

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

**Central Services of the Roman Catholic
Archbishop of Baltimore**

(A corporation sole of the State of Maryland, and other combined
entities)

June 30, 2023 and 2022

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Your Excellency William E. Lori
Archbishop of Baltimore
Central Services of the Roman Catholic Archbishop of Baltimore,
A corporation sole of the State of Maryland, and other combined entities

Opinion

We have audited the combined financial statements of Central Services of the Roman Catholic Archbishop of Baltimore, a corporation sole of the State of Maryland, and other combined entities (the "Combined Entities"), which comprise the combined statements of financial position as of June 30, 2023 and 2022, and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of the Combined Entities as of June 30, 2023 and 2022, and the changes in their net assets and their 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 of the combined financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Combined Entities 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.

Substantial doubt about the Combined Entities' ability to continue as a going concern

The accompanying combined financial statements have been prepared assuming that the Combined Entities will continue as a going concern. As discussed in Note 2 to the financial statements, on September 29, 2023, the Combined Entities filed a voluntary petition for relief under the provisions of chapter 11 of the United States Bankruptcy Code and has stated that substantial doubt exists about the Combined Entities' ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 2. The combined financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Combined Entities' ability to continue as a going concern for one year after the date 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 combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined 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 Combined Entities' 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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Combined Entities' ability to continue as a going concern for a reasonable period of time.

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

Other matters*Supplementary information*

The accompanying schedules, on pages 41 to 53, included as supplementary information as of and for the years ended June 30, 2023 and 2022 are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures. These additional procedures included comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.



Arlington, Virginia
December 21, 2023

Central Services of the Roman Catholic Archbishop of Baltimore
(A corporation sole of the State of Maryland, and other combined entities)

COMBINED STATEMENTS OF FINANCIAL POSITION

June 30,

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 31,043,452	\$ 36,711,843
Investments:		
Investments without donor restrictions	21,972,385	20,774,760
Board-designated investments	96,484,504	91,562,684
Investments held in perpetuity and split-interest agreements	17,455,293	16,773,619
Total investments	135,912,182	129,111,063
Agency investments held for others	3,267,688	3,083,977
Prepays and other assets	5,032,668	3,457,448
Loans and accounts receivable from Archdiocesan parishes and schools, net of allowance of \$41,420,280 and \$38,614,438 in 2023 and 2022, respectively	24,775,670	24,961,327
Contributions receivable, net of allowance and discounts of \$282,393 and \$772,886 in 2023 and 2022, respectively	2,106,785	3,214,908
Property and equipment, net	47,391,970	48,475,841
Total assets	\$ 249,530,415	\$ 249,016,407
LIABILITIES AND NET ASSETS		
Liabilities		
Demand notes payable	\$ 24,010,000	\$ 27,497,866
Agency funds held for others and liabilities to related entities	3,731,085	4,217,180
Accounts payable, accrued expenses and interest rate swap agreements	13,238,733	15,245,494
Grants payable	7,803,447	4,781,296
Claims reserve for insurance liabilities	16,233,486	16,454,412
Pension and post-retirement benefit obligations, net	21,166,245	25,815,836
Tax-exempt and long-term notes payable	25,985,256	26,834,324
Total liabilities	112,168,252	120,846,408
Net assets		
Without donor restrictions	117,965,273	108,335,570
With donor restrictions	19,396,890	19,834,429
Total net assets	137,362,163	128,169,999
Total liabilities and net assets	\$ 249,530,415	\$ 249,016,407

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

Central Services of the Roman Catholic Archbishop of Baltimore
(A corporation sole of the State of Maryland, and other combined entities)

COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support			
Operating income			
Cathedraticum	\$ 15,050,000	\$ -	\$ 15,050,000
Program service fees	5,143,095	-	5,143,095
Annual appeal gifts and pledges, net	7,589,082	-	7,589,082
Partners in Excellence gifts and pledges, net	1,334,161	266,545	1,600,706
Embracing Our Mission (EOM) gifts and pledges, net	44,379	2,814	47,193
Gifts, trust, and endowment income	1,623,963	-	1,623,963
Contributions and bequests	358,461	3,368,200	3,726,661
Other income	3,489,366	-	3,489,366
Net assets released from restrictions	4,756,771	(4,756,771)	-
	<hr/>	<hr/>	<hr/>
Total operating revenues	39,389,278	(1,119,212)	38,270,066
Investment earnings, net	1,983,319	-	1,983,319
Other operations, net			
Insurance operations	2,045,624	-	2,045,624
Child Nutrition Program	(149,705)	-	(149,705)
	<hr/>	<hr/>	<hr/>
Total other operations, net	1,895,919	-	1,895,919
Total operating income (loss)	<hr/>	<hr/>	<hr/>
	43,268,516	(1,119,212)	42,149,304
Expenses			
Central management and administration	16,521,083	-	16,521,083
Fundraising and development	5,004,554	-	5,004,554
Evangelization and pastoral services	9,924,285	-	9,924,285
Department of Catholic Schools	6,386,307	-	6,386,307
Priest care and retired clergy	1,848,058	-	1,848,058
Clergy services and programs	3,890,671	-	3,890,671
	<hr/>	<hr/>	<hr/>
Total operating expenses	43,574,958	-	43,574,958
Change in operating net assets	(306,442)	(1,119,212)	(1,425,654)
Non-operating income			
Non-operating investment income			
Gain from interest rate swap agreements	1,321,761	-	1,321,761
Net realized and unrealized gain on investments	1,884,594	681,673	2,566,267
Net realized and unrealized gain on insurance operations	2,680,356	-	2,680,356
	<hr/>	<hr/>	<hr/>
Total non-operating income	5,886,711	681,673	6,568,384
Gain from retirement plan obligation	4,649,591	-	4,649,591
Central management and administration - Catholic Community Land School, Inc.	(600,157)	-	(600,157)
	<hr/>	<hr/>	<hr/>
Total non-operating income	9,936,145	681,673	10,617,818
Change in non-operating net assets	9,936,145	681,673	10,617,818
	<hr/>	<hr/>	<hr/>
CHANGES IN NET ASSETS	9,629,703	(437,539)	9,192,164
Net assets, beginning of year	108,335,570	19,834,429	128,169,999
	<hr/>	<hr/>	<hr/>
Net assets, end of year	<u>\$ 117,965,273</u>	<u>\$ 19,396,890</u>	<u>\$ 137,362,163</u>

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

Central Services of the Roman Catholic Archbishop of Baltimore
(A corporation sole of the State of Maryland, and other combined entities)

COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support			
Operating income			
Cathedraticum	\$ 14,654,727	\$ -	\$ 14,654,727
Program service fees	5,255,772	-	5,255,772
Annual appeal gifts and pledges, net	8,605,931	-	8,605,931
Partners in Excellence gifts and pledges, net	1,355,321	208,132	1,563,453
Embracing Our Mission gifts and pledges, net	67,680	5,510	73,190
Gifts, trust, and endowment income	2,324,484	-	2,324,484
Contributions and bequests	1,694,193	2,051,018	3,745,211
Other income	1,358,045	-	1,358,045
Net assets released from restrictions	<u>2,832,792</u>	<u>(2,832,792)</u>	<u>-</u>
Total operating revenues	38,148,945	(568,132)	37,580,813
Investment earnings, net	1,241,722	-	1,241,722
Other operations, net			
Insurance operations	4,771,736	-	4,771,736
Child Nutrition Program	<u>140,352</u>	<u>-</u>	<u>140,352</u>
Total other operations, net	<u>4,912,088</u>	<u>-</u>	<u>4,912,088</u>
Total operating income (loss)	<u>44,302,755</u>	<u>(568,132)</u>	<u>43,734,623</u>
Expenses			
Central management and administration	15,394,522	-	15,394,522
Fundraising and development	3,539,832	-	3,539,832
Evangelization and pastoral services	8,113,991	-	8,113,991
Department of Catholic Schools	8,516,359	-	8,516,359
Priest care and retired clergy	1,663,327	-	1,663,327
Clergy services and programs	<u>2,902,824</u>	<u>-</u>	<u>2,902,824</u>
Total operating expenses	<u>40,130,855</u>	<u>-</u>	<u>40,130,855</u>
Change in operating net assets	4,171,900	(568,132)	3,603,768
Non-operating income			
Non-operating investment income			
Gain from Sale of Seton Keough Property	8,863,922	-	8,863,922
Contribution - Franklin Street Parking Garage	1,265,500	-	1,265,500
Gain from interest rate swap agreements	3,099,153	-	3,099,153
Net realized and unrealized loss on investments	(6,132,864)	(4,097,391)	(10,230,255)
Net realized and unrealized loss on insurance operations	<u>(9,656,633)</u>	<u>-</u>	<u>(9,656,633)</u>
	(2,560,922)	(4,097,391)	(6,658,313)
Gain from retirement plan obligation	9,816,370	-	9,816,370
Central management and administration - Catholic Community Land School, Inc.	<u>(385,183)</u>	<u>-</u>	<u>(385,183)</u>
Total non-operating income	<u>6,870,265</u>	<u>(4,097,391)</u>	<u>2,772,874</u>
Change in non-operating net assets	<u>6,870,265</u>	<u>(4,097,391)</u>	<u>2,772,874</u>
CHANGES IN NET ASSETS	11,042,165	(4,665,523)	6,376,642
Net assets, beginning of year	<u>97,293,405</u>	<u>24,499,952</u>	<u>121,793,357</u>
Net assets, end of year	<u>\$ 108,335,570</u>	<u>\$ 19,834,429</u>	<u>\$ 128,169,999</u>

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

**Central Services of the Roman Catholic Archbishop of Baltimore
(A corporation sole of the State of Maryland, and other combined entities)**

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2023

	Central Management and Administration	Fund Raising and Development	Evangelization and Pastoral Services	Department of Catholic Schools	Priest Care and Retired Clergy	Clergy Services and Programs	2023 Total Expenses
Travel	\$ 4,464	\$ -	\$ 21,617	\$ -	\$ -	\$ 24,201	\$ 50,282
Supplies	946,633	64,416	185,754	-	-	198,032	1,394,835
Seminarians	-	-	-	-	-	2,982,973	2,982,973
Salaries and benefits	8,130,731	1,845,730	3,488,172	1,553,138	1,771,391	474,662	17,263,824
Occupancy	908,600	172,597	376,581	110,916	13,116	54,918	1,636,728
Office equipment	492,646	54,644	38,650	268,007	960	1,794	856,701
Professional development/meetings	189,026	73,377	226,244	52,237	14,547	41,107	596,538
Office expense	2,256,312	907,988	100,570	348,009	9,077	50,143	3,672,099
Bad debt	1,818,556	1,448,103	-	8,560	-	-	3,275,219
Professional fees	1,682,512	437,699	1,344,450	159,821	8,421	62,841	3,695,744
Grants and donations	91,603	-	3,146,646	3,382,021	30,546	-	6,650,816
EOM Grants	-	-	995,601	503,598	-	-	1,499,199
	<u>\$ 16,521,083</u>	<u>\$ 5,004,554</u>	<u>\$ 9,924,285</u>	<u>\$ 6,386,307</u>	<u>\$ 1,848,058</u>	<u>\$ 3,890,671</u>	<u>\$ 43,574,958</u>

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

Central Services of the Roman Catholic Archbishop of Baltimore
(A corporation sole of the State of Maryland, and other combined entities)

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2022

	Central Management and Administration	Fund Raising and Development	Evangelization and Pastoral Services	Department of Catholic Schools	Priest Care and Retired Clergy	Clergy Services and Programs	2022 Total Expenses
Travel	\$ 3,887	\$ 1,143	\$ 24,358	\$ -	\$ -	\$ 9,206	\$ 38,594
Supplies	518,787	96,793	133,453	-	-	95,073	844,106
Seminarians	-	-	-	-	-	2,287,051	2,287,051
Salaries and benefits	7,834,575	1,661,387	3,147,657	1,890,908	1,573,144	335,160	16,442,831
Occupancy	1,640,069	178,828	405,240	119,077	935	71,966	2,416,115
Office equipment	568,849	84,824	47,853	167,716	960	1,217	871,419
Professional development/meetings	145,916	77,865	94,712	40,226	13,092	10,131	381,942
Office expense	2,403,808	966,227	107,370	272,332	42,774	73,245	3,865,756
Bad debt	765,998	207,326	-	34,246	-	-	1,007,570
Professional fees	1,451,719	265,439	802,147	116,951	1,876	14,616	2,652,748
Grants and donations	60,914	-	3,969,507	5,874,903	30,546	5,159	9,941,029
EOM Grants	-	-	(618,306)	-	-	-	(618,306)
	<u>\$ 15,394,522</u>	<u>\$ 3,539,832</u>	<u>\$ 8,113,991</u>	<u>\$ 8,516,359</u>	<u>\$ 1,663,327</u>	<u>\$ 2,902,824</u>	<u>\$ 40,130,855</u>
Total							

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

Central Services of the Roman Catholic Archbishop of Baltimore
(A corporation sole of the State of Maryland, and other combined entities)

COMBINED STATEMENTS OF CASH FLOWS

Years ended June 30,

	2023	2022
Cash flows from operating activities:		
Changes in net assets	\$ 9,192,164	\$ 6,376,642
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation expense included in change in net assets	1,206,368	1,531,937
Net realized and unrealized (gain) loss on insurance operations	(2,680,356)	9,656,633
Net realized and unrealized (gain) loss on investments	(2,566,267)	10,230,255
Gain from interest rate swap agreements	(1,321,761)	(3,099,153)
Changes in operating assets and liabilities:		
(Increase) decrease in agency investments held for others	(183,711)	510,633
Increase (decrease) in allowance for doubtful accounts	1,740,361	(9,051,771)
Decrease in contributions receivable	2,053,441	388,651
(Increase) decrease in accounts receivable	(3,202,928)	8,633,024
Decrease in notes receivable	702,906	678,037
(Increase) decrease in prepaid and other assets	(1,575,220)	223,331
(Decrease) increase in agency funds held for others and liabilities to related entities	(486,095)	353,238
Decrease in pension and post-retirement obligations	(4,649,591)	(9,816,370)
Decrease in accounts payable, accrued expenses, claims reserve	(905,926)	(1,215,854)
Increase (decrease) in grants payable	3,022,151	(176,858)
Net cash provided by operating activities	345,536	15,222,375
Cash flows from investing activities:		
Purchases of equipment	(122,497)	(2,056,584)
Purchases of investments	(39,844,017)	(21,369,706)
Proceeds from sales and maturities of investments	38,289,521	14,595,746
Net cash used in investing activities	(1,676,993)	(8,830,544)
Cash flows from financing activities:		
Payments of long-term notes payable	(849,068)	(849,068)
Proceeds from notes payable to Archdiocesan Parishes	1,341,029	1,593,697
Principal payments on notes payable to Archdiocesan Parishes	(4,828,895)	(971,598)
Net cash used in financing activities	(4,336,934)	(226,969)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(5,668,391)	6,164,862
Cash and cash equivalents, beginning of year	36,711,843	30,546,981
Cash and cash equivalents, end of year	\$ 31,043,452	\$ 36,711,843

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

**Central Services of the Roman Catholic Archbishop of Baltimore
(A corporation sole of the State of Maryland, and other combined entities)**

NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 1 - ORGANIZATION

The accompanying combined financial statements include the operations and accounts of Central Services, a part of the Roman Catholic Archbishop of Baltimore, a corporation sole of the State of Maryland (the "Corporation Sole," "Central Services" or "Archdiocese"), the Archbishop of Baltimore Annual Appeal Trust ("Archbishop's Annual Appeal"), Route 175 East, LLC. and Catholic Community School Land, Inc. ("CCSLC"), collectively referred to as "Combined Entities." Significant programs and campaigns of Central Services includes, the Partners in Excellence scholarship campaign ("PIE"), the Embracing Our Mission capital campaign ("EOM"), and the Child Nutrition Program.

Central Services' offices are located in the Catholic Center building in Baltimore, Maryland. Central Services is organized around seven departments (Office of the Archbishop, Communications - includes Catholic Review, Catholic Schools, Management Services, Development, Evangelization and Human Resources), which are responsible for providing certain services and programs. In exchange for various assessments and fees, Central Services operates as the fiscal and administrative division of the Corporation Sole. Central Services' functions provide direct support to parishes and schools, including fundraising, program development, centralized benefits and insurance administration, coordination of capital and repair projects, legal services, and financing programs. Major sources of revenues for Central Services are the cathedraticum assessment of the parishes, program contributions and service fees related to religious and education programs, and premiums charged to offset costs of centralized benefits and insurance.

Certain funds in the combined financial statements are held in trust for specific purposes, are held in custody for other entities, or are owned by entities separate from the Corporation Sole and are not available to the Corporation Sole. Such funds include, but are not limited to, parish and school funds, funds in the insurance program, and separate trusts and endowment funds.

The combined financial statements do not include individual parishes or schools, Inter-parish Loan Fund, Inc. ("IPLF"), The Catholic Community Foundation of the Archdiocese of Baltimore, Inc. ("CCF"), and certain other affiliates.

NOTE 2 - CONTINUATION OF OPERATIONS AS A GOING CONCERN

On September 29, 2023, Central Services filed a voluntary petition for relief under the provisions of chapter 11 of the United States Bankruptcy Code. The filing is in response to numerous anticipated lawsuits stemming from a recent change in legislation in the state of Maryland which became effective on October 1, 2023. The Maryland Child Victims Act of 2023 (CVA) eliminates the statute of limitations for child sexual abuse cases. There is no deadline for filing lawsuits under the CVA, meaning that lawsuits would continue indefinitely. Litigation costs and settlements would likely exceed many millions of dollars.

The Archdiocese rooted its decision to file for chapter 11 reorganization to provide a process for all victim-survivors to be compensated while continuing the mission and ministries of the Church, including its parishes, schools, and charitable institutions. In a court hearing on December 18, 2023, the court set May 31, 2024 as the deadline by which anyone who has a claim against the Archdiocese, including anyone who was abused before September 29, 2023, by clergy, religious or employees in the Archdiocese, must submit a claim to be included in the potential settlement. After the court approves the reorganization plan, future claims relating to past incidents of abuse cannot be brought against the Archdiocese and would be channeled to an established trust. Central Services has evaluated the change in legislation and believes the chapter 11 filing is the best plan forward for both their mission and the victim-survivors. However, due to the uncertainty of the results of the chapter 11 reorganization, there remains substantial doubt regarding the Archdiocese's ability to continue as a going concern for one year from the date of issuance of these financial statements.

**Central Services of the Roman Catholic Archbishop of Baltimore
(A corporation sole of the State of Maryland, and other combined entities)**

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Cash and Cash Equivalents

Cash and cash equivalents consist of short-term, highly liquid investments that are readily convertible into known amounts of cash and have original maturities of three months or less.

Concentration of Credit Risk

Financial instruments which potentially subject the Combined Entities to concentrations of credit risk consist of cash and temporary investments, investments in debt and equity securities, and receivables. The Combined Entities place its cash and temporary investments with credit worthy, high quality financial institutions. Though the fair value of investments is subject to fluctuations on a year-to-year basis, the Combined Entities believe that its investment policies are prudent for the long-term welfare of the organization.

Cash and cash equivalents are concentrated in a few financial institutions resulting in balances that exceed the Federal Deposit Insurance Corporation insurance limit. Central Services monitors the creditworthiness of these financial institutions to minimize the risk of credit loss. As of June 30, 2023 and 2022, such excess balances totaled \$29,390,321 and \$35,368,496, respectively. Central Services does not anticipate nonperformance by any of these financial institutions. The Combined Entities have not experienced such losses on these funds.

Loans, notes, grants and accounts receivables are primarily amounts due from parishes and schools related to insurance, capital projects, and other activities. Credit risk is limited to the geographic dispersion of the various entities and the related party nature of transactions.

Investments

Investments are carried at fair value and realized and unrealized gains and losses are reflected in the combined statements of activities and changes in net assets.

Investments in securities required to be held in perpetuity due to donor restrictions are maintained in a pool under a trust agreement with a bank. An investment advisor, with general guidelines from the Archdiocesan Board of Financial Administration, a subcommittee of the Board of Directors, has full discretionary authority for the purchase and sale of securities. A portion of the investment pool is unitized on a fair-value basis with individual funds subscribing to or disposing of units on the basis of the fair value per unit.

Investment income is recorded as revenue in the appropriate net asset classification in accordance with donor stipulations, if any.

**Central Services of the Roman Catholic Archbishop of Baltimore
(A corporation sole of the State of Maryland, and other combined entities)**

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

Investments, at fair value, consist of the following at June 30:

	2023	2022
Cash equivalents	\$ 14,220,814	\$ 18,692,535
Equities	35,321,471	36,010,645
Fixed income	41,585,102	38,327,519
Net Present value and alternatives	27,845,006	19,799,301
Split-interest agreements	16,939,789	16,281,063
Total investments	\$ 135,912,182	\$ 129,111,063

Management expenses related to the purchase and sale of investments amounted to \$255,977 and \$314,581 for the fiscal years ended 2023 and 2022, respectively, and are included in investment earnings.

The net realized gain on insurance operations totaled \$1,207,959 and \$698,642 for the years ended June 30, 2023 and 2022, respectively. The net unrealized gain (loss) on insurance operations totaled \$1,472,397 and (\$10,355,275) for the years ended June 30, 2023 and 2022, respectively.

Investment income (loss), not pertaining to investments designated for insurance programs, for the years ended June 30, 2023 and 2022 is as follows:

	2023	2022
Operating investment income		
Parish and school lending programs, net	\$ (658,539)	\$ (535,371)
Dividend and investment income, net	2,641,858	1,777,093
Net operating investment income	1,983,319	1,241,722
Non-operating investment income		
Change in fair value of interest rate swap	1,321,761	3,099,153
Net realized gain (loss) on investments	744,977	717,539
Net unrealized gain (loss) on investments	1,821,290	(10,947,794)
Net non-operating investment income (loss)	3,888,028	(7,131,102)
Total investment income (loss)	\$ 5,871,347	\$ (5,889,380)

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June 30, 2023 and 2022

Investments are categorized on the combined statements of financial position in accordance with the intended use of the investment assets. Information regarding each category is as follows:

Without Donor Restriction Investments - Investments held for general purposes of the Combined Entities. Interest and earnings generated from these investments are used for the general operations of the Combined Entities.

Board Designated Investments - Investments that have been raised by specific programs of the Combined Entities and intended solely for the use of these programs. Details include:

	2023	2022
Insurance programs held in trusts	\$ 67,675,435	\$ 63,983,178
Annual, campaign and PIE fundraising collections that will be used within 12 months	1,583,995	1,551,486
Specific programs of combined entities	20,937,753	19,593,205
Deferred maintenance funds	4,219,489	4,388,905
Property fund	2,067,832	2,045,910
Total designated investments	\$ 96,484,504	\$ 91,562,684

Time and Purpose Restricted Investments - Investments that are held for specific donor-imposed stipulations that are not expected to be fully fulfilled within the next 12-month period.

Donor Restricted in Perpetuity Investments - Investments originating from permanently imposed donor restrictions. These investments include the value of split-interest investments, described below, and the corpus amount of endowment gifts restricted for perpetuity.

Agency Assets Held for Others

Central Services acts as a custodian in an investment program that is administered by a commercial bank for parishes, schools, and affiliates of the Archdiocese to utilize. Central Services does not have any variance power in terms of the use of these investments or any economic interest. The Archdiocesan Board of Financial Administration reviews investment performance and recommends changes, if necessary, to available investment options. The value of these assets is also accounted for as a liability on the combined statements of financial position. Central Services receives no investment income or records any changes on the combined statements of activities and changes in net assets relating to their agency assets.

Split-Interest Agreements

Central Services is a partial beneficiary to several trusts established by donors. The assets held by a third-party trustee pertaining to these trusts will not revert to Central Services at any time and the income received is used in accordance with donor stipulations. These irrevocable and perpetual assets held in trust are recorded at fair value at the date of initial recognition and any change in fair value is recorded as an unrealized gain or loss to split-interest irrevocable trusts. These assets had a fair value of \$16,939,789 and \$16,281,063 as of June 30, 2023 and 2022, respectively, which are included in investments held in perpetuity and split-interest agreements on the combined statements of financial position.

Loans and Accounts Receivable

Archdiocesan parishes, schools, and affiliated entities engage Central Services to perform a variety of programs and compensate Central Services for such services. Major revenues include cathedraticum assessments to parishes, insurance program premiums, and school related fees. Cathedraticum is the primary

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June 30, 2023 and 2022

operating source for Central Services budget and is a formula-driven assessment applied to income without donor restrictions of all parishes within the Archdioceses. The assessment was 7.0% on the first \$200,000 raised; 15.5% on the next \$100,000; 16.5% on the next \$200,000; and 17.0% on all funds without donor restriction recorded thereafter during the years ended June 30, 2023 and 2022.

Additionally, Central Services administers a financing program that is unaffiliated with IPLF. This program is primarily related to loans associated with the 2007 tax-exempt revenue bonds (Note 11) and other initiatives not financed through IPLF. Archdiocesan entities participating in this program remit funds in excess of immediate operating funds, which are held by Central Services as demand notes payable to the entities. Rates offered on deposits are consistent with the prevailing rates offered in IPLF. Rates offered on loans are based on the cost of financing the particular project. Interest on deposits averaged 1.9% and 0.5% for fiscal years 2023 and 2022, respectively. Interest rate on loans averaged 5.49% for both fiscal years 2023 and 2022.

Interest income earned by the Corporation Sole on loans outstanding at June 30, 2023 and 2022 was \$678,858 and \$717,034, respectively. The income is netted against interest expense related to the demand notes payable deposits of \$15,231 and \$19,622, and the net balance is included in investment earnings on the accompanying combined statements of activities and changes in net assets for fiscal years 2023 and 2022, respectively. Also, netted against income is any interest or fees associated with long-term debt (including tax-exempt bonds) which totaled \$1,316,167 and \$1,246,405 for fiscal years 2023 and 2022, respectively.

A summary of loans and accounts receivable from Archdiocesan parishes and schools are as follows:

	2023	2022
Parish and school loans	\$ 11,884,934	\$ 12,587,840
Cathedraticum receivables	13,573,737	14,078,296
Insurance program receivables	27,915,464	25,191,720
Parish school assessments due within one year	1,029,540	888,717
Other receivables	11,792,275	10,829,192
Less allowance for doubtful accounts	(41,420,280)	(38,614,438)
Total loans and accounts receivable, net	\$ 24,775,670	\$ 24,961,327

Allowance for Doubtful Accounts

Central Services reviews all receivables annually and provides an allowance for those whose collection appears doubtful, and writes off those amounts deemed uncollectible.

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June 30, 2023 and 2022

Receivable assets are recorded in three major operating categories - Insurance, Cathedraticum, and Other. Changes in allowance for doubtful accounts during the years ended June 30, 2023 and 2022 consisted of the following:

	<u>Cathedraticum</u>	<u>Insurance</u>	<u>Other</u>	<u>Totals</u>
Balance at June 30, 2021	\$ 10,597,318	\$ 30,128,894	\$ 5,032,642	\$ 45,758,854
Additions	312,500	4,025,548	574,831	4,912,879
Write-offs	<u>(62,500)</u>	<u>(11,897,962)</u>	<u>(96,833)</u>	<u>(12,057,295)</u>
Balance at June 30, 2022	10,847,318	22,256,480	5,510,640	38,614,438
Additions	1,014,556	2,267,732	831,004	4,113,292
Write-offs	<u>(912,564)</u>	<u>(202,484)</u>	<u>(192,402)</u>	<u>(1,307,450)</u>
Balance at June 30, 2023	<u>\$ 10,949,310</u>	<u>\$ 24,321,728</u>	<u>\$ 6,149,242</u>	<u>\$ 41,420,280</u>

Gifts, Bequests and Contributions

Contributions receivable, less an appropriate allowance for uncollectible pledges, for the Archdiocese, EOM, Archbishop's Annual Appeal, and PIE are recorded at their estimated fair value when received. Amounts due in more than one year are recorded at the present value of the estimated future cash flows, discounted at a risk-adjusted rate applicable to the years in which the promises originate. The net contributions receivable is expected to be received as follows at June 30:

	<u>2023</u>	<u>2022</u>
Less than one year	\$ 2,318,183	\$ 2,387,815
One to five years	<u>75,242</u>	<u>1,604,953</u>
Gross contributions receivable	2,393,425	3,992,768
Allowance for uncollectible pledges	(282,393)	(772,886)
Discount for net present value	<u>(4,247)</u>	<u>(4,974)</u>
Net contributions receivable	<u>\$ 2,106,785</u>	<u>\$ 3,214,908</u>

Included in gross contributions receivable for the fiscal year ended June 30, 2023 are Archdiocese pledges of \$645,174; EOM pledges of \$204,919; Archbishop's Annual Appeal pledges of \$1,086,022; and PIE pledges of \$170,670. Included in gross contributions receivable for the fiscal year ended June 30, 2022 are Archdiocese pledges of \$217,308; EOM pledges of \$1,806,031; Archbishop's Annual Appeal pledges of \$1,797,079; and PIE pledges of \$172,350.

Revenue Recognition

Central Services recognizes revenue when it satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration Central services expects to receive in exchange for satisfying distinct performance obligations. Program service fees performance obligations are satisfied either over time or at a point in time and the related revenue is recognized as services are rendered. Central services recognized \$1,062,478 and \$932,626 of revenue over time during the years ended June 30, 2023 and 2022, respectively. Central Services recognized \$4,080,617 and \$4,323,146 of revenue at a point in time during the years ended June 30, 2023 and 2022, respectively.

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Central services management expects that the period between when Central Services transfers goods and services to their customers and when the customers pay for those goods and services will be one year or less. There are no significant financing components. Invoices are generally due within 30 days of the invoice date and Central Services earns all revenue in the United States.

Property and Equipment, net

All land, building and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of 40 years for buildings and improvements and three to 15 years for equipment, automobiles and furniture. Land, building and equipment balances at June 30 consist of the following:

	2023	2022
Buildings and improvements	\$ 38,683,108	\$ 39,016,873
Equipment, automobiles and furniture	4,881,208	4,624,767
	43,546,316	43,641,640
Less: accumulated depreciation	(14,965,258)	(13,958,711)
Total building and equipment, net	28,599,058	29,682,929
Land	6,613,362	6,613,362
Land held for parishes	12,179,550	12,179,550
Total property and equipment, net	\$ 47,391,970	\$ 48,475,841

Depreciation expense was \$1,206,368 and \$1,531,937 for fiscal years 2023 and 2022, respectively.

Compensated Absences

Central Services records a liability for amounts due to employees for future absences that are attributable to services performed in the current and prior periods.

Grants Payable

Grant obligations to parishes, schools, and organizations both within and external to the Archdiocese are recognized when all conditions have been met regarding specific capital projects or operating needs. The funding sources are primarily associated with the Archbishops Annual Campaign and the Embracing Our Mission capital campaign.

Net Assets

Under current guidance for financial statements of not-for-profit organizations, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Donor Restricted in Perpetuity

Net assets subject to donor-imposed stipulations that they be maintained in perpetuity. Generally, the donors of these assets permit the use of all or part of the income earned on related investments for general or specific purposes. These assets include split-interest irrevocable trusts in which the income from these assets are used for specific purposes. The assets are held by a third-party trust. Income generated by the fund is generally

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used for the specific purpose within the fiscal period. Changes in the fair values are recorded as part of donor restricted in perpetuity net assets.

Time and Purpose Restricted

Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Combined Entities and/or the passage of time. Included in this net asset balance are future year collections on PIE and EOM pledges, and money collected for specific seminarian and religious education programs sponsored or managed by Central Services that were not fully utilized as of the end of the fiscal year. Donor-restricted contributions received and fulfilled in the same period are reported as without donor restrictions.

Without Donor Restrictions

Net assets that are not considered restricted. Revenues are reported as increases in net assets without donor restriction unless they are limited by express donor-imposed restrictions. Expirations of time and/or purpose restrictions recognized on net assets (i.e., the donor-stipulated purposes have been fulfilled and/or the stipulated-time period has elapsed) are reported as reclassifications from time and/or purpose restricted to without donor-restricted net assets.

Certain net assets without donor restrictions are classified as designated due to limitations on their use to specific areas or purpose at the direction of the Archbishop or pursuant to contractual obligations. For example, the net assets of the insurance trusts established by the Corporation Sole are classified without donor restrictions per U.S. GAAP although the use of the fund is restricted under the language of the trust agreements.

Income Taxes

As a religious organization, the activities of the Corporation Sole and Archbishop's annual appeal are exempt from income tax under Section 501(c)(3) of the Internal Revenue Code ("IRC" or "Code"), except for those activities which constitute unrelated business income, through its inclusion in the United States Conference of Catholic Bishops ("USCCB") group ruling and listing in the Official Catholic Directory.

As a single member limited liability company, Route 175 East LLC is a disregarded entity under the IRC for income tax purposes and, as such, is not directly subject to federal income taxes and state income taxes.

The Archdiocese follows the accounting guidance for uncertainties in income tax positions, which required that a tax position be recognized or not recognized based on a more-likely-than-not threshold. This applies to positions taken or expected to be taken in a tax return. The Archdiocese does not believe its combined financial statements include any material uncertain tax positions.

The Archdiocese has processes presently in place to identify and report unrelated income, to determine its filing and tax obligations in jurisdictions for which it has nexus, and to identify and evaluate other matters that may be considered tax positions. The Archdiocese has determined that there are no material uncertain tax positions that require recognition or disclosure in the combined financial statements.

Estimates

The preparation of combined financial statements in conformity with U.S. GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the combined financial statements and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

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June 30, 2023 and 2022

Statements of Cash Flows

The combined entities paid interest of \$15,231 and \$19,622 for the years ended June 30, 2023 and 2022, respectively, related to demand notes payable to parishes, schools and affiliated entities. Additionally, the combined entities paid interest of \$1,285,332 and \$596,871 in fiscal years 2023 and 2022, respectively, on long-term borrowing arrangements.

Derivative Instruments

Central Services uses derivative financial instruments selectively to offset exposure to market risks from changes in interest rates. The derivative financial instruments used by Central Services consist of interest rate swap agreements.

Central Services reports derivative instruments in accordance with the current authoritative guidance for derivative financial instruments and hedging activities, which requires that all derivative financial instruments be recorded in the combined statements of financial position at fair value. Changes in the fair value and gains or losses of derivative instruments are included in the combined statements of activities and changes in net assets.

Central Services uses three separate interest rate swap agreements as a means of fixing the interest rate on portions of its long-term debt. Unrealized gains and losses are included in changes in net assets. In December 2010, Swap No. 1 was amended to reflect the refinancing changes of the tax-exempt debt and the notional amounts approximate half of the expected outstanding amount over the loan period. In September 2010, Swap No. 2 was amended to reflect the refinancing changes of the taxable debt and the notional amounts approximate half of the expected outstanding amount over the loan period. In August 2011, Swap No. 3 was added to further protect balance on the tax-exempt debt that was not included in Swap No. 1. Details of the swaps as of June 30, 2023 and 2022 follow:

	2023	2022
Swap No. 1 (Tied to Tax-Exempt Loan)		
Notional amount	\$ 12,085,000	\$ 12,085,000
Fair value of agreement	(1,360,447)	(2,219,870)
Expiration date	7/1/2037	7/1/2037
Swap No. 2 (Tied to 20-Year Loan)		
Notional amount	\$ 1,860,000	\$ 2,480,000
Fair value of agreement	(18,754)	(110,409)
Expiration date	7/1/2025	7/1/2025
Swap No. 3 (Tied to Tax-Exempt Loan)		
Notional amount	\$ 9,590,000	\$ 9,590,000
Fair value of agreement	(183,088)	(643,770)
Expiration date	2/1/2037	2/1/2037

Operating Measure

Central Services classifies its combined statements of activities and changes in net assets into operating and non-operating activities. Operating activities principally include all income and expenses related to carrying out its mission, including interest and dividend income. Included in the non-operating activities are primarily market driven income and expenses.

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Gain from Sale of Seton Keough Property

On October 27, 2021, the sale of the Seton Keough Property was completed. Central Services had an asset value of \$238,082 on the property. Central Services recorded a gain of \$8,863,922 from the sale of the property on the statement of activities for the year ended June 30, 2022.

Recently Adopted Pronouncements

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, *Leases (Topic 842)*. This standard requires the recognition of a Right-of-use (ROU) asset and lease liability on the balance sheet for substantially all leases. The standard retained a dual model for lease classification, requiring leases to be classified as finance or operating lease to determine recognition in the statement of operations and cash flows. Additionally, in July 2018, the FASB issued ASU 2018-11, *Leases, Targeted Improvements*, which provided entities with a transition method option to not restate comparative periods presented, but to recognize a cumulative effect adjustment to beginning retained earnings in the period of adoption. The Archdiocese elected the modified retrospective transition method and did not restate prior comparative periods. The standards also provide additional transition relief, of which the Archdiocese has elected to (1) not reassess whether any expired or existing contracts are or contain leases, (2) retain the classification of leases (e.g., operating or finance lease) existing as of the date of adoption, (3) not reassess initial direct costs for any existing leases, and (4) not utilize hindsight when assessing lease term and ROU asset impairment. The present value of lease payments is discounted based the risk-free rate selected that corresponds to the term of the lease. The standards require more detailed disclosures to enable users of financial statements to understand the amount, timing and uncertainty of cash flows arising from leases. The Company adopted this standard as of July 1, 2022. Prior to the adoption of Accounting Standards Codification (“ASC”) 842, the Archdiocese recorded operating lease payments as cash when received and did not recognize any deferred rent liabilities or assets. For the year ended June 30, 2023, the Archdiocese only had leases classified as operating leases. See Note 15 to the financial statements.

Upcoming Accounting Pronouncements

In March 2020, the FASB issued ASU No 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* (“ASU 2020-04”). ASU 2020-04 provides temporary optional expedients and exceptions to the U.S. GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate (“LIBOR”) and other interbank offered rates to alternative reference rates. ASU 2020-04 is effective beginning on March 12, 2020, and the Central Services may elect to apply the amendments prospectively through December 31, 2022. Management is currently evaluating the impact of this ASU on its combined financial statements.

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June 30, 2023 and 2022

NOTE 4 - FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of June 30, 2023 and 2022, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, follow:

	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 31,043,452	\$ 36,711,843
Investments without donor restrictions	21,972,385	20,774,760
Board-designated investments	96,484,504	91,562,684
Investments held in perpetuity and split-interest agreements	17,455,293	16,773,619
Agency investments held for others	3,267,688	3,083,977
Accounts receivable, net of allowance	24,775,670	24,961,327
Contribution receivables, net of allowance	2,106,785	3,214,908
Total financial assets available	197,105,777	197,083,118
Less amounts unavailable for general expenditures within one year due to:		
Net assets with donor restrictions - time and purpose	(1,941,612)	(3,060,824)
Cash held at insurance trust	(2,792,292)	(1,918,660)
Investments held in perpetuity and split-interest agreements	(17,455,293)	(16,773,619)
Agency investments held for others	(3,267,688)	(3,083,977)
Contributions receivables, net - long term	(75,242)	(1,604,953)
Accounts and notes receivables, net - long term	(11,884,934)	(12,587,840)
Board-designated investments	(96,484,504)	(91,562,684)
Investments without donor restrictions held as collateral for long-term note payable	(4,310,257)	(5,159,325)
Total available financial assets to management for general expenditures within one year	\$ 58,893,955	\$ 61,331,236

The Combined Entities maintain cash balances at a level designed to ensure short-term liquidity. A suitable proportion of the Combined Entities investment balances are held in instruments that can readily be converted to cash, if needed. The available cash balance is also intended to serve the pension and post-retirement benefit obligation and tax-exempt note payable shown in the combined statements of financial position. In addition to the financial assets and liquidity resources available to meet general expenditures over the next 12 months, the Combined Entities operates within a prudent range of fiscal responsibility and anticipates collecting sufficient revenue to cover its operating expenses.

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Cash and Cash Equivalents and Investments

The carrying amount of cash and cash equivalents and investments approximates fair value. The fair value of investments is based on quoted market prices as of the reporting date. Income from cash and cash equivalents and investments are included in unrestricted investment income unless the income is restricted by express donor stipulations. All income is reported net of investment-related expenses.

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June 30, 2023 and 2022

Tax-Exempt Borrowings and Long-Term Note Payable

The outstanding bank qualified tax-exempt loan totaled \$21,675,000 as of June 30, 2023 and 2022. The outstanding long-term note payable as of June 30, 2023 and 2022 totaled \$4,310,256 and \$5,159,324, respectively. Refer to Note 11 - Tax Exempt and Long-Term Note Payable for further information.

Pledge Receivables

Donor pledges that are expected to be collected in future periods in excess of 12 months are recorded at the present value of the estimated future cash flows, discounted at a risk-adjusted rate applicable to the years in which the promises were received. Discount rates utilized in fiscal years 2023 and 2022 ranged from 0.29% to 4.30%. Refer to Note 3 - Summary of Significant Accounting Policies for details on amounts associated with Gifts, Bequests, and Contributions.

Interest Rate Swap Agreements

The fair value of interest rate swaps is determined using the estimated present value of the fixed leg and floating leg. The value of the fixed leg is the present value of the known fixed monthly payments. The value of the floating leg is the present value of the floating monthly payments determined at the agreed dates of each payment. Forward rates derived from the yield curve are used to approximate the floating rates. Each series of cash flows is discounted by market rates of interest. Refer to Note 3 - Summary of Significant Accounting Policies for details on amounts associated with Derivative Instruments.

Charitable Gift Annuities

The net fair value of gift annuities is determined annually by adjusting the annuity liabilities to reflect amortization of the discount and changes in the life expectancy of the donors or other life beneficiaries. The annuity liability reflects the present value of the estimated future payments to be made to the donor and/or other beneficiaries. Refer to Note 3 - Summary of Significant Accounting Policies for details on amount associated with Split-Interest Agreements.

Fair Value Measurement

Fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability as of the reporting date. Our financial assets recorded at fair value on a recurring basis primarily relate to investments in available-for-sale securities.

The following describes the hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires the assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market;
- Level 2 - Fair value is based on pricing inputs other than quoted prices in active markets and which are either directly or indirectly observable as of the reporting date. The nature of these securities includes investments for which quoted prices are available but traded less frequently than securities traded on what are deemed active markets; and
- Level 3 - Pricing of securities are unobservable as of the reporting date. The inputs used in the determination of fair value are not observable and require significant judgment or estimation.

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June 30, 2023 and 2022

The combined entities endeavor to utilize the best available information in measuring fair value. Investments are managed by the Archdiocesan Investment Committee using funds-of-funds asset allocation strategy with custodial services provided by an independent third party. The Archdiocesan Board of Financial Administration also employs an independent consultant to evaluate fund managers.

The combined entities use the net asset value ("NAV") to determine the fair value of all underlying investments which (1) do not have a readily determinable fair value and (2) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. In accordance with ASC Subtopic 820-10, investments measured at fair value using NAV per share as a practical expedient have not been categorized in the fair value hierarchy.

The following tables summarize the valuation of our financial instruments by the above authoritative pricing levels as of June 30, 2023 and 2022:

	June 30, 2023				Total Fair Value
	Level 1	Level 2	Level 3	NAV	
Assets					
Investments and split interest agreements					
Cash equivalents	\$14,032,818	\$ 84,909	\$ -	\$ -	\$ 14,117,727
Fixed income	16,637,555	21,692,103	-	-	38,329,658
Equities	33,157,615	5,317,407	-	-	38,475,022
Investments held at NAV	-	-	-	28,049,986	28,049,986
Split interest agreements	-	-	16,939,789	-	16,939,789
	<u>\$63,827,988</u>	<u>\$27,094,419</u>	<u>\$16,939,789</u>	<u>\$28,049,986</u>	<u>\$135,912,182</u>
Agency assets held for others	<u>\$ 2,133,767</u>	<u>\$ 541,125</u>	<u>\$ -</u>	<u>\$ 592,797</u>	<u>\$ 3,267,689</u>
Liabilities					
Interest rate swap agreements	<u>\$ -</u>	<u>\$ 1,562,289</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,562,289</u>
June 30, 2022					
	Level 1	Level 2	Level 3	NAV	Total Fair Value
Assets					
Investments and split interest agreements					
Cash equivalents	\$18,662,632	\$ 29,903	\$ -	\$ -	\$ 18,692,535
Fixed income	13,087,978	22,922,667	-	-	36,010,645
Equities	38,327,519	-	-	-	38,327,519
Investments held at NAV	-	-	-	19,799,301	19,799,301
Split interest agreements	-	-	16,281,063	-	16,281,063
	<u>\$70,078,129</u>	<u>\$22,952,570</u>	<u>\$16,281,063</u>	<u>\$19,799,301</u>	<u>\$129,111,063</u>
Agency assets held for others	<u>\$ 2,507,188</u>	<u>\$ 462,818</u>	<u>\$ -</u>	<u>\$ 113,971</u>	<u>\$ 3,083,977</u>
Liabilities					
Interest rate swap agreements	<u>\$ -</u>	<u>\$ 2,974,049</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,974,049</u>

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June 30, 2023 and 2022

The following table details certain quantitative information as of June 30, 2023 and 2022, with respect to assets measured and carried at fair value on a recurring basis with the use of significant unobservable inputs (Level 3):

Description	Fair Value June 30, 2023	Fair Value June 30, 2022	Principal Valuation Technique	Unobservable Inputs	Weighted Average
Beneficial interest in trusts	\$ 16,939,789	\$ 16,281,063	Market Approach	Interest percentage Fair value of assets	N/A

During the years ended June 30, 2023 and 2022, the unrealized gain (loss) on the beneficial interest in trusts was \$658,726 and (\$3,987,154), respectively.

The following tables detail certain attributes pertaining to the investment reported at fair value using NAV, or its equivalent, as of June 30, 2023 and 2022:

2023								
Type	Strategy	Fair Value	# of Funds	Unfunded Commitments	Remaining Life	Redemption Terms	Redemption Restrictions	Redemption Notice Period
Venture Capital Fund	This fund invests in companies that are relocating to or being created in Baltimore City	\$ 1,077,073	1	\$ 882,052	6 years with two 1-year optional extensions	No liquidity until end of term	No liquidity until end of terms	No liquidity until end of terms
Commingled Core Bond and US Equity Fund	To preserve capital and generate current income by investing in securities providing exposure to fixed income and US equity markets	25,427,979	2	-	N/A	Full liquidity	Monthly	5 days
Endowment	Long-term growth for Archdiocese Dept. of Communications	<u>1,544,934</u>	<u>1</u>	-	N/A	Full liquidity	60 Days	60 Days
Total		<u>\$ 28,049,986</u>	<u>4</u>					

2022								
Type	Strategy	Fair Value	# of Funds	Unfunded Commitments	Remaining Life	Redemption Terms	Redemption Restrictions	Redemption Notice Period
Venture Capital Fund	This fund invests in companies that are relocating to or being created in Baltimore City	\$ 948,398	1	\$ 920,000	6 years with two 1-year optional extensions	No liquidity until end of term	No liquidity until end of terms	No liquidity until end of terms
Commingled Core Bond Fund	To preserve capital and generate current income by investing in securities providing exposure to fixed income markets	17,271,085	1	-	N/A	Full liquidity	Monthly	5 days
Endowment	Long-term growth for Archdiocese Dept. of Communications	<u>1,579,818</u>	<u>1</u>	-	N/A	Full liquidity	60 Days	60 Days
Total		<u>\$19,799,301</u>	<u>3</u>					

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June 30, 2023 and 2022

NOTE 6 - INSURANCE PROGRAM ACTIVITIES

The Archdiocesan Health and Benefits, Property and Casualty Insurance Programs (the “Programs”) provide insurance coverage, both commercially purchased and self-insured, for affiliates of the Corporation Sole.

The Programs administer certain insurance trusts. Accordingly, the net operations of the Programs are included in unrestricted designated net assets and the risk and benefits belong to the trusts. Any shortfall of funds by the Programs is recovered from future premiums assessed.

Unrestricted designated assets and liabilities related to the insurance program activities primarily consist of the following at June 30:

	2023	2022
Assets:		
Cash and investments, at fair value	\$ 67,675,435	\$ 63,983,178
Insurance receivables, net of allowance for doubtful insurance receivables of \$24,321,727 and \$22,256,479 in 2023 and 2022, respectively	3,593,737	2,935,241
Other assets:		
Expected insurance receivable on claims	1,481,815	1,098,757
Liabilities:		
Claims reserve for insurance liabilities	16,233,486	16,454,412

NOTE 7 - ACCOUNTS PAYABLE, ACCRUED EXPENSES AND SWAP AGREEMENT LIABILITIES

Accounts payable, accrued expenses and interest rate swap agreement liabilities are as follows at June 30, 2023 and 2022:

	2023	2022
Accounts payable	\$ 1,498,850	\$ 1,343,562
Accrued payroll	1,308,436	1,253,206
Accrued liabilities - insurance	3,256,672	4,402,303
Accrued liabilities - swap agreements	1,562,289	2,974,049
Accrued liabilities - other	5,612,486	5,272,374
Total	\$ 13,238,733	\$ 15,245,494

NOTE 8 - PENSION PLANS

Central Services administers and participates in two separate pension plans - a lay employees plan and a separate plan for priests.

Lay Pension Plan

Lay employees of Central Services, in addition to those of certain affiliated organizations, corporations or agencies participate in a single-employer, under a common central group, defined benefit retirement plan. The Lay Employee Retirement Plan (“Lay Plan”) provides monthly benefits upon retirement to participants based on salary and length of service. Funding for the Lay Plan comes from the Lay Retirement Trust, which is funded

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June 30, 2023 and 2022

by each participating organization, corporation and agency. These funds are collected by Central Services and sent to the Trustee of the Lay Retirement Trust. Contributions to the Lay Retirement Trust were \$11,229,559 and \$16,759,148 for the years ended June 30, 2023 and 2022, respectively. The Lay Retirement Trust assets are not included on the accompanying combined statements of financial position. The unfunded obligation associated only with Central Services employees is shown as a liability.

The portion of the unfunded benefit obligation of the Lay Plan associated with the Central Services for its lay employees was \$13,530,958 and \$15,210,874 for the years ended June 30, 2023 and 2022, respectively. The Lay Plan was frozen effective June 30, 2011. No additional benefits will accrue for existing participants and no additional participants will be added to the Plan.

Priest Pension Plan

The Priests' Pension Plan ("Priest Plan") covers substantially all Archdiocesan priests. The Priest Plan provides a monthly benefit upon retirement to participants based upon length of service. Funding for the Priest Plan comes from the Priest Pension Trust, which is funded primarily from organizations to which the priests are assigned. These funds are collected by Central Services and sent to the Trustee of the Priest Pension Trust. Contributions to the Priest Pension Trust totaled \$765,863 and \$892,248 for the years ended June 30, 2023 and 2022, respectively.

The Priest Plan's unfunded status, accumulated benefit obligation, and net pension benefit costs as of June 30, 2023 and 2022 were calculated by a consulting actuary and are summarized as follows:

	2023	2022
Change in projected benefit obligation:		
Benefit obligation at beginning of year	\$ 38,185,356	\$ 51,611,547
Service cost	656,442	955,821
Interest cost	1,837,360	1,399,785
Actuarial gain (loss)	1,792,278	(13,607,177)
Benefits paid	(2,328,875)	(2,174,620)
Benefit obligation at end of year	\$ 40,142,561	\$ 38,185,356
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 36,724,411	\$ 45,673,958
Actual return on plan assets	3,314,224	(7,667,175)
Employer contributions	765,863	892,248
Benefits paid	(2,328,875)	(2,174,620)
Fair value of plan assets at end of year	\$ 38,475,623	\$ 36,724,411
Funded status at end of year	\$ (1,666,938)	\$ (1,460,945)
Amount recognized at end of year	\$ (1,666,938)	\$ (1,460,945)
Amount recognized in net assets without donor restrictions:		
Unrecognized prior service cost	\$ 81,693	\$ 110,010
Unrecognized net actuarial loss	7,090,299	6,552,962
Total amount recognized in net assets without donor restrictions	\$ 7,171,992	\$ 6,662,972

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June 30, 2023 and 2022

	2023	2022
Components of net pension benefit cost (gain):		
Service cost	\$ 656,442	\$ 955,821
Interest cost	1,837,360	1,399,785
Expected return on plan assets	(2,366,550)	(3,188,371)
Amortization of net loss	307,267	123,743
Amortization of prior service cost	28,317	28,317
	<u>\$ 462,836</u>	<u>\$ (680,705)</u>
Net periodic post-retirement benefit cost (gain)		
	2023	2022
Other changes in plan assets and benefit obligations recognized in net assets without donor restrictions:		
Net actuarial loss	\$ 844,604	\$ (2,751,633)
Amortization of prior service cost	(28,317)	(28,317)
Amortization of net gain	(307,267)	(123,743)
	<u>\$ 509,020</u>	<u>\$ (2,903,693)</u>
Total amount recognized in net assets without donor restrictions		
	2023	2022
Additional information:		
Accumulated benefit obligation	\$ 37,175,209	\$ 35,169,242
	<u>\$ 875,000</u>	<u>\$ 960,000</u>
Expected contributions for the fiscal years ended June 30		

The Priest Plan assets fully met obligations and no expenses were recorded by Central Services for years ended June 30, 2023 and 2022.

Expected benefit payments for the fiscal years ending:

2024	\$ 2,559,000
2025	2,596,000
2026	2,613,000
2027	2,613,000
2028	2,584,000
Next five years	13,095,000

Significant assumptions used to determine net periodic post-retirement cost are as follows:

	2023	2022
Discount rate	4.99%	2.93%

The discount rate has a significant effect on the amounts reported. For example, an increase in the fiscal year 2023 discount rate by 1% point would decrease projected benefit obligations by \$4,180,300. Decreasing the fiscal year 2023 discount rate by 1% point would increase projected benefit obligations by \$5,216,000.

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The Corporation Sole utilizes a long-term rate of return of 6.5% in developing actuarial estimates. The Priest Plan's assets are managed by external investment managers who are given the return objectives of achieving a minimum of 6.5% over a complete market cycle and annual income of 3.5% to 5.0%. The Priest Plan has achieved 7.1% annual return the past seven years. The Priest Plan's asset allocation at June 30, by asset category, was as follows:

	Target	Actual
2023:		
Money market	0 - 10%	4%
Fixed income	20 - 50	26
Equities - U.S.	25 - 60	56
Equities - non-U.S.	10 - 25	14
2022:		
Money market	0 - 10%	4%
Fixed income	20 - 50	26
Equities - U.S.	25 - 60	56
Equities - non-U.S.	10 - 25	14

On a regular basis the performance of the investments are reviewed by an independent investment committee. The investment committee also reviews the actual asset allocation and periodically rebalances the investment portfolio to the target allocation, when considered appropriate.

The following tables present the fair value of the Priest Plan's assets classified under the appropriate level of the fair value hierarchy:

	Level 1	Level 2	Level 3	NAV	Total Fair Value
June 30, 2023:					
Cash equivalents	\$ 2,375,684	\$ -	\$ -	\$ -	\$ 2,375,684
Fixed income	2,358,549	1,679,657	225,257	-	4,263,463
Equities	22,041,766	-	-	-	22,041,766
Investments at NAV	-	-	-	9,794,710	9,794,710
	<u>\$26,775,999</u>	<u>\$ 1,679,657</u>	<u>\$ 225,257</u>	<u>\$9,794,710</u>	<u>\$ 38,475,623</u>
	Level 1	Level 2	Level 3	NAV	Total Fair Value
June 30, 2022:					
Cash equivalents	\$ 2,321,901	\$ -	\$ -	\$ -	\$ 2,321,901
Fixed income	1,881,047	2,271,819	186,296	-	4,339,162
Equities	24,932,613	-	-	-	24,932,613
Investments at NAV	-	-	-	5,130,735	5,130,735
	<u>\$29,135,561</u>	<u>\$ 2,271,819</u>	<u>\$ 186,296</u>	<u>\$5,130,735</u>	<u>\$ 36,724,411</u>

The investment held at NAV within the table above is the same Commingled Core Bond Fund on page 25.

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NOTE 9 - POST-RETIREMENT BENEFIT PLANS

Central Services administers and participates in two post-retirement benefit plans - a discontinued plan for retired lay employees and a plan for retired priests. In determining the Lay and Priest Post-Retirement medical plans funded status, effective June 30, 2007, both plans adopted new guidance issued by FASB, which requires the recognition of the funded status of a defined benefit or post-retirement plan as the difference between plan assets at fair value and the benefit obligation. Per the FASB requirements, any unrecognized gain or loss incurred shall be recorded as a component of net assets without donor restrictions.

Retired Lay Employees

The Corporation Sole provides a single-employer, under a common central group, defined benefit health care plan for lay employees (the "Lay Post-retirement Plan" or "Plan"). The Lay Post-retirement Plan provides post-retirement medical benefits to lay employees of the greater Corporation Sole, parishes, schools and certain affiliated organizations who retired by June 30, 1997, after age 55 and with at least 15 years of service. The June 30, 1997 requirement was a result of a partial termination of the Plan adopted February 1, 1997. The Plan is contributory with retiree contributions adjusted annually by the expected annual inflation rate and contains cost savings features such as deductibles and coinsurance. Central Service's policy is to fund the actual cost of the medical benefit less retiree contributions. The Lay Post-retirement Plan does not have any assets in a trust. The unfunded obligation associated only with Central Services retirees is shown as a liability on Central Services combined statements of financial position.

The portion of the unfunded benefit obligation of the Lay Post-retirement Plan associated with Central Services for their lay employees was \$89,319 and \$104,294 for the years ended June 30, 2023 and 2022, respectively.

Retired Priests

The Corporation Sole also provides a single-employer, under a common central group, defined benefit health care plan that provides post-retirement medical benefits to all Archdiocesan priests upon retirement from Corporation Sole (the "Priest Post-retirement Plan"). In addition, Central Services sponsors plans providing subsidized living arrangements and subsidized auto insurance for these retired priests. The Priest Post-retirement Plan is noncontributory except for the excess of auto insurance premiums over the fixed subsidy and a portion of dental and vision coverage. In certain cases, Central Services provides for nursing home care. Central Services' policy is to fund the actual cost of the medical and other benefits less amounts contributed by the retirees described above. A separate trust is maintained for the Priest Post-retirement Plan. The Priest Post-retirement Plan trust assets are not included on the combined statements of financial position. Unfunded obligations of the Priest Post-retirement Plan are shown as a liability.

The unfunded benefit obligation of the Priest Post-retirement Plan under FASB requirements was \$ 5,879,030 and \$9,039,723 as of June 30, 2023 and 2022, respectively, and is included in the combined statements of financial position. The net periodic post-retirement benefit cost was \$ 194,850 and \$402,836 for the years ended June 30, 2023 and 2022, respectively. The post-retirement benefit obligation was a net loss of \$3,160,693 and a net loss of \$4,414,064 for the years ended June 30, 2023 and 2022, respectively. Changes in the years were impacted by market conditions to investments and obligation valuations.

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The Priest Post-retirement Plan's unfunded status, accumulated post-retirement obligation, and net periodic post-retirement benefit cost information as of June 30 were calculated by consulting actuaries and are summarized as follows:

	2023	2022
Change in projected benefit obligation:		
Benefit obligation at beginning of year	\$ 22,383,145	\$ 30,001,589
Service cost	588,168	873,365
Interest cost	966,081	863,900
Actuarial loss	(2,357,899)	(8,133,860)
Benefits paid and plan expenses	(1,409,932)	(1,221,849)
Benefit obligation at end of year	\$ 20,169,563	\$ 22,383,145
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 13,343,422	\$ 16,547,802
Actual return on plan assets	783,528	(3,305,772)
Employer contributions	1,573,515	1,323,241
Benefits paid	(1,409,932)	(1,221,849)
Fair value of plan assets at end of year	\$ 14,290,533	\$ 13,343,422
Funded status at end of year	\$ (5,879,030)	\$ (9,039,723)
Amount recognized at end of year	\$ (5,879,030)	\$ (9,039,723)
Amount recognized in net assets without donor restrictions		
Unrecognized net actuarial gain	\$ (8,903,275)	\$ (7,121,247)
Total amount recognized in net assets without donor restrictions	\$ (8,903,275)	\$ (7,121,247)
Components of net post-retirement benefit costs		
Service cost	\$ 588,168	\$ 873,365
Interest cost	966,081	863,900
Expected return on plan assets	(867,322)	(1,158,346)
Amortization of net transition liability	-	-
Amortization of net loss	(492,077)	(176,083)
Amortization of prior service cost	-	-
Net periodic post-retirement benefit cost	\$ 194,850	\$ 402,836
Additional information		
Accumulated benefit obligation	\$ 20,169,563	\$ 22,383,145
Expected contributions in fiscal year ended June 30	\$ 1,304,551	\$ 1,462,743

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Expected benefit payment for fiscal years ending:

2024	\$ 1,305,000
2025	1,009,000
2026	1,054,000
2027	1,084,000
2028	1,106,000
Next five years	5,810,000

Significant assumptions used in determining net periodic post-retirement cost are as follows:

	2023	2022
Discount rate	5.03%	4.77%
Health care - medical	6.67*	6.83*
Nursing home/auto	4.50	5.00
Dental	4.50	4.50

* Trending downward to 4.50% by 2032

The health care cost trend rate assumption has a significant effect on the amounts reported. For example, increasing the health care trend rate by 1% point in each year would increase the accumulated post-retirement benefit obligation at June 30, 2023 by \$3,192,000 and the aggregate of service and interest cost components of net periodic post-retirement benefit cost for the year by \$337,000. Decreasing the health care rate by 1% point in each year would decrease the accumulated post-retirement benefit obligation at June 30, 2023 by \$2,570,000 and the aggregate of service and interest cost components of net periodic post-retirement benefit cost for the year ended by \$259,000.

The Corporation Sole utilizes a long-term rate of return of 6.50% in developing actuarial estimates. The Plans assets are managed by external investment managers who are given the return objectives of achieving a minimum of 6.5% over a complete market cycle and annual income of 3.5% to 5.0%. The Plan has achieved a 7.1% annual return over the past seven years. The estimated amount to be amortized from accumulated net assets without donor restrictions into net periodic benefit costs over the next fiscal year is \$0. The Plan's asset allocation at June 30, by asset category, was as follows:

	Target	Actual
2023:		
Money market	0 - 10%	5%
Fixed income	20 - 50	25
Equities - U.S.	25 - 60	56
Equities - non-U.S.	10 - 25	14
Alternatives	0 - 20	-
2022:		
Money market	0 - 10%	5%
Fixed income	20 - 50	25
Equities - U.S.	25 - 60	56
Equities - non-U.S.	10 - 25	14
Alternatives	0 - 20	-

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On a regular basis the performance of the investments are reviewed by an independent investment committee. The investment committee also reviews the actual asset allocation and periodically rebalances the investment to the target allocation when considered appropriate.

The following tables present the fair value of priest post-retirement assets classified under the appropriate level of the fair value hierarchy as of June 30:

	Level 1	Level 2	Level 3	NAV	Total Fair Value
2023:					
Cash equivalents	\$ 857,127	\$ -	\$ -	\$ -	\$ 857,127
Fixed income	817,540	611,221	250,000	-	1,678,761
Equities	8,041,505	-	-	-	8,041,505
Investments at NAV	-	-	-	3,713,140	3,713,140
	<u>\$ 9,716,172</u>	<u>\$ 611,221</u>	<u>\$ 250,000</u>	<u>\$ 3,713,140</u>	<u>\$ 14,290,533</u>
	Level 1	Level 2	Level 3	NAV	Total Fair Value
2022:					
Cash equivalents	\$ 737,494	\$ -	\$ -	\$ -	\$ 737,494
Fixed income	832,549	809,420	250,000	-	1,891,969
Equities	8,969,263	-	-	-	8,969,263
Investments at NAV	-	-	-	1,774,696	1,774,696
	<u>\$10,539,306</u>	<u>\$ 809,420</u>	<u>\$ 250,000</u>	<u>\$ 1,744,696</u>	<u>\$ 13,343,422</u>

The investment held at NAV within the table above is the same Commingled Core Bond Fund on page 25.

NOTE 10 - BANK FINANCING ARRANGEMENTS (SHORT TERM)

At June 30, 2023 and 2022, the Corporation Sole had available letters of credit totaling \$48,815. The purpose of these arrangements is to provide funding for capital projects. The Corporation Sole had no short-term borrowings as of June 30, 2023 and 2022.

NOTE 11 - TAX-EXEMPT AND LONG-TERM NOTES PAYABLE

The Corporation Sole has two long-term financing arrangements with a balance of \$25,985,256 and \$26,834,324 as of June 30, 2023 and 2022, respectively.

Bank Qualified Tax-Exempt Note Payable

In June 2007, the Maryland Health and Higher Educational Facilities Authority ("MHHEFA") issued revenue bonds in the amount of \$24,165,000. The net proceeds were for financing and refinancing a portion of the costs of acquisition, construction, renovation and equipping of six projects at three elementary school facilities, two secondary school facilities and the facility housing the overall school administration.

In December 2010, the Corporation Sole entered into new financing arrangements and terms on its tax-exempt debt. Through the MHHEFA, a commercial financial institution purchased all of the 2007 issued revenue bonds outstanding and entered into a bank qualified tax-exempt loan with the Corporation Sole.

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The bank qualified tax-exempt loan has a monthly floating interest rate based on London Interbank Offered Rate (“LIBOR”). The weighted interest rate for the fiscal years ended June 30, 2023 and 2022 was 0.00% and 4.48%, respectively. The bank qualified tax-exempt loan requires the Corporation Sole to pledge collateral in the form of property equal to the amount outstanding. The bank qualified loan requires compliance with certain financial covenants and other performance requirements. The Corporation Sole is in compliance with these requirements as of June 30, 2023 and 2022.

The Corporation Sole has entered into an interest rate swap agreement for half of the principal amount due with a fixed rate of 3.973%. The interest rate swap agreement originated in 2007 was not affected by the re-financing terms. It is identified as Swap No. 1 in Note 3 - Summary of Significant Accounting Policies. In August 2011, the Corporation Sole entered into an additional interest rate swap agreement for the remaining principal amount due with a fixed rate of 2.75%. This interest rate swap agreement identified as Swap No. 3 in Note 3 - Summary of Significant Accounting Policies, became effective July 2012.

The debt is expected to be fully paid in June 2037. Principal payments due over the next five years and thereafter are as follows:

<u>Fiscal Years Ending June 30,</u>	
2024	\$ -
2025	407,917
2026	1,228,750
2027	1,359,583
2028	1,429,167
Thereafter	<u>17,249,583</u>
	<u>\$ 21,675,000</u>

Long-Term Note Payable

In June 2007, the Corporation Sole entered into a twenty-year note payable (“2007 Note”) with a commercial financial institution in the amount of \$15,905,000. The purpose of the loan was to refinance short-term debt and to finance future capital projects. The note was refinanced in 2011 under new terms with a new commercial financial institution. The refinanced note (“2011 Note”) was split into two separate notes each requiring certain collateral. As of June 30, 2023 and 2022, Note A has an outstanding balance of \$2,511,765 and \$3,005,882, respectively. Note B outstanding amounts were \$1,798,491 and \$2,153,443 as of June 30, 2023 and 2022, respectively. In 2014, both notes were extended under new terms with the same commercial financial institution (“2014 Note”), primarily changing collateral from cash and property to cash only.

The 2014 Note - Note A is secured by certain cash funds equal to the outstanding amount with a variable interest rate of LIBOR plus 75 bps. The 2014 Note - Note B is secured by certain cash funds equal to the outstanding amount with a variable interest rate of LIBOR plus 75 bps. The weighted-interest rate of the total term loans for fiscal years 2023 and 2022 was 0.00% and 3.69%, respectively.

Prior to August 2010, the Corporation Sole had entered into an interest rate swap agreement for half of the principal amount due with a fixed rate of 5.86%. As part of the refinancing arrangements, the original rate swap agreement was terminated, and a new interest rate swap agreement was provided by a commercial finance institution holding the term loan. The new interest rate swap agreement continues to have the same notional schedule as the original agreement reflecting half of the outstanding amount due.

The new swap has a fixed rate of 6.144%. The current swap agreement is identified as Swap No. 2 in Note 3 - Summary of Significant Accounting Policies.

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The note requires compliance with certain financial covenants and other performance requirements. Central Services is in compliance with these requirements as of June 30, 2023. Principal payments due over the next five years and thereafter are as follows:

<u>Fiscal Years Ending June 30,</u>	
2024	\$ 849,068
2025	849,068
2026	849,068
2027	849,068
2028	849,068
Thereafter	<u>64,916</u>
	<u>\$ 4,310,256</u>

NOTE 12 - CATHOLIC COMMUNITY SCHOOL LAND, INC. - NEW MARKET TAX CREDIT

On December 31, 2019, CCSLC entered into a New Market Tax Credit (“NMTC”) transaction related to the construction of Mother Mary Lange School (the “School”), a kindergarten through eighth grade school located in West Baltimore City. The Land Corp. will construct and own the land and fixed assets of the School and the School will pay lease payments annually beginning in 2021 to the Land Corp. The NMTC transaction provides long-term debt financing to the Land Corp. through two notes payable (Note A & Note B, respectively) issued by Harbor Community Fund XXI LLC totaling \$4,900,000. Note A totaled \$3,486,900 as of June 30, 2023 and 2022 and matures December 1, 2054. Note A requires only interest payments until December 10, 2028, when principal payments begin. Interest expense of \$34,869 was incurred during the years ended June 30, 2023 and 2022, respectively, on Note A. Note B totaled \$1,413,100 as of June 30, 2023 and 2022, and matures on December 1, 2054. Note B requires only interest payments until December 10, 2028, when principal payments begin. Interest expense of \$14,131 was incurred during the years ended June 30, 2023 and 2022, respectively, on Note B.

On November 20, 2020, the Land Corp. entered into a second NMTC transaction related to the construction of the School. The NMTC transaction provides long-term debt financing to the Land Corp. through four additional notes payable (Note C, Note D, Note E & Note F) issued by Harbor Community Fund XXI LLC totaling \$19,110,000. Note C totaled \$ 9,365,971 and matures December 1, 2059. Note C requires only interest payments until December 10, 2028, when principal payments begin. Interest expense of \$93,660 was incurred during the during the years ended June 30, 2023 and 2022 on Note C. Note D totaled \$2,884,029 as of June 30, 2023, and matures on December 1, 2059. Note D requires only interest payments until December 10, 2028, when principal payments begin. Interest expense of \$28,840 was incurred during the during the years ended June 30, 2023 and 2022 on Note D. Note E totaled \$5,327,471 as of June 30, 2023, and matures on December 1, 2059. Note E requires only interest payments until December 10, 2028, when principal payments begin. Interest expense of \$53,275 was incurred during the during the years ended June 30, 2023 and 2022 on Note E. Note F totaled \$1,532,529 as of June 30, 2023, and matures on December 1, 2059. Note F requires only interest payments until December 10, 2028, when principal payments begin. Interest expense of \$15,325 was incurred during the years ended June 30, 2023 and 2022 on Note F.

Each respective Note entered into through the NMTC transactions carries an interest rate of 1.00%. The notes related to the NMTC transactions require compliance with certain financial covenants and other performance requirements. The Corporation Sole is in compliance with these requirements as of June 30, 2023 and 2022.

**Central Services of the Roman Catholic Archbishop of Baltimore
(A corporation sole of the State of Maryland, and other combined entities)**

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

NOTE 13 - NET ASSETS WITH DONOR RESTRICTIONS - TIME AND PURPOSE RESTRICTED

Net assets with donor restrictions, for purpose and/or time, as of June 30 include the following:

	2023	2022
PIE	\$ 164,670	\$ 171,322
EOM	204,919	1,734,116
Other Central Services initiatives	1,572,023	1,155,386
	\$ 1,941,612	\$ 3,060,824

NOTE 14 - CONTINGENT LIABILITIES

The Corporation Sole has entered into several gift annuities for the benefit of certain affiliated entities. The Corporation Sole has segregated assets to provide for these annuities as separate and distinct funds independent from Central Services. These funds may not be applied to payments of any debts and/or obligations of the Combined Entities.

These gift annuities require regular payments to donors reducing annuity principal balances. Upon the death of the donor, any remaining balance is given to stated Archdiocesan beneficiaries. Any regularly scheduled payments to donors that are in excess of annuity principal would be made by Central Services. As of June 30, 2023, the required balance is believed to be sufficient to cover the estimated remaining annuity payments.

NOTE 15 - LEASES

On July 1, 2022, the Archdiocese recorded \$1,161,386 in operating lease ROU assets and operating lease liabilities. The operating lease ROU assets and corresponding operating lease liabilities totaled \$959,791 as of June 30, 2023. The operating lease ROU assets are reported in the combined statement of financial position as a component of prepaids and other assets. The operating lease liabilities are reported in the combined statement of financial position as a component of accounts payable, accrued expenses and interest rate swap agreements. The adoption of ASC 842 had no significant impact on the Company's statement of activities and changes in net assets.

The Archdiocese does not allocate consideration between lease and non-lease components, such as operating costs, as the Archdiocese has elected to not separate lease and non-lease components for any leases within its existing classes of assets. The Archdiocese does not recognize ROU assets and corresponding lease liabilities with a lease term of 12 months or less from the lease commencement date. Operating lease expense for fixed lease payments is recognized on a straight-line basis over the lease term. Variable lease payments for usage-based fees are not included in the measurement of the ROU assets or lease liabilities and are expensed as incurred.

The components of lease cost follow (in thousands) as of June 30, 2023:

	2023
Operating lease costs	\$ 228,350
Short term lease costs	22,632
	\$ 250,982

**Central Services of the Roman Catholic Archbishop of Baltimore
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NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

The operating lease costs are reflected on the combined statement of activities and changes in net assets under Operating Expenses.

Cash paid for amounts operating lease liabilities was \$228,350 for the year ended June 30, 2023. ROU obtained in exchange for new operating lease liabilities were \$58,044 for the year ended June 30, 2023.

The following table represents the weighted-average remaining lease term and discount rate as of June 30, 2023:

Weighted average remaining lease term (years)	4.76
Weighted average discount rate	2.90%

Future undiscounted lease payments for the Archdiocese's operating lease liabilities are as follows as of June 30, 2023 (in thousands):

2024	\$ 289,018
2025	216,039
2026	140,002
2027	136,944
2028	130,294
Thereafter	<u>115,083</u>
Total future lease payments	1,027,380
Less: imputed interest	<u>(67,589)</u>
Present value of lease liabilities	<u>\$ 959,791</u>

Total rent expense for the year ended June 30, 2022 was \$53,844. Rent expense related to lease agreements was recognized per the monthly fixed rate agreements.

Upon adoption of ASC 842, the Archdiocese also evaluated lease contracts where the Archdiocese acts as lessor. Similar to those lease contracts where the Archdiocese is lessor, the Archdiocese adopted a package of practical expedients which did the following:

- Eliminates the need to reassess (1) whether any expired or existing contracts are or contain leases; (2) the lease classification for any expired or existing leases; and (3) the initial direct costs for any existing leases.

For existing leases, the Archdiocese did not elect the use of hindsight and did not reassess lease term upon adoption.

Rental income is recognized on a straight-line basis over the life of the lease agreement. When cash payments under differ from the straight-line method of income recognition, an uncollected rent asset is recognized. As of June 30, 2023, an uncollected rent asset of \$405,380 was recorded under Other Assets on the combined statement of financial position related to one lease contract.

Rental income recorded on the lease contracts was \$972,389 for the year ended June 30, 2023. Cash received as rental payments was \$567,009 in fiscal year 2023.

**Central Services of the Roman Catholic Archbishop of Baltimore
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NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

NOTE 16 - RELATED PARTY TRANSACTIONS

Central Services leases office space to certain affiliated organizations. Rental income from these leases included in the combined statements of activities and changes in net assets was \$156,588 and \$150,624 for years ended June 30, 2023 and 2022, respectively.

Mercy Ridge, Inc., a continuing care retirement community, is a joint venture between Central Services and Mercy Health Services. There is a sponsorship agreement between Central Services and Mercy Ridge, Inc. whereby Central Services earns an annual payment in the amount of \$2,871 per each assisted and independent living unit constructed in the project, subject to a consumer price index increase, and is contingent upon Mercy Ridge, Inc. meeting its occupancy test as defined in the Amended and Restated Sponsorship Agreement. For the years ended June 30, 2023 and 2022, the Archdiocese received sponsorship fees from Mercy Ridge, Inc. totaling \$712,303 and \$653,153, respectively. Central Services provided funds to pay expenses for the care of certain retired priests residing at Mercy Ridge, Inc. during the years ended June 30, 2023 and 2022. Total expenses paid to Mercy Ridge were \$1,128,400 and \$872,021, respectively.

Central Services was awarded \$0 and \$115,000 in grants to fund special projects and operations from John Carroll Foundation in the Archdiocese of Baltimore ("JCF"), a non-combined affiliate within the Archdiocese, for the years ended June 30, 2023 and 2022.

Central Services awarded grants of \$5,464,789 and \$6,281,333 to parishes and schools for the years ended June 30, 2023 and 2022, respectively. Included in Central Services awards in fiscal years 2023 and 2022, respectively, are \$1,273,425 and \$1,391,370 in tuition assistance from Partners in Excellence, and \$1,772,885 and \$1,345,361 in tuition assistance and subsidy to Archdiocesan schools, and \$8,105 and \$71,404 in Mustard Seed Match for tuition assistance endowments within CCF. The Archbishop's Annual Appeal annual campaign awarded grants of \$3,396,844 and of \$3,332,721 to parishes, schools, and other Archdiocesan entities for the years ended June 30, 2023 and 2022, respectively. EOM recognized grants of \$556,285 and \$(653,541) for parishes, schools, and other Archdiocesan entities for the years ended June 30, 2023 and 2022, respectively.

Central Services was awarded \$2,018,394 and \$1,560,195 in grants to fund specific operating areas from CCF for the years ended June 30, 2023 and 2022, respectively. Additionally, Central Services recorded \$814,798 and \$805,845 in fee income to provide administrative services for CCF.

Central Services recorded \$0 and \$500,000 in fee income to provide administrative services to IPLF for years ended June 30, 2023 and 2022, respectively.

CCSLC received grants from Mother Mary Lange Support Corporation ("MMLSC"), a related entity, totaling \$329,000 and \$1,328,836 for the years ended June 30, 2023 and 2022, respectively. As of June 30, 2023, land, land improvements, buildings, and equipment totaling \$24,728,182 had been acquired by the CCSLC. Construction on the School was completed during June 2022 and there were no additional purchases in FY23.

During the year ended June 30, 2022, Central Services used proceeds from the sale of Seton Keough High School to pay back an IPLF loan totaling \$4,812,092 on behalf of MMLSC. As part of the transaction, Central Services granted \$2,500,000 to MMLSC and gave an interest free loan of \$2,312,092. As of June 30, 2023 the balance of the interest free loan is \$1,644,786.

**Central Services of the Roman Catholic Archbishop of Baltimore
(A corporation sole of the State of Maryland, and other combined entities)**

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

NOTE 17 - LITIGATION

The Corporation Sole is subject to various commitments and contingent liabilities, including general litigation. Various lawsuits and claims are pending against the Corporation Sole, the majority of which are subject to coverage under Central Services' insurance programs. The Corporation Sole is also aware of potential claims, some involving alleged sexual abuse. The Corporation Sole and legal counsel cannot presently determine the merits of these potential claims and the potential for losses not covered by existing insurance until such time as additional information is made available.

NOTE 18 - SUBSEQUENT EVENTS

Central Services evaluated its June 30, 2023 combined financial statements for subsequent events through December 21, 2023, the date the combined financial statements were available to be issued. Management is not aware of any subsequent events, other than those described in Note 2, which would require recognition or disclosure to the accompanying financial statements.

SUPPLEMENTARY INFORMATION

Central Services of the Roman Catholic Archbishop of Baltimore
(A corporation sole of the State of Maryland, and other combined entities)

SUPPLEMENTAL SCHEDULE OF INSURANCE OPERATIONS

Year ended June 30, 2023

Schedule I

	General Reserve Fund*	Health Reserve Fund	Misconduct Fund	2023 Total
Premium contributions	19,266,294	42,453,904	1,848,691	63,568,889
Premium expense	7,929,118	2,012,428	797,000	10,738,546
Claims expense	3,829,511	40,085,528	(193,339)	43,721,700
Administrative charges	3,435,035	1,382,067	480,170	5,297,272
Other expenses	670,685	1,508,699	77,645	2,257,029
Total expenses	<u>15,864,349</u>	<u>44,988,722</u>	<u>1,161,476</u>	<u>62,014,547</u>
Net operating surplus (deficit)	3,401,945	(2,534,818)	687,215	1,554,342
Investments:				
Return on investments, net	<u>2,100,857</u>	<u>1,098,197</u>	<u>96,763</u>	<u>3,295,817</u>
Net surplus (deficit)	<u><u>5,502,802</u></u>	<u><u>(1,436,621)</u></u>	<u><u>783,978</u></u>	<u><u>4,850,159</u></u>

* Includes property and casualty, auto, worker's compensation, short-term and long-term disability, unemployment and life insurance.

This schedule should be read in conjunction with the accompanying report of independent certified public accountants and the combined financial statements and notes thereto.

Central Services of the Roman Catholic Archbishop of Baltimore
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SUPPLEMENTAL SCHEDULE OF INSURANCE OPERATIONS

Year ended June 30, 2022

Schedule I

	<u>General Reserve Fund*</u>	<u>Health Reserve Fund</u>	<u>Misconduct Fund</u>	<u>2022 Total</u>
Premium contributions	\$ 18,027,831	\$ 42,367,070	\$ 1,837,225	\$ 62,232,126
Premium expense	7,628,850	1,585,978	773,786	9,988,614
Claims expense	5,906,355	36,381,640	499,104	42,787,099
Administrative charges	2,616,818	1,532,684	448,347	4,597,849
Other expenses	<u>525,526</u>	<u>767,678</u>	<u>77,163</u>	<u>1,370,367</u>
Total expenses	<u>16,677,549</u>	<u>40,267,980</u>	<u>1,798,400</u>	<u>58,743,929</u>
Net operating surplus	1,350,282	2,099,090	38,825	3,488,197
Investments:				
Return on investments, net	<u>(5,339,880)</u>	<u>(2,692,263)</u>	<u>(226,298)</u>	<u>(8,258,441)</u>
Net deficit	<u>\$ (3,989,598)</u>	<u>\$ (593,173)</u>	<u>\$ (187,473)</u>	<u>\$ (4,770,244)</u>

* Includes property and casualty, auto, worker's compensation, short-term and long-term disability, unemployment and life insurance.

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Central Services of the Roman Catholic Archbishop of Baltimore
(A corporation sole of the State of Maryland, and other combined entities)

SUPPLEMENTAL SCHEDULE OF CENTRAL SERVICES

STATEMENTS OF FINANCIAL POSITION

June 30,

Schedule II

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 19,287,794	\$ 26,767,723
Investment, at fair value		
Unrestricted	21,972,385	20,774,760
Designated to support Central Service programs	27,225,074	26,028,020
Designated for insurance programs	62,667,330	59,371,513
Designated for Partners in Excellence	540,196	529,155
Investments held in perpetuity	17,455,293	16,773,619
Agency	4,311,487	4,106,308
Total cash, cash equivalents and investments	153,459,559	154,351,098
Contributions receivable, net	815,844	387,610
IPLF Loans and accounts receivable from Archdiocesan parishes, schools and entities, net	34,113,430	36,001,924
Prepaid expenses and other assets	6,184,544	4,728,044
Land, buildings and equipment, net	15,584,979	15,919,181
Total assets	\$ 210,158,356	\$ 211,387,857
LIABILITIES AND NET ASSETS		
Liabilities		
Demand notes payable to parishes, schools and related entities	\$ -	\$ 3,487,866
Agency investments and liabilities to related entities	4,657,384	5,240,487
Accounts payable and accrued expenses	11,096,166	12,948,360
Grants payable	67,134	128,590
Claims reserve	13,539,349	15,096,676
Pension and post-retirement benefit obligation	21,166,245	25,815,836
Bonds and long-term notes payable	25,985,256	26,834,324
Total liabilities	76,511,534	89,552,139
Net assets		
Without donor restrictions	114,454,852	103,735,405
With donor restrictions	19,191,970	18,100,313
Total net assets	133,646,822	121,835,718
Total liabilities and net assets	\$ 210,158,356	\$ 211,387,857

This schedule should be read in conjunction with the accompanying report of independent certified public accountants and the combined financial statements and notes thereto.

Central Services of the Roman Catholic Archbishop of Baltimore
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SUPPLEMENTAL SCHEDULE OF CENTRAL SERVICES

STATEMENT OF ACTIVITIES

Year ended June 30, 2023

Schedule III

	Department of Vicariate and Pastoral Leadership	Department of Management Services	Department of Development	Department of Human Resources	Department of Evangelization	Department of Catholic Schools	General Operations and Parish Support	Total 2023
Operating revenue								
Cathedraticum	\$ 6,794,075	\$ 3,092,116	\$ 1,304,808	\$ 859,505	\$ 978,071	\$ 761,571	\$ 1,259,854	\$ 15,050,000
Program contributions and service fees	705,887	2,429,834	947,917	273,555	252,206	1,272,850	-	5,882,249
Annual appeal	1,395,000	-	-	-	1,340,000	-	515,000	3,250,000
CCF grants	222,493	3,008	-	-	57,477	453,148	1,196,708	1,932,834
Contributions and bequests	1,467,246	-	-	-	71,606	16,988	3,921,942	5,477,782
Other income	774,494	527,025	-	-	9,987	7,500	1,411,310	2,730,316
Investment income	376,917	76,178	217,437	-	64,664	56,237	1,490,626	2,282,059
	<u>11,736,112</u>	<u>6,128,161</u>	<u>2,470,162</u>	<u>1,133,060</u>	<u>2,774,011</u>	<u>2,568,294</u>	<u>9,795,440</u>	<u>36,605,240</u>
Operating expenses								
Salaries and benefits	4,723,027	4,486,966	2,008,954	947,133	1,726,018	1,553,138	-	15,445,236
Program and office	5,856,846	1,555,286	307,776	178,807	824,572	788,729	3,645,569	13,157,585
Professional fees and dues	954,045	78,289	153,432	2,120	175,261	158,821	1,010,623	2,532,591
Grants	202,194	7,620	-	5,000	48,160	67,606	5,464,789	5,795,369
	<u>11,736,112</u>	<u>6,128,161</u>	<u>2,470,162</u>	<u>1,133,060</u>	<u>2,774,011</u>	<u>2,568,294</u>	<u>10,120,981</u>	<u>36,930,781</u>
Operating (deficit)	-	-	-	-	-	-	(325,542)	(325,542)
Other activity								
Bond financing project, net	-	-	-	-	-	-	(652,540)	(652,540)
Insurance program, net	-	-	-	-	-	-	4,850,159	4,850,159
Clergy on special assignment	-	-	-	-	-	-	(393,464)	(393,464)
Retired clergy medical care, net	-	-	-	-	-	-	(219,155)	(219,155)
Gain on retirement plan valuation	-	-	-	-	-	-	4,649,591	4,649,591
Realized/unrealized investment gains	-	-	-	-	-	-	2,580,362	2,580,362
Gain on SWAP agreements	-	-	-	-	-	-	1,321,761	1,321,761
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,136,714</u>	<u>12,136,714</u>
Total surplus	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,811,173</u>	<u>\$ 11,811,173</u>

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Central Services of the Roman Catholic Archbishop of Baltimore
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SUPPLEMENTAL SCHEDULE OF CENTRAL SERVICES

STATEMENT OF ACTIVITIES

Year ended June 30, 2022

Schedule III

	Department of Vicariate and Pastoral Leadership	Department of Management Services	Department of Development	Department of Human Resources	Department of Evangelization	Department of Catholic Schools	General Operations and Parish Support	Total 2022
Operating revenue								
Cathedraticum	\$ 6,011,629	\$ 2,872,245	\$ 815,838	\$ 866,443	\$ 640,139	\$ 1,367,961	\$ 2,080,472	\$ 14,654,727
Program contributions and service fees	550,224	2,715,122	1,376,535	257,363	229,437	996,514	291,654	6,416,849
Annual appeal	1,420,500	-	-	-	1,180,000	-	515,000	3,115,500
CCF grants	184,493	2,560	-	-	48,764	216,466	1,041,080	1,493,363
Contributions and bequests	760,077	-	-	-	5,400	28,906	4,523,897	5,318,280
Other income	683,438	248,932	-	-	137,275	72,287	9,517,637	10,659,569
Investment income	359,599	-	-	-	7,500	7,500	1,087,297	1,461,896
	<u>9,969,960</u>	<u>5,838,859</u>	<u>2,192,373</u>	<u>1,123,806</u>	<u>2,248,515</u>	<u>2,689,634</u>	<u>19,057,037</u>	<u>43,120,184</u>
Operating expenses								
Salaries and benefits	4,480,251	4,292,564	1,818,010	895,015	1,332,284	1,890,908	-	14,709,032
Program and office	4,975,615	1,475,455	303,800	228,621	771,233	634,598	3,135,790	11,525,112
Professional fees and dues	357,006	64,140	70,563	-	144,398	115,951	785,144	1,537,202
Grants	157,088	6,700	-	170	600	48,177	6,281,333	6,494,068
	<u>9,969,960</u>	<u>5,838,859</u>	<u>2,192,373</u>	<u>1,123,806</u>	<u>2,248,515</u>	<u>2,689,634</u>	<u>10,202,267</u>	<u>34,265,414</u>
Operating surplus	-	-	-	-	-	-	8,854,770	8,854,770
Other activity								
Bond financing project, net	-	-	-	-	-	-	(529,371)	(529,371)
Insurance program, net	-	-	-	-	-	-	(4,770,242)	(4,770,242)
Clergy on special assignment	-	-	-	-	-	-	(453,380)	(453,380)
Retired clergy medical care, net	-	-	-	-	-	-	141,023	141,023
Gain on retirement plan valuation	-	-	-	-	-	-	9,816,370	9,816,370
Realized/unrealized investment gains	-	-	-	-	-	-	(10,173,702)	(10,173,702)
Gain on SWAP agreements	-	-	-	-	-	-	3,099,153	3,099,153
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,870,149)</u>	<u>(2,870,149)</u>
Total surplus	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,984,621</u>	<u>\$ 5,984,621</u>

This schedule should be read in conjunction with the accompanying report of independent certified public accountants and the combined financial statements and notes thereto.

**Central Services of the Roman Catholic Archbishop of Baltimore
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SUPPLEMENTAL SCHEDULE OF ARCHBISHOP'S ANNUAL APPEAL

STATEMENTS OF FINANCIAL POSITION

June 30,

Schedule IV

	2023	2022
ASSETS		
Cash and investments	\$ 5,562,425	\$ 3,492,989
Pledges receivable, net of allowance of \$288,393 and \$388,553 in 2023 and 2022, respectively	1,086,022	1,408,495
Total assets	\$ 6,648,447	\$ 4,901,484
LIABILITIES AND NET ASSETS		
Liabilities		
Campaign grants payable	\$ 4,006,997	\$ 1,561,467
Accounts payable and accrued liabilities	1,594,210	1,458,176
Total liabilities	5,601,207	3,019,643
Net assets		
Designated without donor restrictions	1,047,240	1,881,841
Total liabilities and net assets	\$ 6,648,447	\$ 4,901,484

This schedule should be read in conjunction with the accompanying report of independent certified public accountants and the combined financial statements and notes thereto.

Central Services of the Roman Catholic Archbishop of Baltimore
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SUPPLEMENTAL SCHEDULE OF ARCHBISHOP'S ANNUAL APPEAL

STATEMENTS OF ACTIVITIES

Years ended June 30,

Schedule V

	2023	2022
Revenues		
Gifts and pledges	\$ 7,589,082	\$ 8,605,932
Allowance for uncollectibles	(309,880)	(207,326)
Investments, net	29,950	(35,264)
	<u>7,309,152</u>	<u>8,363,342</u>
Expenses		
Fundraising costs and administration	<u>1,496,911</u>	<u>1,692,164</u>
Grant expenditures		
Evangelization and Pastoral Services		
Associated Catholic Charities	1,072,764	1,100,512
Strengthening parishes and forming church leaders	3,289,080	2,502,709
Respect life ministries and programs	100,000	100,000
Chaplaincy (hospital, prison, and Apostleship of the Sea)	90,000	90,000
Hispanic ministries	100,000	100,000
Continuing education and Evangelization programs	600,000	485,000
Supporting work for the Holy Father	100,000	100,000
	<u>5,351,844</u>	<u>4,478,221</u>
Total Liturgical and Pastoral Services		
Priest Care and Clergy Services:		
Vocations	250,000	700,000
Sr. Priest medical care	200,000	100,000
	<u>450,000</u>	<u>800,000</u>
Total Priest Care and Clergy Services		
Young Adult and Youth Education Ministries:		
Tuition and school assistance	515,000	515,000
Newman Centers	250,000	550,000
O'Dwyer retreat house and Youth Ministry Support	80,000	105,000
	<u>845,000</u>	<u>1,170,000</u>
Total Young Adult and Youth Education Ministries		
Total expenses and grant expenditures	<u>8,143,755</u>	<u>8,140,385</u>
NET (DEFICIT) SURPLUS	<u>\$ (834,603)</u>	<u>\$ 222,957</u>

This schedule should be read in conjunction with the accompanying report of independent certified public accountants and the combined financial statements and notes thereto.

**Central Services of the Roman Catholic Archbishop of Baltimore
(A corporation sole of the State of Maryland, and other combined entities)**

SUPPLEMENTAL SCHEDULE OF PARTNERS IN EXCELLENCE

STATEMENTS OF FINANCIAL POSITION

June 30,

Schedule VI

	2023	2022
ASSETS		
Cash and marketable securities	\$ 788,061	\$ 795,226
Pledges receivable, net of allowances of \$0 and \$1,027 in fiscal 2023 and 2022, respectively	170,671	171,323
Investments with donor restrictions	598,300	598,300
Total assets	\$ 1,557,032	\$ 1,564,849
LIABILITIES AND NET ASSETS		
Liabilities		
Grants payable	\$ -	\$ 48,359
Net assets		
Without donor restrictions	794,062	746,868
With donor restrictions	762,970	769,622
Total liabilities and net assets	\$ 1,557,032	\$ 1,564,849

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Central Services of the Roman Catholic Archbishop of Baltimore
(A corporation sole of the State of Maryland, and other combined entities)

SUPPLEMENTAL SCHEDULE OF PARTNERS IN EXCELLENCE

STATEMENTS OF ACTIVITIES

Years ended June 30,

Schedule VII

	2023	2022
Revenues		
Gifts and pledges	\$ 1,600,706	\$ 1,648,453
Investment income, net	49,987	(83,969)
Total revenues	1,650,693	1,564,484
Expenses		
Fund raising expenditures	336,726	237,650
Adult and faith education ministries - tuition assistance	1,273,425	1,391,371
Total expenses	1,610,151	1,629,021
NET SURPLUS (DEFICIT)	\$ 40,542	\$ (64,537)

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**Central Services of the Roman Catholic Archbishop of Baltimore
(A corporation sole of the State of Maryland, and other combined entities)**

SUPPLEMENTAL SCHEDULE OF CHILD NUTRITION PROGRAM

STATEMENTS OF FINANCIAL POSITION

June 30,

Schedule VIII

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 164,588	\$ 425,539
Accounts receivable	115,726	35,623
Office and kitchen equipment, net	27,271	31,664
Total assets	\$ 307,585	\$ 492,826
LIABILITIES AND NET ASSETS (DEFICIT)		
Liabilities		
Accounts payable and accrued liabilities	\$ 168,434	\$ 1,906,052
Total liabilities	168,434	1,906,052
Net deficit		
Without donor restriction	139,151	(1,413,226)
Total liabilities and net assets (deficit)	\$ 307,585	\$ 492,826

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Central Services of the Roman Catholic Archbishop of Baltimore
(A corporation sole of the State of Maryland, and other combined entities)

SUPPLEMENTAL SCHEDULE OF CHILD NUTRITION PROGRAM

STATEMENTS OF ACTIVITIES

Years ended June 30,

Schedule IX

	2023	2022
Revenues		
Federal reimbursements	\$ 738,804	\$ 1,200,801
State reimbursements	19,794	7,017
Commodities received	126,313	109,111
Food sales at schools	142,529	858
Other income	1,707,264	84,964
Total revenues	2,734,704	1,402,751
Expenses		
Salaries and benefits	543,747	543,401
Food services, storage and commodities	572,305	639,116
Equipment rentals and expenses	5,572	13,063
Office supplies and miscellaneous	60,703	66,848
Total expenses	1,182,327	1,262,428
NET SURPLUS	\$ 1,552,377	\$ 140,323

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**Central Services of the Roman Catholic Archbishop of Baltimore
(A corporation sole of the State of Maryland, and other combined entities)**

SUPPLEMENTAL SCHEDULE OF EMBRACING OUR MISSION PROGRAM

STATEMENTS OF FINANCIAL POSITION

June 30,

Schedule X

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and investments	\$ 4,147,064	\$ 5,132,494
Pledges receivable, net of allowances of \$0 and \$384,333 in 2023 and 2022, respectively	<u>204,919</u>	<u>1,418,803</u>
Total assets	<u><u>\$ 4,351,983</u></u>	<u><u>\$ 6,551,297</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Campaign grants payable	\$ 3,729,316	\$ 3,091,239
Accounts payable and accrued liabilities	<u>393,957</u>	<u>618,898</u>
Total liabilities	<u>4,123,273</u>	<u>3,710,137</u>
Net assets		
With donor restrictions	<u>228,710</u>	<u>2,841,160</u>
Total liabilities and net assets	<u><u>\$ 4,351,983</u></u>	<u><u>\$ 6,551,297</u></u>

This schedule should be read in conjunction with the accompanying report of independent certified public accountants and the combined financial statements and notes thereto.

**Central Services of the Roman Catholic Archbishop of Baltimore
(A corporation sole of the State of Maryland, and other combined entities)**

SUPPLEMENTAL SCHEDULE OF EMBRACING OUR MISSION PROGRAM

STATEMENTS OF ACTIVITIES - Final Accounting of Campaign

Years ended June 30

Schedule XI

	2023	Campaign to Date
Revenues		
Gifts and pledges	\$ 47,194	\$ 128,564,294
Allowance for uncollectible amounts	-	(23,020,103)
Total net revenue	47,194	105,544,191
Expenses		
Fundraising costs and administration	1,160,442	16,271,505
Grant commitments		
Support of Catholic Charities	-	8,200,000
Support of Catholic Education:		
Capital improvements to schools	304,444	14,226,193
Academic program enhancements	199,154	3,749,999
Tuition assistance endowment	-	11,915,085
Direct tuition assistance	-	1,757,504
Support of Cathedrals	-	6,440,000
Support of Clergy:		
Vocations	-	1,315,050
Priest retirement/medical	-	6,904,751
Support of evangelization and religious education	1,354,065	4,485,443
Other		4,184,249
Parish share	(358,464)	25,865,704
Total grant commitments	1,499,199	89,043,978
Total expenses and support area grant commitments	2,659,641	105,315,483
CHANGES IN NET ASSETS (will be allocated to support areas when cash is available)	\$ (2,612,447)	\$ 228,708

Note: For accounting purposes, campaign support areas associated directly with other established campaign areas such as PIE and CCF, Inc. are not included in the above. Such amounts are included within the separately reported campaigns. A summary of total campaign support goals and progress including these other campaign areas:

	Through June 30, 2023	Campaign Overall Goal
Campaign Priority Areas of Support		
Support of Catholic Charities (includes \$350,000 in CCF, Inc. and \$650,000 direct to ACC)	\$ 9,200,000	\$ 9,200,000
Support of Catholic Education:		
Tuition assistance and endowments (includes \$10,189,935 in CCF, Inc.)	22,105,020	22,104,444
Capital improvements to schools	14,294,199	14,294,200
Academic program enhancements (includes \$400,000 in CCF, Inc.)	4,150,000	4,150,000
Direct tuition assistance (includes \$2,238,109 in PIE & \$610,184 in AoB Gala)	4,105,800	4,105,800
Support of Clergy (Retirement Vocations) (includes \$377,811 in CCF, Inc.)	8,597,612	8,597,612
Support of Cathedrals	6,440,000	6,440,000
Support of Evangelization and Rel. Educ (includes \$25,000 in CCF, Inc.)	5,007,944	4,707,944
Local Parish Support (includes \$461,333 in CCF, Inc.)	26,326,837	18,400,000
Unallocated but expected future collections	228,708	-
Total Priority Areas of Campaign	\$ 100,456,120	\$ 92,000,000

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