

**Chancery Office of the Archdiocese
of Galveston-Houston**

Financial Statements
and Independent Auditors' Report
for the years ended June 30, 2025 and 2024

Chancery Office of the Archdiocese of Galveston-Houston

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Independent Auditors' Report

To His Excellency Joe Vásquez
Archbishop of the Archdiocese of Galveston-Houston:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Chancery Office of the Archdiocese of Galveston-Houston, which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Chancery Office of the Archdiocese of Galveston-Houston as of June 30, 2025 and 2024, 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. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Chancery Office of the Archdiocese of Galveston-Houston 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 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 Chancery Office of the Archdiocese of Galveston-Houston's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

Blazek & Vetterling

December 17, 2025

Chancery Office of the Archdiocese of Galveston-Houston

Statements of Financial Position as of June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash	\$ 9,530,094	\$ 8,257,475
Short-term investments – money market mutual funds (Note 6)	112,541,085	92,452,721
Receivables from related entities, net (Note 3)	2,128,585	1,680,971
Contributions receivable (Note 4)	2,071,947	1,330,110
Prepaid expenses and other receivables	2,452,281	2,144,687
Notes receivable from related entities (Note 5)	61,886,959	62,161,751
Cemetery inventory and other assets	2,067,984	2,153,332
Investments (Note 6)	153,729,899	147,991,544
Short-term investments – money market mutual funds restricted for Ignite Campaign (Note 6)	9,795,807	14,198,117
Contributions receivable restricted for Ignite Campaign (Note 4)	876,227	2,440,568
Priest pension benefits asset (Note 11)	3,793,719	899,762
Investments held for endowments (Note 6)	9,023,093	8,674,199
Chancery Office property, net (Note 7)	49,278,283	49,791,832
Other property (Note 8)	<u>4,261,401</u>	<u>4,481,565</u>
TOTAL ASSETS	<u>\$ 423,437,364</u>	<u>\$ 398,658,634</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 7,403,665	\$ 9,448,798
Grants payable	4,279,798	2,212,758
Deferred revenue:		
Cemetery sales and services	759,992	792,436
Other	236,890	112,691
Accrued insurance, claims and other liabilities (Notes 9 and 12)	2,546,712	2,703,398
Note payable (Note 10)	1,602,500	
Funds held for others	3,725,043	4,012,318
DS&L deposits held for related entities	226,852,951	207,339,372
Accrued pension and postretirement health benefits liability (Note 11)	<u>75,558,129</u>	<u>83,849,437</u>
Total liabilities	<u>322,965,680</u>	<u>310,471,208</u>
Commitments and contingencies (Note 12)		
Net assets:		
Without donor restrictions (Note 13)	63,514,369	47,072,318
With donor restrictions (Notes 14 and 15)	<u>36,957,315</u>	<u>41,115,108</u>
Total net assets	<u>100,471,684</u>	<u>88,187,426</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 423,437,364</u>	<u>\$ 398,658,634</u>

See accompanying notes to financial statements.

Chancery Office of the Archdiocese of Galveston-Houston

Statement of Activities for the year ended June 30, 2025 (with comparative totals for the year ended June 30, 2024)

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	2025 TOTAL	2024 TOTAL
OPERATING REVENUE:				
Health insurance premiums (Note 9)	\$ 36,047,970		\$ 36,047,970	\$ 33,974,979
Contributions without donor restrictions	17,001,292		17,001,292	17,188,859
Archdiocesan assessments	17,348,026		17,348,026	16,565,433
Business insurance premiums (Note 9)	14,110,909		14,110,909	13,724,090
Fees and program revenue:				
Cemetery sales and services	2,227,867		2,227,867	1,858,753
Other	3,091,329		3,091,329	2,839,865
Interest on notes – related entities	1,878,488		1,878,488	1,932,135
Total operating revenue	91,705,881		91,705,881	88,084,114
Net assets released for operations (Note 16)	8,487,324		8,487,324	11,220,603
Total	100,193,205		100,193,205	99,304,717
OPERATING EXPENSES:				
Program services:				
Health insurance program (Note 9)	33,571,312		33,571,312	33,047,865
Chancery services	18,345,085		18,345,085	16,578,068
Business insurance program (Note 9)	14,428,513		14,428,513	14,373,303
Pastoral and education	7,396,093		7,396,093	6,618,386
Catholic school office	6,375,048		6,375,048	5,189,845
Clergy	4,772,890		4,772,890	4,890,535
Seminary	4,651,592		4,651,592	4,521,410
Diocesan Savings and Loan	4,013,329		4,013,329	3,807,855
Vocations	2,237,698		2,237,698	2,135,553
Cemetery operations	2,036,566		2,036,566	1,577,377
Total program services	97,828,126		97,828,126	92,740,197
Management and general	11,651,370		11,651,370	10,604,675
Fundraising	2,325,465		2,325,465	2,154,989
Total operating expenses	111,804,961		111,804,961	105,499,861
Changes in net assets from operations	(11,611,756)		(11,611,756)	(6,195,144)
OTHER CHANGES IN NET ASSETS:				
Contributions (Note 17)		\$ 8,859,703	8,859,703	9,328,908
Net investment return	13,860,273	1,081,331	14,941,604	12,260,807
Net gain on sales of property	1,429,718		1,429,718	3,266,913
Net claims expenses – hurricane recovery				(45,522)
Other benefit-related changes (Note 11)	4,786,113		4,786,113	(1,286,721)
Other periodic benefit costs (Note 11)	6,399,152		6,399,152	5,475,394
Non-operating grants and transfers (Note 18)		(4,032,952)	(4,032,952)	(2,324,675)
Net assets released from restrictions (Note 16)	1,578,551	(10,065,875)	(8,487,324)	(11,220,603)
CHANGES IN NET ASSETS	16,442,051	(4,157,793)	12,284,258	9,259,357
Net assets, beginning of year	47,072,318	41,115,108	88,187,426	78,928,069
Net assets, end of year	\$ 63,514,369	\$ 36,957,315	\$ 100,471,684	\$ 88,187,426

See accompanying notes to financial statements.

Chancery Office of the Archdiocese of Galveston-Houston

Statement of Activities for the year ended June 30, 2024

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
OPERATING REVENUE:			
Health insurance premiums (<i>Note 9</i>)	\$ 33,974,979		\$ 33,974,979
Contributions without donor restrictions	17,188,859		17,188,859
Archdiocesan assessments	16,565,433		16,565,433
Business insurance premiums (<i>Note 9</i>)	13,724,090		13,724,090
Fees and program revenue:			
Cemetery sales and services	1,858,753		1,858,753
Other	2,839,865		2,839,865
Interest on notes – related entities	1,932,135		1,932,135
Total operating revenue	88,084,114		88,084,114
Net assets released for operations (<i>Note 16</i>)	11,220,603		11,220,603
Total	99,304,717		99,304,717
OPERATING EXPENSES:			
Program services:			
Health insurance program (<i>Note 9</i>)	33,047,865		33,047,865
Chancery services	16,578,068		16,578,068
Business insurance program (<i>Note 9</i>)	14,373,303		14,373,303
Pastoral and education	6,618,386		6,618,386
Catholic school office	5,189,845		5,189,845
Clergy	4,890,535		4,890,535
Seminary	4,521,410		4,521,410
Diocesan Savings and Loan	3,807,855		3,807,855
Vocations	2,135,553		2,135,553
Cemetery operations	1,577,377		1,577,377
Total program services	92,740,197		92,740,197
Management and general	10,604,675		10,604,675
Fundraising	2,154,989		2,154,989
Total operating expenses	105,499,861		105,499,861
Changes in net assets from operations	(6,195,144)		(6,195,144)
OTHER CHANGES IN NET ASSETS:			
Contributions (<i>Note 17</i>)		\$ 9,328,908	9,328,908
Net investment return	10,875,445	1,385,362	12,260,807
Net gain on sales of property	3,266,913		3,266,913
Net claims expenses – hurricane recovery	(45,522)		(45,522)
Other benefit-related changes (<i>Note 11</i>)	(1,286,721)		(1,286,721)
Other periodic benefit costs (<i>Note 11</i>)	5,475,394		5,475,394
Non-operating grants and transfers (<i>Note 18</i>)	(2,324,675)		(2,324,675)
Net assets released from restrictions (<i>Note 16</i>)	36,030	(11,256,633)	(11,220,603)
CHANGES IN NET ASSETS	9,801,720	(542,363)	9,259,357
Net assets, beginning of year	37,270,598	41,657,471	78,928,069
Net assets, end of year	\$ 47,072,318	\$ 41,115,108	\$ 88,187,426

See accompanying notes to financial statements.

Chancery Office of the Archdiocese of Galveston-Houston

Statement of Functional Expenses for the year ended June 30, 2025

	HEALTH INSURANCE PROGRAM	CHANCERY SERVICES	BUSINESS INSURANCE PROGRAM	PASTORAL AND EDUCATION	CATHOLIC SCHOOL OFFICE	CLERGY	SEMINARY	DIOCESAN SAVINGS AND LOAN	VOCATIONS	CEMETERY OPERATIONS	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Claims expense	\$32,208,974	\$ 69,485	\$ 374,771										\$32,653,230
Salaries and related benefits		5,885,103		\$ 4,224,766	\$ 1,105,355	\$ 2,953,526	\$ 852,282		\$ 382,927	\$ 751,915	\$ 7,488,395	\$ 872,009	24,516,278
Premium expense	4,066,586		14,678,633										18,745,219
Grants		8,718,297	(24,854)	3,000	4,816,331	84,840	60,447		30,594				13,688,655
Professional services	1,569,694	1,388,089	244,114	1,267,571	320,085	439,765	1,372,168		114,484	594,880	1,569,227	891,036	9,771,113
Interest paid to related entities on DS&L deposits								\$ 4,011,940					4,011,940
Occupancy		741,595		440,666	14,600	50,192	603,065		14,170	117,175	850,899	1,475	2,833,837
Depreciation		765,235		296,228		15,274	1,271,315			22,949			2,371,001
Supplies				560,180	9,605	240,961	211,971		57,563	60,205	450,766	32,749	1,624,000
Tuition and related expenses						68,692			1,550,049		20		1,618,761
Dues and assessments		50,660		11,612	29,417	155,179	32,592		1,408	2,657	971,735	4,515	1,259,775
Conferences and meetings		49,446	109	423,450	69,852	149,501	136,830		63,181	1,019	194,067	92,349	1,179,804
Printing and publications		289,293		26,925	3,794	17,211	27,425		11,694	9,656	67,111	318,166	771,275
Postage and shipping		457,670		1,028		74	13,831		189	790	17,604	102,248	593,434
Assistance to individuals		842				554,826					500		556,168
Non-capital equipment and improvement		20,081		19,881	2,997	14,087	3,896		1,798	456,395	9,592	3,597	532,324
Local travel and automobile		22,202		21,570	3,012	26,355	57,036		9,424	12,203	29,659	452	181,913
Rental and maintenance		17,343		99,216		2,407	8,734		217	6,722	1,795	6,869	143,303
Premium/claims allocated to Chancery operations	(4,273,942)		(844,260)										(5,118,202)
Uncollectible accounts recovery		(130,256)						1,389					(128,867)
Total operating expenses	<u>\$33,571,312</u>	<u>\$18,345,085</u>	<u>\$14,428,513</u>	<u>\$ 7,396,093</u>	<u>\$ 6,375,048</u>	<u>\$ 4,772,890</u>	<u>\$ 4,651,592</u>	<u>\$ 4,013,329</u>	<u>\$ 2,237,698</u>	<u>\$ 2,036,566</u>	<u>\$11,651,370</u>	<u>\$ 2,325,465</u>	111,804,961
Non-operating grants and transfers													<u>4,032,952</u>
Total expenses													<u>\$115,837,913</u>

See accompanying notes to financial statements.

Chancery Office of the Archdiocese of Galveston-Houston

Statement of Functional Expenses for the year ended June 30, 2024

	HEALTH INSURANCE PROGRAM	CHANCERY SERVICES	BUSINESS INSURANCE PROGRAM	PASTORAL AND EDUCATION	CATHOLIC SCHOOL OFFICE	CLERGY	SEMINARY	DIOCESAN SAVINGS AND LOAN	VOCATIONS	CEMETERY OPERATIONS	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Claims expense	\$31,562,046		\$ 606,515										\$32,168,561
Salaries and related benefits		\$ 5,449,546		\$ 3,748,023	\$ 1,208,210	\$ 2,686,420	\$ 901,721		\$ 391,772	\$ 608,918	\$ 7,358,790	\$ 863,970	23,217,370
Premium expense	3,751,921		13,968,425										17,720,346
Grants		7,502,313	136,894	2,500	3,343,639	231,076	46,300		10,000				11,272,722
Professional services	1,758,030	1,762,322	380,507	1,294,317	259,852	407,998	1,115,898		242,351	461,409	1,435,246	594,977	9,712,907
Interest paid to related entities on DS&L deposits								\$ 3,863,618					3,863,618
Occupancy		586,869		478,688	32,141	118,097	725,665		15,700	158,192	733,980	14,273	2,863,605
Depreciation		781,314		282,741		15,274	1,334,605			32,928			2,446,862
Supplies		128,888		418,999	220,225	72,653	216,056		43,266	61,415	42,220	25,907	1,229,629
Tuition and related expenses		385				104,974			1,327,573				1,432,932
Dues and assessments						140,968					838,133		979,101
Conferences and meetings		95,529		241,257	89,068	275,926	86,439		53,320	4,645	79,936	191,598	1,117,718
Printing and publications		290,738		19,416	4,641	13,524	34,964		7,299	2,507	39,717	311,557	724,363
Postage and shipping		390,096	43	1,691		540	2,423		250	276	12,937	134,843	543,099
Assistance to individuals		414		8,500		740,393							749,307
Non-capital equipment and improvements		37,096		25,926	5,551	19,203	6,014		5,090	233,121	15,267	4,627	351,895
Local travel and automobile		33,666		89,782	26,518	63,489	46,624		38,932	7,996	48,449	13,237	368,693
Rental and maintenance		14,116		6,546			4,701			5,970			31,333
Premium/claims allocated to Chancery operations	(4,024,132)		(719,081)										(4,743,213)
Uncollectible accounts recovery		(495,224)						(55,763)					(550,987)
Total operating expenses	<u>\$33,047,865</u>	<u>\$16,578,068</u>	<u>\$14,373,303</u>	<u>\$ 6,618,386</u>	<u>\$ 5,189,845</u>	<u>\$ 4,890,535</u>	<u>\$ 4,521,410</u>	<u>\$ 3,807,855</u>	<u>\$ 2,135,553</u>	<u>\$ 1,577,377</u>	<u>\$10,604,675</u>	<u>\$ 2,154,989</u>	105,499,861
Non-operating grants and transfers													2,324,675
Net claims expenses – hurricane recovery													45,522
Total expenses													<u>\$107,870,058</u>

See accompanying notes to financial statements.

Chancery Office of the Archdiocese of Galveston-Houston

Statements of Cash Flows for the years ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 12,284,258	\$ 9,259,357
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Contributions restricted for Ignite Campaign	(95,484)	(248,654)
Contributions restricted for endowment	(13)	(7,450)
Net realized and unrealized gain on investments	(4,898,793)	(2,842,433)
Depreciation	2,371,001	2,446,862
Net gain on sales of property	(1,429,718)	(3,266,913)
Transfer of assets to related entities		2,324,675
Changes in operating assets and liabilities:		
Receivables from related entities	(447,614)	55,306
Contributions receivable (operating only)	(741,837)	155,836
Prepaid expenses and other receivables	(307,594)	(606,159)
Cemetery inventory and other assets	85,348	(32,321)
Accounts payable and accrued expenses	(2,045,133)	1,899,168
Grants payable	2,067,040	1,343,941
Deferred revenue	91,755	(58,676)
Accrued insurance, claims and other liabilities	(156,686)	(498,926)
Funds held for others	(287,275)	67,572
DS&L deposits held for related entities	19,513,579	(1,628,820)
Pension and postretirement health benefits	<u>(11,185,265)</u>	<u>(4,188,673)</u>
Net cash provided by operating activities	<u>14,817,569</u>	<u>4,173,692</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments received on notes receivable	6,857,611	19,534,736
Advances of notes receivable	(6,582,819)	(16,510,963)
Net purchases of money market mutual funds	(15,683,929)	(9,995,836)
Proceeds from sales of investments	53,588,234	110,553,115
Purchases of investments	(54,778,815)	(115,480,319)
Purchases of property	(1,862,852)	(3,776,621)
Proceeds from sales of property	<u>1,655,282</u>	<u>3,309,591</u>
Net cash used by investing activities	<u>(16,807,288)</u>	<u>(12,366,297)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for Ignite Campaign	1,659,825	4,554,446
Proceeds from contributions restricted for endowment	13	7,450
Proceeds from note payable	<u>1,602,500</u>	<u> </u>
Net cash provided by financing activities	<u>3,262,338</u>	<u>4,561,896</u>
NET CHANGE IN CASH	1,272,619	(3,630,709)
Cash, beginning of year	<u>8,257,475</u>	<u>11,888,184</u>
Cash, end of year	<u><u>\$ 9,530,094</u></u>	<u><u>\$ 8,257,475</u></u>

See accompanying notes to financial statements.

Chancery Office of the Archdiocese of Galveston-Houston

Notes to Financial Statements for the years ended June 30, 2025 and 2024

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – The Roman Catholic Archdiocese of Galveston-Houston (the Archdiocese) is an ecclesiastical territory that encompasses ten counties in southeastern Texas in an area covering almost 9,000 square-miles. The Archdiocese serves approximately 1.7 million Catholics with over 200 parishes, missions and schools. The Chancery Office of the Archdiocese (the Chancery Office) includes administrative and program services of the Archdiocese that are fiscally and operationally responsible directly to the Office of the Archbishop of the Archdiocese. The operations of the Chancery Office are organized under Secretariats with Secretariat Directors who, as a cabinet under the Archbishop, oversee the activities of the Chancery Office. The Secretariats include Communications, Finance, Administration, Pastoral and Educational Ministries, Clergy Formation and Chaplaincy Services, Catholic Schools Office, Social Concerns, and Judicial Affairs (Tribunal). Archdiocesan entities organized under these Secretariats include St. Mary's Seminary, five Catholic cemeteries, Catholic university student centers, Camp Kappe, and Circle Lake Retreat Center. Additionally, Ethnic offices are included in this organizational body.

Basis of presentation – These financial statements include only the assets, liabilities, and activities of the Chancery Office. All significant balances and transactions between operating units included in these financial statements have been eliminated. The accompanying financial statements do not include the assets, liabilities, and activities of the individual parishes, schools, and Archdiocesan organizations that operate within the Archdiocese. Each of these related entities, although ultimately responsible to the Archbishop, is an operating entity distinct from the Chancery Office, maintains separate financial records, and administers its own services and programs. Additionally, various religious orders, lay societies, and religious organizations that operate within the Archdiocese, but which are not fiscally responsible to the Archbishop, are not included in the accompanying financial statements.

Federal income tax status – The Archdiocese is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §170(b)(1)(A)(i) under the group exemption of the United States Conference of Catholic Bishops.

Operating measure – The operating activities of the Archdiocese include revenue and expenses related to the operation of the Chancery Office and exclude donor-restricted revenue, investment return, and other transactions not in the normal course of operations. Net assets restricted for operating purposes are reclassified as operating in the period the purpose restriction is accomplished or time restriction ends.

Cash concentration – Bank deposits exceed the federally insured limit per depositor per institution.

Receivables from related entities are uncollateralized amounts due within 30 days for costs paid by the Archdiocese on behalf of parishes, schools, and other Archdiocesan organizations. The carrying amount of receivables is reduced by an allowance for uncollectible balances that reflects management's estimate of the amounts that will not be collected. Balances exceeding 60 days from the invoice date are individually reviewed routinely by management. Based on management's assessment of the related entities' ability to make payments, an estimate is made of the portion, if any, of the balance that will not be collected. Receivables are written off, when, in management's estimation, it is probable that the receivable will not be collected. It is possible that management's estimate regarding the collectability of these balances will change in the near term resulting in a change in the carrying value of receivables.

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in future years are discounted to estimate the present value of future cash flows. Discounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of discounts is included in contribution revenue. An allowance for uncollectible contributions receivable is determined using a combination of historical loss experience and donor-by-donor analysis of balances.

Notes receivable from related entities are carried at unpaid principal balances plus accrued interest, less an allowance for uncollectible notes. Interest on notes receivable is recognized over the term of the note and is calculated using the simple-interest method on principal amounts outstanding. The amount of bad debt expense recognized each period and the resulting adequacy of the allowance at the end of each period are determined by management in its periodic evaluation of the adequacy of the allowance based on the Chancery Office's past loss experience, specific impaired notes, adverse situations that may affect the borrower's ability to repay, and current economic conditions. Past due status is determined based on contractual terms. Notes receivable are considered impaired if full principal or interest payments are not anticipated in accordance with the contractual terms. When management believes, after considering economic conditions, business conditions, and collection efforts that the notes are impaired or collection of interest is doubtful, the note and any interest previously accrued is charged off or an allowance is established by a charge to bad debt expense. Due to the nature of notes receivable with related entities such as parishes, schools and other Archdiocesan organizations, it is possible that management's estimates regarding collectability of these amounts will change in the near term resulting in a change in the carrying value of the notes receivable.

Cemetery inventory is reported at the lower of cost using the average cost method or net realizable value.

Investments are reported at fair value. Net investment return consists of interest and dividends, royalties, realized and unrealized gains and losses, net of external and direct internal investment expenses.

Property is reported at cost, if purchased and at fair value at the date of gift, if donated. The Chancery Office capitalizes major expenditures to acquire property and those which substantially increase the useful lives of assets. Routine maintenance and repairs, as well as equipment and improvements with a future economic life of less than five years, are expensed as incurred. The Chancery Office provides for depreciation of property using the straight-line method based on estimated useful lives of 10 to 40 years for buildings and improvements and 5 to 15 years for furnishings and equipment.

Grants made are recognized as expense at fair value when the Chancery Office approves an unconditional commitment to a grant recipient. Conditional grants are recognized in the same manner when the conditions are substantially met by the recipient. Commitments made but not yet funded are reported as grants payable and are discounted to estimate the present value of future cash flows, if material. At June 30, 2025, all grants payable are expected to be paid within one year.

Funds held for others consist primarily of amounts collected by parishes on behalf of unrelated charitable beneficiaries that have been forwarded to the Chancery Office for disbursement to the specified beneficiary. The Chancery Office acts as an agent in collecting and disbursing these funds and such transactions are not reflected as revenue or expenses in the statement of activities.

Diocesan Savings and Loan (DS&L) deposits held for related entities represent amounts deposited with the Chancery Office by parishes, schools and other Diocesan entities through the Archdiocesan Savings and Loan program. Deposits accrue interest based on published certificate of deposit rates. Interest and deposits are payable upon demand by the depositor. Deposits were accruing interest at 1.70% and 1.85% at June 30, 2025 and 2024, respectively.

Pension and postretirement health benefits – The Chancery Office recognizes the actuarially-determined overfunded or underfunded status of the defined benefit postretirement plans as an asset or liability in the statement of financial position and recognizes changes in that funded status in the year in which the changes occur as changes in *net assets without donor restrictions*. The measurement date for recognizing the funded status of the plans is June 30.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled or both.

- Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service. Donor-restricted endowment earnings are released when those earnings are appropriated in accordance with spending policies and are used for the stipulated purpose.

Insurance premiums and expenses – The Chancery Office administers insurance plans, as described in Note 9. Premiums are assessed monthly based upon management’s estimate of annual claims, deductibles, and premiums for third-party coverage and administrative costs. The Chancery Office recognizes revenue for premiums billed to participating entities in the year for which coverage is provided. The Chancery Office recognizes expenses for actual claims paid plus management’s estimate of additional claims and losses for the self-insured portion of plans, premiums for excess loss and catastrophic coverage, and administrative costs. Claims expense is recognized net of estimated reimbursements from third-party providers. Management’s estimate of additional claims and losses for the self-insured portion of plans is reflected in the statement of financial position as accrued insurance claims. It is possible that management’s estimate of claims and losses could change in the near term and that such changes could affect the amounts reported in the statement of financial position and statement of activities.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as *with donor restrictions*. Conditional contributions are subject to one or more barriers that must be overcome before the Chancery Office is entitled to receive or retain funding. Conditional contributions are recognized as revenue at fair value when the conditions have been met. Funding received before conditions are met is reported as refundable advances.

Archdiocesan assessments – In support of operations of the Chancery Office, the Archdiocese levies assessments on the revenue of its parishes adjusted for certain excludable items and deductions. These assessments are computed from financial information submitted by the parishes using formulas approved by the Archbishop. Revenue from these assessments is recognized in the period in which they are levied.

Donated materials, use of facilities and services – Donated materials and use of facilities are recognized at fair value as unrestricted contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received a) create or enhance nonfinancial assets or, b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A substantial number of volunteers have contributed significant amounts of time in connection with programs, administration and fundraising for which no amount has been recorded in the financial statements because the services did not meet the criteria for recognition under generally accepted accounting principles.

Fees and program revenue are derived primarily from cemetery sales and service fees, seminarian program fees, youth program fees, and workshop and training programs. The nature of these services does not give rise to contract costs, refunds, warranties or other related obligations. Revenue is due when the goods and services are provided and are recognized at that time. At June 30, 2025, 2024 and 2023, amounts receivable from fees and program revenue were \$1,586,578, \$1,415,613, and \$1,365,793, respectively, and are included in other receivables. At June 30, 2025, 2024 and 2023, deferred revenue from fees and program revenue was \$996,882, \$905,127, and \$963,803, respectively.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. The Chancery Office’s property facility management costs and information technology costs are allocated based on the number of employees in each department.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of June 30 comprise the following:

	<u>2025</u>	<u>2024</u>
Financial assets:		
Cash	\$ 9,530,094	\$ 8,257,475
Short-term investments – money market mutual funds	122,336,892	106,650,838
Receivables from related entities, net	2,128,585	1,680,971
Other receivables	1,978,423	1,564,713
Contributions receivable	2,071,947	1,330,110
Notes receivable from related entities	61,886,959	62,161,751
Investments	162,752,992	156,665,743
Contributions receivable restricted for Ignite Campaign, net	<u>876,227</u>	<u>2,440,568</u>
Total financial assets	363,562,119	340,752,169
Less financial assets not available for general expenditure:		
DS&L deposits held for related entities	(226,852,951)	(207,339,372)
Restricted by donors for use in future periods or for future projects	(20,320,976)	(19,005,832)
Designated for Disaster Emergency Fund	(14,348,260)	(13,747,716)
Donor-restricted for Ignite Campaign	(10,672,034)	(16,638,685)
Donor-restricted endowment funds	(5,963,854)	(5,725,400)
Funds held for others	(3,725,043)	(4,012,318)
Designated for Archbishop Fiorenza Priest Retirement Residence		
Endowment Fund	(3,059,239)	(2,948,799)
Note receivable associated with the Chancery Office note payable	<u>(1,602,500)</u>	<u></u>
Total financial assets available for general expenditure	<u>\$ 77,017,262</u>	<u>\$ 71,334,047</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Chancery Office considers all expenditures (excluding capital costs) related to its ongoing programmatic activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

As part of the Chancery Office's liquidity management, financial assets have been structured to be available as its general expenditures, liabilities, and other obligations become due by maintaining a significant portion of its assets in cash and short-term investments. The Chancery Office has designated a portion of its unrestricted resources for endowment and other purposes. These designated funds are invested for long-term appreciation and current income, but remain available to be spent, if necessary.

NOTE 3 – RECEIVABLES FROM RELATED ENTITIES

Receivables from related entities consist of the following:

	<u>2025</u>	<u>2024</u>
Health insurance premiums	\$ 3,049,949	\$ 2,974,946
Retirement pension contributions	1,100,410	1,028,903
Archdiocesan assessments	1,089,495	826,540
Business insurance premiums	786,120	791,652
Other	<u>786,877</u>	<u>215,566</u>
Total receivables from related entities	6,812,851	5,837,607
Allowance for uncollectible receivables	<u>(4,684,266)</u>	<u>(4,156,636)</u>
Receivables from related entities, net	<u>\$ 2,128,585</u>	<u>\$ 1,680,971</u>

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following:

	<u>2025</u>	<u>2024</u>
Corpus Christi Collection to benefit St. Mary's Seminary	\$ 2,066,179	\$ 1,324,200
Ignite Campaign	876,227	6,529,094
Other	5,768	5,910
Allowance for uncollectible contributions receivable		<u>(4,088,526)</u>
Total contributions receivable, net	<u>\$ 2,948,174</u>	<u>\$ 3,770,678</u>

All contributions receivable at June 30, 2025 are expected to be collected within one year.

In 2017, the Chancery Office launched a capital campaign, Ignite: Our Faith, Our Mission, to provide funds for individual parish needs, capital improvements at St. Mary's Seminary, to increase Catholic School Education Endowment Funds and establish the Faith Formation Endowment Fund. The campaign ended in 2021 and pledges are being fulfilled through the end of 2026.

NOTE 5 – NOTES RECEIVABLE FROM RELATED ENTITIES

The Chancery Office provides loans to parishes, schools and other entities within the Archdiocese for capital projects and operating needs. Variable rate notes accrue interest based on published certificate of deposit rates offered nationally, plus a spread. At June 30, 2025, the standard and applicable variable and fixed interest rate ranges were from 3.70% to 4.70%.

Notes receivable from related entities consist of the following:

	<u>2025</u>	<u>2024</u>
Note associated with the Chancery Office note payable	\$ 1,602,500	
Other notes with related entities	<u>60,284,459</u>	<u>\$ 62,161,751</u>
Total notes receivable from related entities	<u>\$ 61,886,959</u>	<u>\$ 62,161,751</u>

NOTE 6 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consist of the following:

	<u>2025</u>	<u>2024</u>
Short-term investments:		
Operating	\$ 112,541,085	\$ 92,452,721
Ignite campaign	9,795,807	14,198,117
Investments	153,729,899	147,991,544
Investments held for endowments	<u>9,023,093</u>	<u>8,674,199</u>
Total investments	<u>\$ 285,089,884</u>	<u>\$ 263,316,581</u>

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Chancery Office's investments are measured at fair value using the following inputs:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.

There were no assets measured at fair value using Level 3 inputs at June 30, 2025 or 2024.

Assets measured at fair value at June 30 are as follows:

	<u>2025</u>	<u>2024</u>
Level 1 Investments:		
U. S. Treasury securities	\$ 16,610,243	\$ 13,177,854
Money market mutual funds	2,337	4,462
Short-term investments:		
Money market mutual funds	<u>122,336,892</u>	<u>106,650,838</u>
Total assets measured at fair value using Level 1 inputs	<u>138,949,472</u>	<u>119,833,154</u>
Level 2 Investments:		
Corporate bonds and notes	98,893,981	81,564,978
Invested with Catholic Endowment Foundation (a)	33,764,253	31,574,070
Asset-backed securities	11,199,405	28,281,981
Other	<u>2,282,773</u>	<u>2,062,398</u>
Total assets measured at fair value using Level 2 inputs	<u>146,140,412</u>	<u>143,483,427</u>
Total investments and assets measured at fair value	<u>\$ 285,089,884</u>	<u>\$ 263,316,581</u>

- (a) The Chancery Office invests with the Catholic Endowment Foundation (the Foundation), a related entity, in an investment pool that uses the market value unit method of accounting for investment transactions. The fair value of the Chancery Office's investment in the Foundation reflects the Chancery Office's share of the fair value of the total underlying investment portfolio managed by the Foundation. The Chancery Office's share of changes in the value of the pooled portfolio is included in net realized and unrealized gain (loss). Redemptions may be made with a redemption notice of five business days.

Valuation methods used for assets measured at fair value are as follows:

- *U. S. Treasury securities* are valued using prices obtained from active market maker and inter-dealer brokers on a daily basis.
- *Mutual funds* are valued at the reported net asset value.
- *Corporate bonds and notes* and *asset-backed securities* are valued using prices obtained from independent quotation bureaus that use computerized valuation formulas which may include market-corroborated inputs for credit risk factors, interest rate and yield curves and broker quotes, to calculate fair values.
- *Invested with Catholic Endowment Foundation* is valued at the reported net asset value determined by the Foundation's management based on the fair value of the underlying investment pools.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Chancery Office believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Investments are exposed to various risks such as interest rate, market and credit risks. In addition to risks associated with other investments, alternative investments in securities other than stocks and bonds include additional risks because of their complex nature and limited regulations resulting in a greater risk of losing invested capital. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

NOTE 7 – CHANCERY OFFICE PROPERTY

Chancery Office property is comprised of the following:

	<u>2025</u>	<u>2024</u>
Land	\$ 7,681,239	\$ 7,686,639
Buildings and improvements	59,901,981	59,403,139
Furnishings and equipment	24,998,579	22,467,842
Construction and projects in progress	<u>858,456</u>	<u>2,025,183</u>
Total Chancery Office property, at cost	93,440,255	91,582,803
Accumulated depreciation	<u>(44,161,972)</u>	<u>(41,790,971)</u>
Chancery Office property, net	<u>\$ 49,278,283</u>	<u>\$ 49,791,832</u>

NOTE 8 – OTHER PROPERTY

Other property is comprised of the following:

	<u>2025</u>	<u>2024</u>
Land and buildings used by related entities and others	\$ 2,743,258	\$ 2,963,422
Land held for anticipated future parish or school use	<u>1,518,143</u>	<u>1,518,143</u>
Other property, at cost	<u>\$ 4,261,401</u>	<u>\$ 4,481,565</u>

Other property includes properties owned by the Archbishop that are used by related entities and others. It does not include properties held by the Archbishop for the benefit of parishes, schools and other related entities, which are not included in the financial statements of the Chancery Office. Other property also includes land purchased in anticipation of future needs of the Archdiocese that may be used for additional parishes and schools. Such property may be developed as a new parish or school or may be sold as needs change. Generally, six months after construction of a new parish or school, the historical cost of the land is transferred to the new entity.

NOTE 9 – HEALTH AND BUSINESS INSURANCE

The Chancery Office provides workers' compensation, auto, property and liability insurance coverage for Chancery Office operations, as well as for parishes, schools and other related entities. Coverage is provided through a combination of self-funded deductibles, policies obtained in the reinsurance market and participation in the Catholic Umbrella Pool (the Pool). The Pool is a nonprofit corporation formed to provide self-insurance funds for Dioceses and Archdioceses of the Roman Catholic Church in North America. The Pool provides excess liability coverage for participating Dioceses and Archdioceses. The Chancery Office's equity interest in the Pool is included in investments. At June 30, 2025 and 2024, approximately \$500,000 and \$540,000, respectively, in claims have been provided for as accrued insurance claims. As a participant in the Pool, the Chancery Office may, in certain circumstances, be required to participate in losses in excess of its equity. Management is not aware and has not been notified of any such losses that would result in a financial impact on the Chancery Office.

The Chancery Office also provides medical, dental, disability and life insurance plans for eligible employees of the Chancery Office, as well as for employees of parishes, schools and other related entities. The plans are primarily self-insured with additional third-party coverage provided by aggregate and specific stop-loss policies. Premiums for employee coverage are paid by the Chancery Office and participating employers. At June 30, 2025 and 2024, approximately \$1,900,000 and \$2,000,000, respectively, in claims under these plans are reported as accrued insurance claims.

NOTE 10 – NOTE PAYABLE

In February 2023, the Chancery Office entered into a \$5,000,000 promissory note with a bank for Annunciation Parish construction. The note is unsecured and bears interest at 5.15%, which is due monthly. Outstanding principal is due at maturity in February 2026. The Chancery Office is primarily liable on the note, which is secured by a note receivable from Annunciation Parish with identical interest rate and payment terms. At June 30, 2025, the outstanding loan balance was \$1,602,500.

Interest expense paid on note payable was approximately \$37,000 in 2025.

NOTE 11 – PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

The Archdiocese sponsors a noncontributory, defined benefit pension plan for employees of the Chancery Office, as well as employees of parishes, schools and other related entities. Until October 2022, the pension plan covered Archdiocesan priests and lay employees who work a minimum of 20 hours per week for at least five consecutive months. Beginning in October 2022, the Archdiocese separated the defined benefit pension into two plans, one for priests and one for lay employees. The lay plan provides pension benefits that are based on an employee's average monthly compensation and length of credited service. The priest plan provides a fixed pension benefit. Assets of the pension plans are held in separate lay and priest trust funds, both managed by the same independent third party. Each individuals' plan accounts for the assets and corresponding liabilities related to the defined benefits. The Archdiocese also sponsors a noncontributory health benefit plan that provides healthcare benefits for Archdiocesan priests upon retirement, including those Archdiocesan priests not employed directly by the Chancery Office.

Obligations and funded status

	PENSION BENEFITS – LAY		PENSION BENEFITS – PRIEST		HEALTH BENEFITS	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Fair value of plan assets	\$ 201,822,085	\$ 190,518,803	\$ 23,848,616	\$ 21,875,344		
Benefit obligation	<u>(251,953,855)</u>	<u>(248,995,225)</u>	<u>(20,054,897)</u>	<u>(20,975,582)</u>	<u>\$(25,426,359)</u>	<u>\$(25,373,015)</u>
Funded status of the plans	<u>\$ (50,131,770)</u>	<u>\$ (58,476,422)</u>	<u>\$ 3,793,719</u>	<u>\$ 899,762</u>	<u>\$(25,426,359)</u>	<u>\$(25,373,015)</u>
Liability from net periodic benefit cost	\$ (47,649,368)	\$ (52,922,012)	\$ 5,938,783	\$ 4,319,968	\$(12,570,166)	\$(12,955,785)
Accumulated other benefit-related changes:						
Prior service (cost) credit	4,255,650	5,537,274	(1,762,333)	(1,884,717)		
Net loss	<u>(6,738,052)</u>	<u>(11,091,684)</u>	<u>(382,731)</u>	<u>(1,535,489)</u>	<u>(12,856,193)</u>	<u>(12,417,230)</u>
Accrued benefits (liability) asset	<u>\$ (50,131,770)</u>	<u>\$ (58,476,422)</u>	<u>\$ 3,793,719</u>	<u>\$ 899,762</u>	<u>\$(25,426,359)</u>	<u>\$(25,373,015)</u>
Accumulated benefit obligation	<u>\$(243,898,443)</u>	<u>\$(241,727,874)</u>	<u>\$(20,975,582)</u>	<u>\$(20,054,897)</u>	<u>\$(25,426,359)</u>	<u>\$(25,373,015)</u>

Net periodic benefit cost and other benefit-related changes

	PENSION BENEFITS – LAY		PENSION BENEFITS – PRIEST		HEALTH BENEFITS	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Net period benefit cost*	<u>\$ 5,646,820</u>	<u>\$ 5,719,475</u>	<u>\$ 214,123</u>	<u>\$ 374,927</u>	<u>\$ 1,076,595</u>	<u>\$ 1,046,223</u>
Other benefit-related charges:						
Net (gain) loss arising during year	(4,353,632)	(5,830,273)	(1,152,758)	(543,402)	(1,294,541)	3,867,391
Amortization of net gain (loss)				(148,920)	855,578	775,584
prior service credit	1,281,624	1,281,624	(122,384)			
New prior service cost				1,884,717		
Other benefit-related changes	<u>(3,072,008)</u>	<u>(4,548,649)</u>	<u>(1,275,142)</u>	<u>1,192,395</u>	<u>(438,963)</u>	<u>4,642,975</u>
Total benefit cost	2,574,812	1,170,826	(1,061,019)	1,567,322	637,632	5,689,198
Net periodic cost funded by related entities	<u>(9,403,422)</u>	<u>(9,852,937)</u>	<u>(1,832,938)</u>	<u>(767,046)</u>		
Benefit cost recognized by Chancery Office	<u>\$ (6,828,610)</u>	<u>\$ (8,682,111)</u>	<u>\$ (2,893,957)</u>	<u>\$ 800,276</u>	<u>\$ 637,632</u>	<u>\$ 5,689,198</u>

* Includes service cost of \$7,358,213 at June 30, 2025 and \$7,448,409 at June 30, 2024.

In 2025 and 2024, mortality assumptions used the mortality rates from the PRI-2012 mortality table projected with the MP-2021 projection scale for males and females. The actuarial inflation rate assumptions were 2.29% in 2025 and 2.29% in 2024. The normal retirement age assumption for 2025 and 2024 is ranging from age 65 to 67 based on birth year for lay employees and from age 75 based on birth year for priests. Higher than expected return on plan assets and the change in the discount rate used decreased the projected benefit obligation at June 30, 2025 by approximately \$11 million.

The amount expected to be amortized from accumulated other benefit-related changes into net periodic benefit cost for pension benefits in 2026 is approximately \$2.3 million of net gain.

Assumptions

	PENSION BENEFITS		HEALTH BENEFITS	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Weighted-average actuarial assumptions used to determine benefit obligations at end of year:				
Discount rate	5.50%	5.25%	5.50%	5.25%
Rate of compensation increase	3.00%	3.00%		
Weighted-average actuarial assumptions used to determine net periodic cost for year:				
Discount rate	5.25%	5.00%	5.25%	5.00%
Expected return on plan assets	6.50%	6.50%		
Rate of compensation increase	3.00%	3.00%		

Plan assets

The primary objective in the management of the pension plan assets is to meet the plan's liabilities of paying pension benefit obligations to its participants. The secondary objective is to minimize and control the difference between the plan's assets and liabilities, evaluated on an on-going basis, through the asset allocation guidelines, as well as by setting the target duration of assets in line with the plan's liabilities. Over a rolling five-year basis, the plan's objective is to match or exceed its actuarial long-term rate of return while maintaining the liquidity needed to meet benefit payment requirements. The expected long-term rate of return on assets is established taking into account the intended asset mix and historical rates of return on comparable assets.

As of June 30, 2025, the assets of the pension plans are invested in accordance with the following allocation guidelines:

	<u>MINIMUM</u>	<u>MAXIMUM</u>	<u>TARGET</u>
Fixed-income investments	15%	45%	30%
Equity investments	27%	67%	47%
Real assets	7.5%	18.5%	13%
Alternative investments	5%	15%	10%
Cash and cash equivalents	0%	0%	0%

As of June 30, the pension plans' actual asset allocation by type of asset is as follows:

	<u>2025</u>	<u>2024</u>
Fixed-income investments	48%	27%
Equity investments	35%	41%
Real assets	9%	10%
Alternative investments	7%	8%
Cash and cash equivalents	1%	1%
Return-Seeking Credit	<u>0%</u>	<u>13%</u>
Total plan assets	<u>100%</u>	<u>100%</u>

Plan assets measured at fair value were measured according to the levels of the fair value hierarchy as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.

There were no assets measured at fair value using Level 3 inputs at June 30, 2025 or 2024.

	<u>2025</u>	<u>2024</u>
Level 1 Investments:		
Equity securities:		
Large-cap securities	\$ 70,223,298	\$ 81,380,264
Pooled international and emerging markets funds	8,399,132	7,761,277
International and emerging mutual fund	1,003,837	831,846
Real assets:		
Global listed infrastructure mutual fund	8,795,583	9,131,620
Money market mutual funds	2,943,236	5,792,231
U. S. Treasury securities	<u>117,490</u>	<u>11,947,097</u>
Total plan assets measured at fair value using Level 1 inputs	<u>91,482,576</u>	<u>116,844,335</u>
Level 2 Investments:		
Corporate bonds and notes	49,198,548	45,926,151
U. S. Government agency securities	43,319,782	3,212,926
Pooled fixed-income funds	<u>15,581,789</u>	<u>19,742,518</u>
Total plan assets measured at fair value using Level 2 inputs	<u>108,100,119</u>	<u>68,881,595</u>
Plan assets measured at net asset value using the practical expedient that are not required to be categorized by level:		
Strategies fund	15,575,935	16,328,559
Real estate investment trust	<u>10,512,071</u>	<u>10,339,658</u>
Total fair value of plan assets	<u>\$ 225,670,701</u>	<u>\$ 212,394,147</u>

Valuation methods used for pension plan assets measured at fair value are as follows:

- *Equity securities* are valued at the closing price reported on the active market on which the individual securities are traded.
- *Pooled international and emerging markets funds* and *pooled fixed-income funds* are valued at net asset values as reported by the fund management.
- *Mutual funds* are valued at reported net asset value.
- *U. S. Treasury securities* are valued using prices obtained from active market maker and inter-dealer brokers on a daily basis.
- *Corporate bonds and notes* and *U. S. Government agency securities* are valued using prices obtained from independent quotation bureaus that use computerized valuation formulas which may include market-corroborated inputs for credit risk factors, interest rate and yield curves and broker quotes, to calculate fair values.
- *Real estate investment trust* and *strategies fund* are valued at their net asset values as provided by the general partner or directors of each fund computed from the estimated fair value of the underlying securities.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Chancery Office believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Investments are exposed to various risks such as interest rate, market and credit risks. In addition to risks associated with other investments, alternative investments in securities other than stocks and bonds include additional risks because of their complex nature and limited regulations resulting in a greater risk of losing invested capital. Such risks include, but are not limited to, limited liquidity, absence of oversight, dependence upon key individuals, emphasis on speculative investments (both derivatives and nonmarketable investments), and nondisclosure of portfolio composition. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

Cash flows

The pension plans are funded by contributions from the Chancery Office and other Archdiocesan employers at the rate of 7.5% of each eligible lay employee's gross salary and \$9,500 annually for each Archdiocesan priest. The Chancery Office and related employers expect to contribute approximately \$11 million to the pension plans during 2026. The health benefit plan is funded directly by the Chancery Office from insurance operations and various Archdiocesan revenues and reserves. The Chancery Office expects to fund post-employment health benefit costs of approximately \$770,000 during 2026.

Employer contributions paid to the pension and health benefits plans are as follows:

	<u>2025</u>	<u>2024</u>
Chancery Office	\$ 2,100,330	\$ 1,996,031
Related employers	<u>11,236,360</u>	<u>10,619,983</u>
Total employer contributions	<u>\$ 13,336,690</u>	<u>\$ 12,616,014</u>

Pension benefits paid by the lay pension plan were approximately \$12.6 million during 2025 and \$12.3 million during 2024. Pension benefits paid by the priest pension plan were approximately \$1.1 million during 2025 and \$1.0 million during 2024. The Chancery Office funded post-employment health benefit costs of approximately \$584,000 during 2025 and \$542,000 during 2024.

Estimated future pension and health benefit payments for the next ten years as of June 30, 2025 are as follows:

	<u>PENSION BENEFITS</u>	<u>HEALTH BENEFITS</u>
2026	\$17,084,954	\$773,543
2027	\$17,393,725	\$868,023
2028	\$17,877,782	\$985,955
2029	\$18,195,174	\$1,074,328
2030	\$18,528,205	\$1,151,294
2031 through 2035	\$98,530,251	\$6,885,149

NOTE 12 – COMMITMENTS AND CONTINGENCIES

The Chancery Office maintained a letter of credit through June 30, 2025 from Prosperity Bank for Church Mutual. This letter of credit effectively released in favor of its legacy workers' compensation insurance carrier for self-insured residual claims that may be drawn in the event the Chancery Office fails to fund them.

The Archbishop of the Archdiocese acts as guarantor on numerous notes between financial institutions and parishes, schools and other related entities that are being repaid by the respective entities totaling approximately \$11.7 million at June 30, 2025 and \$13.7 million at June 30, 2024. The outstanding balances of these notes are not reflected in these financial statements.

The Archdiocese, as well as the related entities, participate in an insurance pool for general liability coverage to cover losses that may result from asserted claims, as well as claims from unknown incidents that may be asserted in the future. The Archdiocese and the related entities are involved in various legal proceedings, disputes, and litigation that include both insured losses and potential uninsured losses. Management has estimated claim losses which are reported as accrued liabilities; however, there are asserted and unasserted claims for which it is not possible to estimate losses or a range of potential losses. It is possible that management's estimates regarding these potential losses will change in the near term resulting in a change in the value of the accrued liabilities.

NOTE 13 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are comprised of the following:

	<u>2025</u>	<u>2024</u>
Undesignated	\$ 117,871,280	\$ 113,325,478
Designated for Disaster Emergency Fund	14,348,260	13,747,716
Designated for Archbishop Fiorenza Priest Retirement Residence Endowment Fund	3,059,239	2,948,799
Pension and postretirement health benefits	<u>(71,764,410)</u>	<u>(82,949,675)</u>
Total net assets without donor restrictions	<u>\$ 63,514,369</u>	<u>\$ 47,072,318</u>

The Chancery Office does not have a specific policy in regard to establishing other reserves. However, the Chancery Office designates excess cash flows for reserves or specific projects, as deemed prudent. The use of designated reserves must be approved by the Archbishop.

NOTE 14 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2025</u>	<u>2024</u>
Subject to expenditure for specified purpose:		
Ignite Campaign	\$ 10,672,034	\$ 16,383,426
Charitable grants primarily for the needs of the poor	8,540,941	8,316,837
Inner-City Catholic Schools/C.R.O.S.S. Academies	3,513,176	3,305,477
St. Mary's Seminary	1,963,876	3,043,085
Special program services	1,296,846	1,075,199
Disaster Emergency Fund	1,019,334	
Scholarships	952,840	489,623
Restricted-purpose land and buildings	839,609	855,014
Galveston area missions	722,821	679,829
Future parish sites	407,207	407,207
Ethnic Ministries	288,847	246,012
Other	<u>775,930</u>	<u>587,999</u>
Total subject to expenditure for specified purpose	<u>30,993,461</u>	<u>35,389,708</u>
Endowments:		
Subject to spending policy and appropriation:		
Circle Lake Retreat Center Endowment Fund	4,561,540	4,440,955
Hispanic Ministry Endowment Fund	1,044,902	969,118
Archbishop Fiorenza Priest Retirement Residence Endowment Fund	<u>357,412</u>	<u>315,327</u>
Total endowments	<u>5,963,854</u>	<u>5,725,400</u>
Total net assets with donor restrictions	<u>\$ 36,957,315</u>	<u>\$ 41,115,108</u>

NOTE 15 – ENDOWMENT FUNDS

The Chancery Office holds both donor-restricted and internally-designated endowment funds. Donor-restricted endowment funds are maintained in accordance with explicit donor stipulations and are subject to the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA). In the absence of explicit donor stipulations, TUPMIFA provides guidelines about what constitutes prudent spending and explicitly requires consideration of preservation of the fund. The Chancery Office has interpreted TUPMIFA as requiring a focus on the entirety of donor-restricted endowment funds, excluding original gift amounts and net appreciation, allowing the Chancery Office to appropriate for expenditure or accumulate as much of an endowment fund as considered prudent for uses, benefits, purposes, and duration for which the fund was established, subject to explicit donor stipulations.

As a result of this interpretation, the Chancery Office classifies contributions specified as a perpetual endowment plus any donor-stipulated accumulations as *net assets with donor restrictions* required to be maintained in perpetuity. This amount is not reduced by investment losses or by appropriation and spending. Contributions not specified as a perpetual endowment and undistributed net investment return also are classified as *net assets with donor restrictions* until appropriated in accordance with spending policies and used for the stipulated purpose, if any.

An endowment fund is *underwater* if the fair value of the fund's investments fall below the amount required to be maintained in perpetuity because of declines in the fair value of investments and/or continued appropriation and spending in accordance with prudent spending. There were no such deficiencies at June 30, 2025 and 2024.

Investment Policies

The endowment funds are invested with the Foundation (see Note 6). The Foundation has adopted investment policies for endowment investments. The goal of the policies is to preserve and enhance the real value of the principal and to provide the Foundation with a dependable source of revenue to support certain programs and institutions of the Chancery Office. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment return is achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that ordinarily places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy

Appropriations are made annually to support various programs and institutions within the Chancery Office in accordance with explicit donor restrictions. The Foundation's policy, absent explicit donor restrictions, is to appropriate 3% to 5% of the trailing three-year average calendar year-end market value of a donor-restricted endowment fund. The Foundation may appropriate unrestricted endowment funds, as deemed necessary.

Changes in endowment net assets are as follows:

	INTERNALLY- DESIGNATED ENDOWMENT	WITH DONOR RESTRICTIONS		TOTAL
		NOT REQUIRED TO BE MAINTAINED IN PERPETUITY	REQUIRED TO BE MAINTAINED IN PERPETUITY	
Endowment net assets, June 30, 2023	\$ 2,770,765	\$ 926,450	\$ 4,420,410	\$ 8,117,625
Net investment return	296,047	126,847	445,466	868,360
Contributions			7,450	7,450
Distributions	(118,013)		(201,223)	(319,236)
Endowment net assets, June 30, 2024	2,948,799	1,053,297	4,672,103	8,674,199
Net investment return	228,586	117,868	335,358	681,812
Contributions			13	13
Distributions	(118,146)		(214,785)	(332,931)
Endowment net assets, June 30, 2025	<u>\$ 3,059,239</u>	<u>\$ 1,171,165</u>	<u>\$ 4,792,689</u>	<u>\$ 9,023,093</u>

Endowment net asset composition as of June 30, 2025:

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Donor-restricted endowment funds:			
Original donor-restricted gift and amounts required to be maintained in perpetuity		\$ 4,792,689	\$ 4,792,689
Accumulated net investment return and gifts		1,171,165	1,171,165
Internally-designated endowment funds	<u>\$ 3,059,239</u>	<u> </u>	<u>3,059,239</u>
Endowment net assets	<u>\$ 3,059,239</u>	<u>\$ 5,963,854</u>	<u>\$ 9,023,093</u>

Endowment net asset composition as of June 30, 2024:

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Donor-restricted endowment funds:			
Original donor-restricted gift and amounts required to be maintained in perpetuity		\$ 4,672,103	\$ 4,672,103
Accumulated net investment return and gifts		1,053,297	1,053,297
Internally-designated endowment funds	<u>\$ 2,948,799</u>	<u> </u>	<u>2,948,799</u>
Endowment net assets	<u>\$ 2,948,799</u>	<u>\$ 5,725,400</u>	<u>\$ 8,674,199</u>

NOTE 16 – NET ASSET RELEASES

Net asset releases consist of the following:

	<u>2025</u>	<u>2024</u>
Operating expenditures:		
St. Mary's Seminary and Seminarian Support	\$ 2,448,652	\$ 3,415,797
Ignite Campaign	1,645,158	2,130,473
Seminarian	1,561,312	
Inner-City Catholic Schools/C.R.O.S.S. Academies	1,274,759	1,251,392
Scholarships	334,639	1,280,724
Other	<u>1,222,804</u>	<u>3,142,217</u>
Total operating expenditures	<u>8,487,324</u>	<u>11,220,603</u>
Capital expenditures:		
St. Mary's Seminary	1,449,786	31,930
Ignite Campaign	128,765	
Other	<u> </u>	<u>4,100</u>
Total capital expenditures	<u>1,578,551</u>	<u>36,030</u>
Total net asset releases	<u>\$ 10,065,875</u>	<u>\$ 11,256,633</u>

NOTE 17 – CONTRIBUTIONS

Non-operating contributions consist of the following:

	<u>2025</u>	<u>2024</u>
St. Mary's Seminary	\$ 2,819,229	\$ 3,845,221
Contributions from others	2,108,099	2,565,164
Seminarian	1,556,577	
Inner-City Catholic Schools/C.R.O.S.S. Academies	1,213,214	1,543,482
Scholarships	1,067,100	1,126,387
Contributions from related entities:		
Ignite Campaign gifts from parishes and schools	<u>95,484</u>	<u>248,654</u>
Total non-operating contributions	<u>\$ 8,859,703</u>	<u>\$ 9,328,908</u>

NOTE 18 – GRANTS AND TRANSFERS

Operating and non-operating grants and transfers made to related and unrelated entities during the year ended June 30, 2025 consist of the following:

	RELATED ENTITIES	UNRELATED ENTITIES	TOTAL
Operating grants:			
Schools	\$ 5,687,023		\$ 5,687,023
Parishes	818,403		818,403
Other	<u>6,156,569</u>	<u>\$ 1,026,660</u>	<u>7,183,229</u>
Total operating grants	<u>\$ 12,661,995</u>	<u>\$ 1,026,660</u>	<u>\$ 13,688,655</u>
Non-operating grants and transfers:			
Catholic Endowment Foundation – endowments	<u>\$ 4,032,952</u>		<u>\$ 4,032,952</u>
Total non-operating grants and transfers	<u>\$ 4,032,952</u>	<u>\$ 0</u>	<u>\$ 4,032,952</u>

Operating and non-operating grants and transfers made to related and unrelated entities during the year ended June 30, 2024 consist of the following:

	RELATED ENTITIES	UNRELATED ENTITIES	TOTAL
Operating grants:			
Schools	\$ 5,766,731		\$ 5,766,731
Parishes	1,742,828		1,742,828
Other	<u>3,081,426</u>	<u>\$ 681,737</u>	<u>3,763,163</u>
Total operating grants	<u>\$ 10,590,985</u>	<u>\$ 681,737</u>	<u>\$ 11,272,722</u>
Non-operating grants and transfers:			
Assets transferred to St. Gregory the Great Catholic Church	<u>\$ 2,324,675</u>		<u>\$ 2,324,675</u>
Total non-operating grants and transfers	<u>\$ 2,324,675</u>	<u>\$ 0</u>	<u>\$ 2,324,675</u>

NOTE 19 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 17, 2025, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.