3.75%. The Diocese will pay 119 interest and principal payments beginning May 15, 2020, with one final payment of the outstanding balance at maturity. The monthly principal and interest payment required beginning May 15, 2020, is \$7,820. The Note is guaranteed by The Roman Catholic Welfare Corporation of Stockton (Welfare Corporation), a related party, with the guarantee being secured by certain real property of The Roman Catholic Welfare Corporation of Stockton.	\$ 1,344,532	\$ 1,386,244
On February 1, 2017, the Diocese modified the 11 secured notes, of unequal value, executed on December 20, 2010 (as modified on January 7, 2014), with parishes and individuals and extended the maturity date to January 31, 2027. The notes bear interest at a fixed rate of 3.25%. Interest and principal payments in the amount of \$17,299 are due monthly based on a 10-year amortization with the final payment of all sums due by January 31, 2027. The proceeds from the notes were used to purchase property and buildings, and are secured by the deed of trust. Due to the Chapter 11 case (Note 11), no payments had been made on the loan from the filing through February 28, 2017. An accrual of \$170,291 of unpaid interest was added to the principal amount of the loans and will be amortized over the same 10-year period.	513,713	701,287
On February 14, 2017, the Diocese entered into a \$1,000,000 unsecured loan with the Catholic Diocese of Stockton Cemeteries Corporation. The note bears interest at fixed rate of 3.25%. Interest and principal payments of \$45,000 are due annually through January 31, 2027. Beginning April 30, 2027, interest and principal payments in the amount of \$46,493 are due quarterly based on a five-year amortization schedule with the final payment of all sums due by January 31, 2032. The proceeds from the note were used to fund the Chapter 11 Bankruptcy as stipulated in the consensual plan of reorganization. An accrual of \$12,235 and \$12,440 has been recorded under accounts payable and accrued liabilities for the accrued interest due as of June 30, 2024 and June 30, 2023, respectively.	903,491	918,636

The Roman Catholic Bishop of Stockton, a Corporation Sole

Notes to Financial Statements

	2024	2023
On April 24, 2020, the Diocese entered into an unsecured promissory note for a revolving loan of \$1,733,612 with the Welfare Corporation. The note includes further advances from time to time, not to exceed the face amount of the note. The note bore interest at 0.99% through June 30, 2020 and then adjusted to 0.49%. No principal or interest payments are due until the amount is determined by the parties with any accrued interest to be added to the principal amount until paid in full.	411,534	315,918
On February 7, 2019, the Diocese executed a loan agreement with the Alliance for Catholic Education with a maturity date of January 24, 2025, to receive funding of \$37,500 each on December 1, 2019 and June 1, 2020. This is a noninterest bearing loan with payments of \$15,000 each due on January 25, 2021, 2022, 2023, 2024 and January 24, 2025. In January 2021, the first installment of \$15,000 was forgiven in full.	15,000	30,000
On or about July 20, 2001, a note between the Diocese and Madonna of Peace Retreat Center, a related party, was executed. The note is non-interest bearing, is unsecured, has no stated maturity date, and requires no monthly payments.	100,000	100,000
Total	\$ 3,288,270	\$ 3,452,085

Aggregate annual principal maturities on the notes payable for the years ended June 30 are as follows:

<u>Years Ending</u>	
2025	\$ 267,866
2026	261,448
2027	222,904
2028	210,007
2029	217,321
Thereafter	2,108,724
	<u>\$ 3,288,270</u>

Guarantees – On February 1, 2020, the Welfare Corporation restructured their debt agreement and executed a new debt agreement with a financial institution for a principal liability of \$2.275 million, bearing interest at 3.75% for which the Diocese was a third-party commercial guarantor. The note was paid off in full by the Welfare Corporation as of June 30, 2023; therefore, the guarantee was terminated.

Note 7 – Pension Plans

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

The Roman Catholic Bishop of Stockton, a Corporation Sole

Notes to Financial Statements

Lay employees – The Diocese participated in a frozen defined benefit plan (the Benefit Plan) operated by the Roman Catholic Diocese of Stockton. Any lay person who worked at least 30 hours per week, had attained the age of 21 years, and had been employed for a minimum of one year is covered by the plan.

The Benefit Plan was amended effective January 1, 2001, and the plan was converted to a cash balance plan. Participants of the plan on January 1, 2001, were grandfathered and received the greater of the benefit determined under the cash balance formula or benefit determined under the grandfathered percentage of average annual earnings formula. The plan document provided for definitions of the various benefit payouts. New participants to the plan after January 1, 2001, received benefits based on the cash balance method.

The Benefit Plan was amended effective December 31, 2012, to freeze the percentage of average annual earnings formula for grandfathered participants. Grandfathered participants received the greater of the benefit earned as of December 31, 2012, as determined under cash balance or percentage of average annual earnings formulas. For service after December 31, 2012, grandfathered participants accrued benefits under the cash balance formula. The cash balance benefit formula for participants who were not eligible for the grandfathered formula remained unchanged.

The Benefit Plan was frozen June 30, 2017. Effective July 1, 2017, the Diocese participates in a defined contribution plan (the Contribution Plan) operated by the Roman Catholic Diocese of Stockton. Any lay person who works at least 30 hours per week, has attained the age of 21 years, and has been employed for a minimum of one year is covered by the Contribution Plan.

Under the Benefit Plan, the Diocese is required to report the difference between assets of the pension Plan and the Benefit Plan's actuarial obligation as an asset or liability of the Diocese, depending on the funding status of the Benefit Plan. On March 21, 2018, the Benefit Plan was amended to spin-off each participant who was not receiving benefit payments from the Benefit Plan as of March 20, 2018, convert the spun-off portion of the Benefit Plan from a defined benefit pension plan to a Contribution Plan, and simultaneously merge the spun-off and converted portion of the Benefit Plan with the Contribution Plan that was established on July 1, 2017. The Benefit Plan had an actuarial excess/(obligation) of \$156,056 and (\$206,314) at June 30, 2024 and 2023, respectively, which is included in the underfunded pension benefits on the accompanying statements of financial position. The Benefit Plan had an unrecognized actuarial loss of \$977,940 and \$1,538,027 at June 30, 2024 and 2023, respectively. The Benefit Plan also had a prepaid pension benefit of \$1,133,996 and \$1,331,713 at June 30, 2024 and 2023, respectively, which is included in net assets without donor restrictions on the accompanying statements of financial position.

The Roman Catholic Bishop of Stockton, a Corporation Sole

Notes to Financial Statements

Although the Diocese is exempt from the funding requirements of ERISA, it was the Diocese's practice to make annual contributions that were not less than the ERISA minimum funding requirement. It was the Diocese's policy to make contributions sufficient to fund the benefits provided by the Benefit Plan on an actuarially sound basis. The Bishop is the administrator of the pension trust. The Diocese is ultimately responsible for the payment of the Benefit Plan benefits to the participants. The following table (based on projected actuarial data) sets forth the Benefit Plan's funded status and amounts recognized for the entire Benefit Plan as of June 30:

	2024	2023
Projected benefit obligation		
Beginning of year	\$ 7,813,076	\$ 8,528,451
Interest costs	381,001	360,662
Actuarial loss	97,751	170,993
Benefits paid	(830,013)	(847,394)
Assumption change	(99,833)	(399,636)
Change in projected benefit obligation	(451,094)	(715,375)
End of year	<u>\$ 7,361,982</u>	<u>\$ 7,813,076</u>
Fair value of plan assets		
Beginning of year	\$ 7,606,762	\$ 8,197,999
Actual return on plan assets	741,289	256,157
Employer contributions	-	-
Benefits paid	(830,013)	(847,394)
Change in fair value of plan assets	(88,724)	(591,237)
End of year	<u>\$ 7,518,038</u>	<u>\$ 7,606,762</u>
Funded status of the Plan at year-end overfunded (underfunded)	<u>\$ 156,056</u>	<u>\$ (206,314)</u>

The following schedule reconciles the unfunded status of the Benefit Plan with any accrued or prepaid pension cost recognized in the statements of financial position as of June 30:

	2024	2023
Amounts recognized		
Overfunded (underfunded) status	\$ 156,056	\$ (206,314)
Unrecognized actuarial loss	977,940	1,538,027
Net asset without donor restrictions	(977,940)	(1,538,027)
Net amount recognized	<u>\$ 156,056</u>	<u>\$ (206,314)</u>

The Roman Catholic Bishop of Stockton, a Corporation Sole

Notes to Financial Statements

Net pension cost (benefit) for the entire Benefit Plan was determined as follows as of June 30:

	2024	2023
Interest cost on projected benefit obligation	\$ 381,001	\$ 360,662
Expected return on plan assets	(233,732)	(447,022)
Recognized net actuarial losses	50,448	51,640
	<u>\$ 197,717</u>	<u>\$ (34,720)</u>

The weighted-average discount rate was 5.35% and 5.15% for the years ended June 30, 2024 and 2023, respectively. The expected long-term rate of return on assets was 6.0% and 3.25% for the years ended June 30, 2024 and 2023, respectively.

The investment objective for the Benefit Plan is to maximize total return within reasonable and prudent levels of risk. The Benefit Plan's weighted-average asset allocations as of June 30, 2024 and 2023, are as follows:

Asset category	2024	2023
Common and collective trusts		
Equity	39.4%	0.0%
Debt	51.3%	0.0%
Real estate mutual fund	3.9%	0.0%
Cash and cash equivalents	5.4%	100.0%
Total	<u>100.0%</u>	<u>100.0%</u>

The Benefit Plan assets are measured at fair value on a recurring basis and are classified as Level 1 pursuant to the valuation hierarchy. Level 1 equity and debt securities and real estate mutual fund include highly liquid government and corporate bond funds and exchange traded equities, and therefore, are valued based on quoted market prices in active markets.

The Roman Catholic Bishop of Stockton, a Corporation Sole

Notes to Financial Statements

The estimated minimum benefit payments which reflect expected future service, as appropriate, to be paid by the Diocese as a whole are as follows:

Estimated Minimum Benefit Payments For the Years Ending June 30,	
2025	\$ 774,965
2026	755,953
2027	734,845
2028	712,133
2029	687,680
2020 to 2034	<u>3,010,879</u>
	<u>\$ 6,676,455</u>

The Diocese did not make contributions to the Benefit Plan for the years ended June 30, 2024 and 2023.

Priests – Effective July 1, 2012, the Diocese adopted The Diocese of Stockton Priests Qualified Pension Plan. The plan is a defined benefit pension plan for all priests, regardless of age, who are in an eligible classification as defined by the plan document.

Total contributions of \$740,343 and \$658,184 were made to the plan in the years ended June 30, 2024 and 2023, respectively, by the parishes, schools, or other units to which the participating clergy were assigned as well as funds donated to the plan. Benefit payments of \$484,242 and \$462,692 were made from the plan during the years ended June 30, 2024 and 2023, respectively. The Diocese contributed \$48,354 to the pension plan during the fiscal year ended June 30, 2024.

The fair value of the plan assets, including the Diocese's portion, as of June 30, 2024 and 2023, was \$2,815,304 and \$2,360,396, respectively. The Plan's weighted-average asset allocations as of June 30, 2024 and 2023, are as follows:

Asset category	2024	2023
Common and collective trusts		
Equity	23.3%	25.0%
Debt	74.4%	37.0%
Real estate mutual fund	2.2%	3.0%
Cash and cash equivalents	<u>0.1%</u>	<u>35.0%</u>
Total	<u>100.0%</u>	<u>100.0%</u>

The Plan assets are measured at fair value on a recurring basis and are classified as Level 1 pursuant to the valuation hierarchy. Level 1 equity and debt securities and real estate mutual fund include highly liquid government and corporate bond funds and exchange traded equities, and therefore, are valued based on quoted market prices in active markets.

The Roman Catholic Bishop of Stockton, a Corporation Sole

Notes to Financial Statements

As of June 30, 2024 and 2023, service costs were \$61,883 and \$50,204, respectively. The interest costs, assumption changes, and actuarial gain/loss were considered insignificant to the plan and the financial statements.

The unfunded portion of the plan was \$6,938,691 and \$6,781,848 for the years ended June 30, 2024 and 2023, respectively. The Diocese's portion of the unfunded portion of the plan was \$3,682,376 and \$3,127,431 for the years ended June 30, 2024 and 2023, respectively, which is included in the underfunded pension benefits on the accompanying statements of financial position. The Diocese's portion of the underfunded pension liabilities relates to active priests at the Diocese and all inactive priests.

The unrecognized actuarial gain/loss and unrecognized prior service cost were considered insignificant to the plan and the financial statements.

The weighted-average discount rate of 5.47% and 5.2% was used for the years ended June 30, 2024 and 2023, respectively.

The estimated minimum benefit payments which reflect expected future service, as appropriate, to be paid by the plan as a whole are as follows:

Estimated Minimum Benefit Payments
For the Years Ending June 30,

2025	\$ 660,959
2026	657,346
2027	644,278
2028	636,789
2029	665,860
2030 to 2034	<u>3,417,572</u>
	<u><u>\$ 6,682,804</u></u>

The estimated minimum benefits payments which reflect expected future service, as appropriate, to be paid by the Diocese are as follows:

Estimated Minimum Benefit Payments
For the Years Ending June 30,

2025	\$ 502,809
2026	499,331
2027	486,706
2028	466,826
2029	444,980
2030 to 2034	<u>1,924,794</u>
	<u><u>\$ 4,325,446</u></u>

The Roman Catholic Bishop of Stockton, a Corporation Sole

Notes to Financial Statements

Note 8 – Investment in Self-Insured Risk Retention Group

Prior to July 1, 2017, the Diocese was insured with respect to its liability coverage through its participation in a risk retention group, incorporated in Vermont, with two other archdioceses and dioceses in western states. The Diocese expenses premiums paid to the policy group in the year paid. At December 31, 2023 and 2022, the policy group had a positive policy holder surplus. Therefore, management believes there is no unrecorded liability.

On May 15, 2017, the board of directors of the risk retention group voted to seek approval from the members to end the underwriting operations of the risk retention group on July 1, 2017. The members approved this action on May 15, 2017.

On July 1, 2017, the Diocese became insured with respect to its liability coverage through its participation in a new captive for primary liability, a new risk retention group for the first excess layer, and an insurance company for the third layer of liability. The risk retention group is domiciled in Vermont and has 58 shareholders across the U.S. with contributions from its members and the excess layer is written with an approved insurance company.

Note 9 – Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at June 30:

	2024	2023
Tuition assistance	\$ 383,834	\$ 349,523
Parishes/Ministries	4,997,750	4,254,143
	<u>\$ 5,381,584</u>	<u>\$ 4,603,666</u>

Management expects to spend net assets with donor restrictions based on annual operating plans and associated budgets which incorporate their existence and purpose restrictions.

Donor restricted net assets have been released from restrictions and reclassified for the years ended June 30 as follows:

	2024	2023
Parishes/Ministries	\$ 612,019	\$ 683,851
Tuition assistance	4,500	-
	<u>\$ 616,519</u>	<u>\$ 683,851</u>

The Roman Catholic Bishop of Stockton, a Corporation Sole

Notes to Financial Statements

Note 10 – Endowment

The Diocese's endowment consists of investments established to support the seminarian education and retirement funds for priests. The endowment is classified as with donor restriction. 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 Diocese has interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 in California (CPMIFA) for donor restricted endowment funds as requiring the preservation of the fair value of the original gift as of the gift date unless there are explicit donor stipulations to the contrary. As a result of this interpretation, the corpus of funds subjected to CPMIFA is classified as with donor restriction. The corpus represents the fair value of the original gifts as of the gift date, and all subsequent gifts where the donor has indicated the gift be retained in perpetuity. The corpus of net assets with donor restricted endowment funds was \$2,000,000 as of June 30, 2024 and 2023. The value of assets in excess of original gifts in donor restricted endowment funds are classified as net assets with donor restrictions until appropriated for expenditure by the Diocese.

In accordance with CPMIFA, the Diocese considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Diocese 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 Diocese
7. The investment policies of the Diocese

The Roman Catholic Bishop of Stockton, a Corporation Sole

Notes to Financial Statements

The Diocese is required to provide information about net assets which are defined as endowment, restricted in perpetuity by donors (net assets with donor restrictions). The changes in endowment net assets for the years ended June 30, 2024, were as follows:

	2024 With donor restrictions	2023 With donor restrictions
Donor restricted endowments as of Beginning of year	<u>\$ 1,994,086</u>	<u>\$ 1,926,652</u>
Contributions	<u>-</u>	<u>-</u>
Net realized and unrealized gains	<u>142,209</u>	<u>67,434</u>
Appropriation of endowment assets for expenditure	<u>-</u>	<u>-</u>
Donor restricted endowments as of End of year	<u><u>\$ 2,136,295</u></u>	<u><u>\$ 1,994,086</u></u>

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or CPMIFA requires the Diocese to retain as a fund of perpetual duration. The Diocese had one endowment fund with deficiencies of this nature at June 30, 2023, totaling \$5,914. This deficiency is reflected in net assets with donor restriction. The Original Endowment gift amount was \$2,000,000 and the fair value of the underwater endowment fund was \$1,994,086 at June 30, 2023. The fair value of the endowment fund was \$2,136,295 at June 30, 2024 and was no longer considered to be DOS underwater.

Return objectives and risk parameters – The Diocese has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the Diocese operations that is partly supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Diocese must hold in perpetuity. Under this policy, the endowment assets are invested in a manner that is intended to produce results that exceed the amount appropriated for operations by the rate of inflation while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives – To satisfy its long-term rate-of-return objectives, the Diocese has adopted a strategy of holding a substantial majority of its endowment assets in mutual funds.

The Roman Catholic Bishop of Stockton, a Corporation Sole

Notes to Financial Statements

Spending policy and how the investment objectives relate to spending policy – The Diocese has a policy of appropriating for distribution each year no more than the amount stipulated by the funder for seminarian education and priest retirement plan. Over the long term, this is expected to provide support for the intended purpose while keeping the increase/(decrease) year-over-year minimal to help provide the predictable level of funding needed. The effect of this draw is to gradually increase the support of seminarian education and contributions to the priest retirement fund when the endowment is growing and postpone the award if the endowment value falls. In establishing this policy, the Diocese considered the long-term expected return on its endowment. Accordingly, over the long term, the Diocese expects the current spending policy to allow its endowment to grow at least at the rate of inflation. This is consistent with the Diocese's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. The policy is the lesser of 85% of the income for the year, or 15% of the fund balance at the beginning of the year. If the maximum amount is not drawn in a year, it will continue to be available to the Diocese in future years.

Note 11 – Plan of Reorganization and Going Concern Uncertainty

The accompanying financial statements have been prepared assuming the Diocese will continue as a going concern, which contemplates realization of assets and satisfaction of liabilities in the normal course of business.

On January 15, 2014, the Diocese filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code (Chapter 11 Case). The Chapter 11 case was assigned to the Honorable Christopher M. Klein, United States Bankruptcy Judge for the Eastern District of California, Sacramento Division. On October 26, 2016, the Diocese of Stockton filed its consensual Plan of Reorganization (Plan) and Disclosure Statement. On January 13, 2017, the Bankruptcy Court issued an Order Confirming the Plan and Disclosure Statement and on February 14, 2017, the Plan became effective. On June 12, 2017, the Bankruptcy Court entered the final decree closing the Chapter 11 Case and the case was closed on the Bankruptcy Court's docket.

In accordance with the Plan and the Confirmation Order, the trust was established on February 14, 2017, for the benefit of the Class 12 Claims, Class 13 Claims, Class 14 Claims, and Class 15 Claims (Beneficiaries). The Diocese has no rights or interests in the trust or its assets, which was established for the benefit of the Beneficiaries. Pursuant to the Plan and Confirmation Order, Eric Schwarz (Omni Management Acquisition Corp.) was appointed as the trust Trustee. The Diocese made all of their required payments to the trust on or before the Effective Date, February 14, 2017. The trust received \$14,250,000 in cash and the Unknown Tort Claims Fund Note. Pursuant to the Confirmation Order, upon the occurrence of the Effective Date, the injunctions, releases, discharges, and dismissals to which the Diocese, Participating Parties, and Settling Insurers were entitled to pursuant to the Plan and/or Bankruptcy Code became effective.

The Roman Catholic Bishop of Stockton, a Corporation Sole

Notes to Financial Statements

In exchange for the releases and injunctions provided in the Plan, the Plan was funded by the Insurance Settlement (the net sum of \$3,305,000 paid by the Settling Insurers), a contribution by the Participating Parties (\$2,905,000), a contribution by the Roman Catholic Welfare Corporation of Stockton (\$1,000,000), a contribution from All Saints University Church (\$1,295,000), and a contribution from the Diocese. In addition, as of the Effective Date, the Diocese was authorized to enter into a loan agreement with the Catholic Diocese of Stockton Cemeteries Corporation as well as amend the terms of other outstanding debt (Note 6).

As of June 30, 2024, the Diocese net assets without restrictions are in a deficit position. The Diocese has followed the plan of reorganization as noted above and has a budget in place to permit the Diocese to continue as a going concern. The financial statements for the year ended June 30, 2024, do not include any adjustments that might be necessary if the Diocese is unable to continue as a going concern. For the pension plans, the Diocese will continue to monitor interest rates and the stock market, as well as undergo fundraising efforts and seek donations to get to a positive funding status. The Diocese is also looking to control costs so as to not run at an annual deficit.

The Roman Catholic Bishop of Stockton, a Corporation Sole

Notes to Financial Statements

Note 12 – Liquidity and Availability of Resources

Financial assets available for general expenditures, that is without donor or other restrictions limiting their use, within one year of the statement of financial position at June 30 are comprised of the following:

	2024	2023
Financial assets		
Cash and cash equivalents	\$ 15,076,676	\$ 11,843,830
Short-term investments	-	806,039
Deposits	35,000	35,000
Receivables, net	1,049,753	1,032,284
Pledge receivable with donor restrictions	333,333	833,333
Investments held in trust	4,263,293	5,026,559
Total financial assets	20,758,055	19,577,045
Less financial assets unavailable for general expenditure within one year		
Cash with donor restrictions	(1,699,358)	(969,858)
Short term investments with donor restrictions	-	(806,039)
Cash held in constructive trust	(11,254,179)	(9,029,959)
Pledge receivable with donor restrictions	(333,333)	(833,333)
Deposits held in constructive trust	(35,000)	(35,000)
Investments with donor restrictions	(3,383,580)	(2,499,105)
Investments held in constructive trust	(879,713)	(2,378,411)
Net receivables not available for general expenditures	(339,295)	(386,630)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,833,597</u>	<u>\$ 2,638,710</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Diocese considers all expenditures related to its ongoing activities. Additionally, the Diocese operates under a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor restricted resources.

The Roman Catholic Bishop of Stockton, a Corporation Sole

Notes to Financial Statements

Note 13 – Functional Expenses

The financial statements report certain categories of expenses that are attributable to a program or supporting function. Expenses classified by function for the year ended June 30, 2024, are as follows:

	Program Expenses						Total
	Ministry Programs and Services	Direct Appeal Expenses	Diocesan Ministries Subtotal	Administrative and General	Development	Supporting Services Subtotal	
Salaries, wages and employee benefits	\$ 2,151,675	\$ 157,779	\$ 2,309,454	\$ 750,765	\$ 140,100	\$ 890,865	\$ 3,200,319
Independent contractors and consulting	176,827	1,580	178,407	76,483	-	76,483	254,890
Professional fees	5,650	-	5,650	60,900	-	60,900	66,550
Occupancy and facilities use	200,644	8,464	209,108	76,633	4,742	81,375	290,483
Legal expenses	-	-	-	50,027	-	50,027	50,027
Interest expense	-	-	-	103,504	-	103,504	103,504
Auto and mileage expenses	27,580	-	27,580	225	30	255	27,835
Travel, meetings, and continuing education	129,375	912	130,287	10,063	3,261	13,324	143,611
Seminarian tuition, room and board, and health benefits	352,988	-	352,988	-	-	-	352,988
Supplies and materials	41,007	553	41,560	8,115	213	8,328	49,888
Postage	12,363	7,557	19,920	2,783	394	3,177	23,097
Printing and photocopy	40,042	30,569	70,611	2,584	788	3,372	73,983
Dues and subscriptions	24,068	-	24,068	2,457	-	2,457	26,525
Computer maintenance and supplies	6,636	20,455	27,091	31,341	3,507	34,848	61,939
Depreciation	-	-	-	98,942	-	98,942	98,942
Telephone	35,731	2,078	37,809	6,327	1,022	7,349	45,158
Donations	24,503	-	24,503	18,653	-	18,653	43,156
Grants to other entities as per restriction	-	-	-	64,169	-	64,169	64,169
USCCB and CCC assessments	-	-	-	127,654	-	127,654	127,654
Counseling for abuse survivors and priests	1,193	-	1,193	2,700	-	2,700	3,893
Priest immigration expenses	15,325	-	15,325	-	-	-	15,325
Unassigned clergy	-	-	-	45,302	-	45,302	45,302
Retired priests	48,741	-	48,741	-	-	-	48,741
Miscellaneous	7,116	18	7,134	2,786	7	2,793	9,927
Total	\$ 3,301,464	\$ 229,965	\$ 3,531,429	\$ 1,542,413	\$ 154,064	\$ 1,696,477	\$ 5,227,906

The Roman Catholic Bishop of Stockton, a Corporation Sole

Notes to Financial Statements

Expenses classified by function for the year ended June 30, 2023, are as follows:

	Program Expenses						
	Ministry Programs and Services	Direct Appeal Expenses	Diocesan Ministries Subtotal	Administrative and General	Development	Supporting Services Subtotal	Total
Salaries, wages and employee benefits	\$ 2,113,798	\$ 154,014	\$ 2,267,812	\$ 706,166	\$ 137,244	\$ 843,410	\$ 3,111,222
Independent contractors and consulting	274,962	3,744	278,706	51,439	-	51,439	330,145
Professional fees	3,950	-	3,950	53,000	-	53,000	56,950
Occupancy and facilities use	190,133	8,442	198,575	71,312	4,683	75,995	274,570
Legal expenses	69	-	69	55,556	-	55,556	55,625
Interest expense	-	-	-	110,928	-	110,928	110,928
Auto and mileage expenses	28,725	132	28,857	283	21	304	29,161
Travel, meetings, and continuing education	114,684	1,529	116,213	7,003	1,213	8,216	124,429
Seminarian tuition, room and board, and health benefits	362,669	-	362,669	-	-	-	362,669
Supplies and materials	44,500	811	45,311	6,392	212	6,604	51,915
Postage	15,677	5,617	21,294	2,911	213	3,124	24,418
Printing and photocopy	26,365	29,149	55,514	2,175	223	2,398	57,912
Dues and subscriptions	16,615	-	16,615	3,390	3	3,393	20,008
Computer maintenance and supplies	12,617	20,059	32,676	23,946	3,521	27,467	60,143
Depreciation	-	-	-	97,037	-	97,037	97,037
Telephone	29,168	1,556	30,724	4,874	760	5,634	36,358
Donations	16,915	-	16,915	24,904	-	24,904	41,819
Grants to other entities as per restriction	-	-	-	46,850	-	46,850	46,850
USCCB and CCC assessments	-	-	-	120,810	-	120,810	120,810
Counseling for abuse survivors and priests	2,908	-	2,908	720	-	720	3,628
Priest immigration expenses	34,845	-	34,845	-	-	-	34,845
Unassigned clergy	-	-	-	103,403	-	103,403	103,403
Retired priests	54,925	-	54,925	-	-	-	54,925
Miscellaneous	7,630	257	7,887	2,137	-	2,137	10,024
Total	\$ 3,351,155	\$ 225,310	\$ 3,576,465	\$ 1,495,236	\$ 148,093	\$ 1,643,329	\$ 5,219,794

Supplementary Information

The Roman Catholic Bishop of Stockton, a Corporation Sole
Combining Statements of Financial Position – All Funds
June 30, 2024

	Current Fund	Custodian Fund	Donor Restricted Fund	Insurance Fund	Plant Fund	Total
ASSETS						
ASSETS						
Cash and cash equivalents	\$ 2,033,283	\$ 395,340	\$ 1,699,358	\$ 10,858,839	\$ 89,856	\$ 15,076,676
Deposits	-	-	-	35,000	-	35,000
Receivables						
Parishes and institutions (net of allowance for doubtful accounts of \$939,000)	141,255	-	-	339,295	-	480,550
Other receivables	569,203	-	-	-	-	569,203
Endowments - pledges	-	-	333,333	-	-	333,333
Investments held in trust	-	-	3,383,580	879,713	-	4,263,293
Property and equipment, net	-	-	-	-	1,326,705	1,326,705
Due from (to) other funds	1,601,796	16,291	42,618	(18,907)	(1,641,798)	-
TOTAL ASSETS	<u>\$ 4,345,537</u>	<u>\$ 411,631</u>	<u>\$ 5,458,889</u>	<u>\$ 12,093,940</u>	<u>\$ (225,237)</u>	<u>\$ 22,084,760</u>
LIABILITIES AND NET ASSETS (DEFICIT)						
LIABILITIES						
Accounts payable and accrued expenses	\$ 324,400	\$ -	\$ 6,068	\$ -	\$ -	\$ 330,468
Custodian funds	-	411,631	-	-	-	411,631
Notes payable	3,288,270	-	-	-	-	3,288,270
Held for insurance and retirement plans	84,678	-	71,237	12,093,940	-	12,249,855
Underfunded pension benefits	3,526,320	-	-	-	-	3,526,320
TOTAL LIABILITIES	<u>7,223,668</u>	<u>411,631</u>	<u>77,305</u>	<u>12,093,940</u>	<u>-</u>	<u>19,806,544</u>
NET ASSETS/(DEFICIT)						
Without donor restrictions	(2,878,131)	-	-	-	(225,237)	(3,103,368)
With donor restrictions	-	-	5,381,584	-	-	5,381,584
TOTAL NET ASSETS (DEFICIT)	<u>(2,878,131)</u>	<u>-</u>	<u>5,381,584</u>	<u>-</u>	<u>(225,237)</u>	<u>2,278,216</u>
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	<u>\$ 4,345,537</u>	<u>\$ 411,631</u>	<u>\$ 5,458,889</u>	<u>\$ 12,093,940</u>	<u>\$ (225,237)</u>	<u>\$ 22,084,760</u>

The Roman Catholic Bishop of Stockton, a Corporation Sole
Combining Statements of Financial Position – All Funds
June 30, 2023

	Current Fund	Custodian Fund	Donor Restricted Fund	Insurance Fund	Plant Fund	Total
ASSETS						
ASSETS						
Cash and cash equivalents	\$ 1,903,199	\$ 284,070	\$ 884,306	\$ 8,682,398	\$ 89,857	\$ 11,843,830
Short-term investments	-	-	302,265	503,774	-	806,039
Deposits	-	-	-	35,000	-	35,000
Receivables						
Parishes and institutions (net of allowance for doubtful accounts of \$939,000)	62,908	-	-	386,630	-	449,538
Other receivables	582,746	-	-	-	-	582,746
Endowments - pledges	-	-	833,333	-	-	833,333
Investments held in trust	-	-	2,584,657	2,441,902	-	5,026,559
Property and equipment, net	-	-	-	-	1,388,151	1,388,151
Due from (to) other funds	1,506,245	16,292	100,673	(18,907)	(1,604,303)	-
TOTAL ASSETS	\$ 4,055,098	\$ 300,362	\$ 4,705,234	\$ 12,030,797	\$ (126,295)	\$ 20,965,196
LIABILITIES AND NET ASSETS (DEFICIT)						
LIABILITIES						
Accounts payable and accrued expenses	\$ 302,584	\$ -	\$ 6,070	\$ -	\$ -	\$ 308,654
Custodian funds	-	300,362	-	-	-	300,362
Notes payable	3,452,085	-	-	-	-	3,452,085
Held for insurance and retirement plans	81,320	-	95,498	12,030,797	-	12,207,615
Underfunded pension benefits	3,333,745	-	-	-	-	3,333,745
TOTAL LIABILITIES	7,169,734	300,362	101,568	12,030,797	-	19,602,461
NET ASSETS/(DEFICIT)						
Without donor restrictions	(3,114,636)	-	-	-	(126,295)	(3,240,931)
With donor restrictions	-	-	4,603,666	-	-	4,603,666
TOTAL NET ASSETS (DEFICIT)	(3,114,636)	-	4,603,666	-	(126,295)	1,362,735
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	\$ 4,055,098	\$ 300,362	\$ 4,705,234	\$ 12,030,797	\$ (126,295)	\$ 20,965,196

The Roman Catholic Bishop of Stockton, a Corporation Sole
Combining Statements of Activities – All Funds
Year Ended June 30, 2024

	Current Fund	Custodian Fund	Donor Restricted Fund	Insurance Fund	Plant Fund	Total
REVENUES AND OTHER ADDITIONS						
Diocesan appeal	\$ 2,550,000	\$ -	\$ -	\$ -	\$ -	\$ 2,550,000
Service fee	1,913,617	-	-	-	-	1,913,617
Interest and dividend income, net	64,299	-	109,993	-	-	174,292
Diocesan ministries	242,335	-	-	-	-	242,335
Gifts, bequests, and collections	53,582	-	1,024,679	-	-	1,078,261
Miscellaneous	117,692	-	9,352	-	-	127,044
Net realized and unrealized gains	-	-	250,413	-	-	250,413
Net assets released from restrictions	616,519	-	(616,519)	-	-	-
Total revenues and other additions	5,558,044	-	777,918	-	-	6,335,962
EXPENSES						
Diocesan ministries	3,531,429	-	-	-	-	3,531,429
Administrative expenses	1,281,690	-	-	-	-	1,281,690
Grant expenses	64,169	-	-	-	-	64,169
Depreciation expense	-	-	-	-	98,942	98,942
Interest expense	103,504	-	-	-	-	103,504
Other expenses	148,172	-	-	-	-	148,172
Total expenses	5,128,964	-	-	-	98,942	5,227,906
CHANGE IN NET ASSETS BEFORE PENSION RELATED CHANGES	429,080	-	777,918	-	(98,942)	1,108,056
PENSION RELATED CHANGES OTHER THAN NET PERIODIC PENSION COST	(192,575)	-	-	-	-	(192,575)
CHANGE IN NET ASSETS	236,505	-	777,918	-	(98,942)	915,481
NET ASSETS/(DEFICIT), beginning of year	(3,114,636)	-	4,603,666	-	(126,295)	1,362,735
NET ASSETS/(DEFICIT), end of year	\$ (2,878,131)	\$ -	\$ 5,381,584	\$ -	\$ (225,237)	\$ 2,278,216

The Roman Catholic Bishop of Stockton, a Corporation Sole
Combining Statements of Activities – All Funds
Year Ended June 30, 2023

	Current Fund	Custodian Fund	Donor Restricted Fund	Insurance Fund	Plant Fund	Total
REVENUES AND OTHER ADDITIONS						
Diocesan appeal	\$ 2,478,729	\$ -	\$ -	\$ -	\$ -	\$ 2,478,729
Service fee	1,809,199	-	-	-	-	1,809,199
Interest and dividend income, net	31,444	-	37,744	-	-	69,188
Diocesan ministries	191,209	-	-	-	-	191,209
Gifts, bequests, and collections	56,846	-	725,377	-	-	782,223
Miscellaneous	181,964	-	10,351	-	-	192,315
Net realized and unrealized (loss) gains	-	-	157,843	-	-	157,843
Net assets released from restrictions	691,576	-	(683,851)	-	(7,725)	-
Total revenues and other additions	5,440,967	-	247,464	-	(7,725)	5,680,706
EXPENSES						
Diocesan ministries	3,576,465	-	-	-	-	3,576,465
Administrative expenses	1,271,995	-	-	-	-	1,271,995
Grant expenses	49,025	-	-	-	-	49,025
Depreciation expense	-	-	-	-	97,037	97,037
Interest expense	110,928	-	-	-	-	110,928
Other expenses	114,344	-	-	-	-	114,344
Total expenses	5,122,757	-	-	-	97,037	5,219,794
CHANGE IN NET ASSETS BEFORE PENSION RELATED CHANGES	318,210	-	247,464	-	(104,762)	460,912
PENSION RELATED CHANGES OTHER THAN NET PERIODIC PENSION COST	477,568	-	-	-	-	477,568
CHANGE IN NET ASSETS	795,778	-	247,464	-	(104,762)	938,480
NET ASSETS/(DEFICIT), beginning of year	(3,910,414)	-	4,356,202	-	(21,533)	424,255
NET ASSETS/(DEFICIT), end of year	\$ (3,114,636)	\$ -	\$ 4,603,666	\$ -	\$ (126,295)	\$ 1,362,735

