

**THE PROGRAM AND ADMINISTRATIVE  
OFFICES OF THE CORPORATION OF  
THE CATHOLIC ARCHBISHOP OF SEATTLE**

Financial Statements

For the Years Ended June 30, 2023 and 2022

## Table of Contents

---

	Page
<b>Independent Auditor's Report</b>	1 - 3
<b>Financial Statements:</b>	
Statements of Financial Position	4
Statements of Activities and Changes in Net Assets	5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 31
<b>Supplementary Information:</b>	
Statement of Financial Position by Fund	32 - 33
Statement of Activities and Changes in Net Assets by Fund	34 - 35

## Independent Auditor's Report

**Most Reverend Paul D. Etienne  
Catholic Archbishop of Seattle  
The Program and Administrative Offices of the  
Corporation of the Catholic Archbishop of Seattle  
Seattle, Washington**

### Opinion

We have audited the financial statements of the Program and Administrative Offices of the Corporation of the Catholic Archbishop of Seattle (the Archdiocese), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Archdiocese as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Archdiocese and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

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

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



T: 425-454-4919  
T: 800-504-8747  
F: 425-454-4620

10900 NE 4th St  
Suite 1400  
Bellevue WA  
98004

[clarknuber.com](http://clarknuber.com)

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Archdiocese's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Archdiocese's ability to continue as a going concern for a reasonable period of time.

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

## **Report on Supplementary Information**

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

## **Other Matter**

The financial statements of the Archdiocese for the year ended June 30, 2022, were audited by another auditor who expressed an unmodified opinion on those statements on December 20, 2022.

*Clark Nuber P.S.*

Certified Public Accountants  
December 21, 2023

**THE PROGRAM AND ADMINISTRATIVE OFFICES OF THE  
CORPORATION OF THE CATHOLIC ARCHBISHOP OF SEATTLE**  
**Statements of Financial Position**  
**June 30, 2023 and 2022**  
(In Thousands)

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash	\$ 6,701	\$ 22,601
Investments	53,135	45,563
Contributions and other receivables	10,258	6,349
Notes receivable, current portion	21	6
Insurance reimbursement receivable		237
Prepaid expenses and other assets	339	202
	<u>70,454</u>	<u>74,958</u>
<b>Total Current Assets</b>	<b>70,454</b>	<b>74,958</b>
Endowment investments	21,505	17,859
Annuities and trusts investments	3,686	3,748
Notes receivable, less current portion and net of allowance	357	376
Net priests' pension plans asset	9,959	5,003
Priests' health plan assets	13,864	13,051
Property and equipment, net	20,505	18,601
	<u>140,330</u>	<u>133,596</u>
<b>Total Assets</b>	<b>\$ 140,330</b>	<b>\$ 133,596</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Revolving fund deposits	\$ 46,222	\$ 49,239
Accounts payable and accrued expenses	5,233	4,363
Deferred revenue	871	839
Insurance claims payable	13,873	14,571
Priests' health plan liability, current portion	609	612
Custodial liabilities	7,618	6,108
	<u>74,426</u>	<u>75,732</u>
<b>Total Current Liabilities</b>	<b>74,426</b>	<b>75,732</b>
Priests' health plan liability, less current portion	10,838	11,316
Annuities and trusts liabilities	2,522	2,608
	<u>87,786</u>	<u>89,656</u>
<b>Total Liabilities</b>	<b>87,786</b>	<b>89,656</b>
<b>Net Assets:</b>		
Without donor restrictions-		
Undesignated surplus	17,425	11,304
Designated funds	6,992	6,209
	<u>24,417</u>	<u>17,513</u>
Total net assets without donor restrictions	24,417	17,513
With donor restrictions	28,127	26,427
	<u>52,544</u>	<u>43,940</u>
<b>Total Net Assets</b>	<b>52,544</b>	<b>43,940</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 140,330</b>	<b>\$ 133,596</b>

See accompanying notes.

**THE PROGRAM AND ADMINISTRATIVE OFFICES OF THE  
CORPORATION OF THE CATHOLIC ARCHBISHOP OF SEATTLE**  
**Statement of Activities and Changes in Net Assets**  
**For the Years Ended June 30, 2023 and 2022**  
**(In Thousands)**

	2023	2022
<b>Without Donor Restrictions:</b>		
Revenue and other support-		
Parish assessments	\$ 6,683	\$ 7,031
Program fees	6,070	5,053
Investment and other income	2,768	2,001
Contributions	1,177	778
	<u>16,698</u>	<u>14,863</u>
Net assets released from restrictions-		
Satisfaction of time restrictions, Annual Catholic Appeal	10,807	11,097
Satisfaction of program restrictions	1,714	1,709
	<u>12,521</u>	<u>12,806</u>
<b>Total Without Donor Restrictions</b>	<b>29,219</b>	<b>27,669</b>
<b>Expenses:</b>		
Program	16,179	14,889
Management and general	14,170	12,038
Stewardship and development	1,177	1,435
	<u>31,526</u>	<u>28,362</u>
<b>Total Expenses</b>	<b>31,526</b>	<b>28,362</b>
<b>Change in Net Assets Before Other Activity</b>	<b>(2,307)</b>	<b>(693)</b>
Insurance revenue	15,271	13,176
Insurance expense	(15,888)	(18,937)
Bequests	82	1,600
Gains (losses) on investments	3,496	(6,140)
Net change in priests' pension plans	4,955	4,725
Net change in priests' health plan	1,294	5,379
Realized gains on sale of property		550
	<u>6,903</u>	<u>(340)</u>
<b>Change in Net Assets Without Donor Restrictions</b>	<b>6,903</b>	<b>(340)</b>
<b>Net Assets With Donor Restrictions:</b>		
Contributions	13,073	11,496
Investment income	193	103
Gains (losses) on investments	956	(1,388)
Net assets release from restrictions-		
Satisfaction of time restrictions from the Annual Catholic Appeal	(10,807)	(11,097)
Satisfaction of the program restrictions	(1,714)	(1,709)
	<u>1,701</u>	<u>(2,595)</u>
<b>Change in Net Assets With Donor Restrictions</b>	<b>1,701</b>	<b>(2,595)</b>
<b>Total Change in Net Assets</b>	<b>8,604</b>	<b>(2,935)</b>
Net assets, beginning of year	43,940	46,875
<b>Net Assets at End of Year</b>	<b>\$ 52,544</b>	<b>\$ 43,940</b>

See accompanying notes.

**THE PROGRAM AND ADMINISTRATIVE OFFICES OF THE  
CORPORATION OF THE CATHOLIC ARCHBISHOP OF SEATTLE**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2023**  
**(In Thousands)**

	Program Services										Supporting Services			2023 Total	
	Insurance Expenses	Archbishop's Office	Catholic Schools	CYO Camps and Athletics	Retreat Center	Vicar for Clergy	Northwest Catholic	Tribunal	Funding to Related Organizations	Other Programs	Total Program Services	Management and General	Stewardship and Development		Total Supporting Services
Salaries and benefits	\$ 569	\$ 1,796	\$ 1,339	\$ 921	\$ 593	\$ 2,195	\$ 453	\$ 440	\$ -	\$ 1,161	\$ 9,467	\$ 6,918	\$ 597	\$ 7,515	\$ 16,982
Professional services	1,714	119	301	162	66	211	12	41	2	102	2,730	3,964	188	4,152	6,882
Insurance	5,585		46	1							5,632	10		10	5,642
Insurance claims	5,976										5,976				5,976
Office and printing	37	80	137	333	156	40	420	3		64	1,270	1,313	282	1,595	2,865
Taxes and assessments	1,960	4	1	10	14	10	1				2,000	296		296	2,296
Other	2	232	143	211	182	113	61	7		163	1,114	616	55	671	1,785
Donations and contributions			24	182		93	25		328	653	1,305	343		343	1,648
Depreciation	53	166	124	86	55	203	42	41		107	877	640	55	695	1,572
Interest	46						3		735		784	11		11	795
Education	1	6	3	2		645				35	692	78		78	770
Rentals and leases		40	42	100						91	273	11		11	284
Bad debt expense	(55)			2							(53)	(30)		(30)	(83)
<b>Total Expenses</b>	<b>15,888</b>	<b>2,443</b>	<b>2,160</b>	<b>2,010</b>	<b>1,066</b>	<b>3,510</b>	<b>1,017</b>	<b>532</b>	<b>1,065</b>	<b>2,376</b>	<b>32,067</b>	<b>14,170</b>	<b>1,177</b>	<b>15,347</b>	<b>47,414</b>
Less insurance	(15,888)										(15,888)				(15,888)
<b>Total Expenses Without Insurance</b>	<b>\$ -</b>	<b>\$ 2,443</b>	<b>\$ 2,160</b>	<b>\$ 2,010</b>	<b>\$ 1,066</b>	<b>\$ 3,510</b>	<b>\$ 1,017</b>	<b>\$ 532</b>	<b>\$ 1,065</b>	<b>\$ 2,376</b>	<b>\$ 16,179</b>	<b>\$ 14,170</b>	<b>\$ 1,177</b>	<b>\$ 15,347</b>	<b>\$ 31,526</b>

See accompanying notes.



**THE PROGRAM AND ADMINISTRATIVE OFFICES OF THE  
CORPORATION OF THE CATHOLIC ARCHBISHOP OF SEATTLE**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2022**  
**(In Thousands)**

	Program Services									Supporting Services			2022 Total		
	Insurance Expenses	Archbishop's Office	Catholic Schools	CYO Camps and Athletics	Retreat Center	Vicar for Clergy	Northwest Catholic	Tribunal	Funding to Related Organizations	Other Programs	Total Program Services	Management and General		Stewardship and Development	Total Supporting Services
Salaries and benefits	\$ 464	\$ 1,618	\$ 1,252	\$ 706	\$ 426	\$ 1,784	\$ 395	\$ 482	\$ -	\$ 1,132	\$ 8,259	\$ 6,338	\$ 782	\$ 7,120	\$ 15,379
Professional services	1,673	89	382	70	38	260	12	17	2	83	2,626	2,720	210	2,930	5,556
Insurance	4,703		48	1							4,752	9		9	4,761
Insurance claims	9,637										9,637	21		21	9,658
Office and printing	36	86	147	315	153	28	395	3		28	1,191	1,093	325	1,418	2,609
Taxes and assessments	2,354	1		25	5	6	2				2,393	211		211	2,604
Other	4	134	111	119	152	50	42	5		73	690	356	37	393	1,083
Donations and contributions			3	138		105	25		879	488	1,638	353		353	1,991
Depreciation	47	166	128	72	44	183	40	49		117	846	649	80	729	1,575
Interest	19								719		738	133		133	871
Education		19		2	1	840		1		32	895	114		114	1,009
Rentals and leases		34		83		6				36	159	4	1	5	164
Bad debt expense				1	1						2	37		37	39
<b>Total Expenses</b>	<b>18,937</b>	<b>2,147</b>	<b>2,071</b>	<b>1,532</b>	<b>820</b>	<b>3,262</b>	<b>911</b>	<b>557</b>	<b>1,600</b>	<b>1,989</b>	<b>33,826</b>	<b>12,038</b>	<b>1,435</b>	<b>13,473</b>	<b>47,299</b>
Less insurance	(18,937)										(18,937)				(18,937)
<b>Total Expenses Without Insurance</b>	<b>\$ -</b>	<b>\$ 2,147</b>	<b>\$ 2,071</b>	<b>\$ 1,532</b>	<b>\$ 820</b>	<b>\$ 3,262</b>	<b>\$ 911</b>	<b>\$ 557</b>	<b>\$ 1,600</b>	<b>\$ 1,989</b>	<b>\$ 14,889</b>	<b>\$ 12,038</b>	<b>\$ 1,435</b>	<b>\$ 13,473</b>	<b>\$ 28,362</b>

See accompanying notes.

**THE PROGRAM AND ADMINISTRATIVE OFFICES OF THE  
CORPORATION OF THE CATHOLIC ARCHBISHOP OF SEATTLE**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2023 and 2022**  
**(In Thousands)**

	<u>2023</u>	<u>2022</u>
<b>Cash Flows From Operating Activities:</b>		
Reconciliation of change in net assets to net cash flows from operating activities-		
Change in net assets	\$ 8,604	\$ (2,935)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	1,572	1,575
Gain on sale of property		(550)
Endowment contributions	(63)	(3)
(Gains) losses on investments	(4,452)	8,166
Changes in operating assets and liabilities-		
Operating receivables	(3,668)	(238)
Prepaid expenses and other assets	(137)	176
Revolving fund deposits	(3,017)	14,575
Accrued priests' pension plans and priests' health plan liability	(6,250)	(10,104)
Insurance claims payable	(698)	3,207
Accounts payable, accrued expenses and other liabilities	870	1,318
Deferred revenue	32	345
Custodial liabilities	(836)	1,930
Annuities and trusts	(24)	275
<b>Net Cash Flows From Operating Activities</b>	<b>(8,067)</b>	<b>17,737</b>
<b>Cash Flows From Investing Activities:</b>		
Purchases of investments	(8,029)	(9,982)
Proceeds from the sale of investments	3,609	5,266
Proceeds from sales of property and equipment		761
Purchases of property and equipment	(3,476)	(672)
<b>Net Cash Flows From Investing Activities</b>	<b>(7,896)</b>	<b>(4,627)</b>
<b>Cash Flows From Financing Activities:</b>		
Repayments of note payable		(5,757)
Endowment contributions	63	3
<b>Net Cash Flows From Financing Activities</b>	<b>63</b>	<b>(5,754)</b>
<b>Net Change in Cash</b>	<b>(15,900)</b>	<b>7,356</b>
Cash, at beginning of year	22,601	15,245
<b>Cash, at End of Year</b>	<b>\$ 6,701</b>	<b>\$ 22,601</b>
<b>Supplementary Disclosure of Cash Flow Information:</b>		
Cash paid during the year for interest	\$ 795	\$ 871

See accompanying notes.

**THE PROGRAM AND ADMINISTRATIVE OFFICES OF THE  
CORPORATION OF THE CATHOLIC ARCHBISHOP OF SEATTLE**

**Notes to Financial Statements  
For the Years Ended June 30, 2023 and 2022**

---

**Note 1 - Organization and Significant Accounting Policies**

**Organization** - The accompanying financial statements include the financial activities under direct control of the Program and Administrative Offices of the Corporation of the Catholic Archbishop of Seattle (the Archdiocese). The staff of the Program and Administrative Offices (the Chancery) work on First Hill in Seattle, the Archbishop Brunett Retreat Center in Federal Way, and the Catholic Youth Organization camps in Carnation and Monroe. These locations are owned and managed by the Archdiocese. The parishes of the Archdiocese, and their associated schools, which are separate canonical units, and the Parish Revolving Fund (PRF) are not included in these financial statements. While these entities are part of the Archdiocesan Corporate Sole, they are managed under local control.

Catholic Community Services of Western Washington (CCS), Archdiocesan Housing Authority, Catholic Charities Foundation of Western Washington, Called to Serve as Christ Campaign (CTSC), St. Joseph Foundation, Associated Catholic Cemeteries (ACC), and Fulcrum Foundation are independent corporations and all are not included in these financial statements. Most Archdiocesan high schools are independent corporations and all high schools are not included in these financial statements. The Archdiocese is affiliated with the Roman Catholic Church, an overall international religious entity based in Vatican City.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from the estimated amounts.

**Basis of Presentation** - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Archdiocese and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets on which there are no donor-imposed restrictions for use, or such donor-restrictions were temporary and expired or were met during the current or previous years.

Net Assets With Donor Restrictions - Net assets restricted by donors to be used for certain purposes or future purposes, including donor-restricted endowments whose corpus is intended to be held in perpetuity. The income from contributions restricted in perpetuity is utilized for the purpose specified by the donor. Net assets with donor restrictions that are temporary in nature are transferred to net assets without donor restrictions as restrictions are met or as time restrictions expire.

**Fund Accounting** - The Archdiocese uses the following fund groups:

Operating Fund - All unrestricted and restricted resources available for support of Archdiocesan operations. The operating fund also includes non-endowment custodial liabilities, which represent funds to be paid to other Catholic organizations.

Archdiocesan Revolving Fund (ARF) (a Segregated Portion of the Operating Fund) - A deposit and loan fund representing resources arising from cooperative investment and lending programs established for the mutual benefit of Catholic organizations within the Archdiocese. Parishes participate in the PRF, a separate revolving fund not included in these financial statements. The Associated Catholic Cemeteries holds a significant portion of their investment funds in the ARF.

**THE PROGRAM AND ADMINISTRATIVE OFFICES OF THE  
CORPORATION OF THE CATHOLIC ARCHBISHOP OF SEATTLE**

**Notes to Financial Statements  
For the Years Ended June 30, 2023 and 2022**

---

**Note 1 - Continued**

Plant Fund - All expendable resources restricted for property and equipment acquisitions, amounts invested in property and equipment, and related debt.

Endowment and Similar Funds - Contributions to the Archdiocese and other amounts set aside to generate investment income for restricted and unrestricted purposes. Included within the endowment and similar funds are the following:

Perpetual Endowments - The principal of true endowments is expected to be invested for perpetuity.

Other Donor-Restricted Funds - Funds temporarily restricted by donors but included in this fund, as they are treated by the Archdiocese as long-term.

Designated Endowments - Funds designated to be treated as endowments by the Archbishop. Any portion may be expended with the Archbishop's approval.

Custodial Liabilities - Funds that will eventually revert to Catholic organizations outside the reporting entity. Interest, dividends, and realized and unrealized gains and losses are allocated directly to the custodial liabilities.

All significant transactions among funds included in the reporting entity have been eliminated in the accompanying financial statements.

**Revenue Recognition -**

Parish Assessment and Special Parish Billings - Parish assessment and special parish billings are billed and recognized as revenue during each fiscal year. Assessments and special parish billings are involuntary payments collected from parishes based on a percentage of parish ordinary income. The assessment period is the same as the Archdiocese's fiscal year.

Program Fees - Program fees consist of athletics, summer camps, facility rentals, fall programs, and administration fees. These revenues are recognized at a point-in-time when the related program takes place. Amounts received prior to the program taking place are recorded as deferred revenue.

Contributions (Including the Annual Catholic Appeal) - The Archdiocese recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give are not recognized as revenues until the conditions on which they depend have been met.

In-kind contributions of goods and services are recognized at estimated fair values if they (a) create or enhance nonfinancial assets or (b) require specialized technical skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. A number of people have donated time to the activities of the Archdiocese. The donated services do not meet the requirements for recognition in the financial statements and have not been recorded.

**THE PROGRAM AND ADMINISTRATIVE OFFICES OF THE  
CORPORATION OF THE CATHOLIC ARCHBISHOP OF SEATTLE**

**Notes to Financial Statements  
For the Years Ended June 30, 2023 and 2022**

---

**Note 1 - Continued**

Insurance Program Premiums - Insurance program premiums are recognized as revenue in the period in which the coverage is provided. The Archdiocese acts as an agent and buys insurance for all parishes, schools, and other entities in the Archdiocese.

**Functional Allocation of Expenses** - The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets and of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Most expenses are charged directly to the function served at the time they are recorded. Depreciation is allocated according to salaries and benefits expense.

**Cash** - For purposes of the statements of cash flows, the Archdiocese considers cash in checking, savings, and certain money market accounts to be cash. Other money market accounts and short-term, highly liquid investments are classified as investments in the statements of financial position.

The Archdiocese maintains a significant portion of its cash and investments in accounts that are not insured.

**Investments and Fair Value Measurements** - All investments in marketable securities are reported at fair value.

U.S. GAAP defines fair value, establishes a framework for measuring fair value, and requires disclosure about fair value measurements. To increase consistency and comparability in fair value measurements, U.S. GAAP uses a fair value hierarchy that prioritizes the inputs to valuation approaches into three broad levels. The hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities using Level 3 inputs are primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023 and 2022.

Mutual Funds and Money Market Accounts - Valued at quoted market prices in active markets.

Equity Securities - Valued at the closing price reported on the active market on which the securities are traded.

Debt Securities - Valued using bid valuations from similar instruments in actively traded markets.

**THE PROGRAM AND ADMINISTRATIVE OFFICES OF THE  
CORPORATION OF THE CATHOLIC ARCHBISHOP OF SEATTLE**

**Notes to Financial Statements  
For the Years Ended June 30, 2023 and 2022**

---

**Note 1 - Continued**

**Contributions and Other Receivables** - Contributions and other receivables are recorded at cost and adjusted for any bad debt allowance. Management records allowances for bad debts based on specific identification. The allowance is adjusted annually, and bad debts are written off against the allowance when management determines a balance is uncollectible. Receivables that are expected to be collected within one year are recorded at net realizable value.

**Notes Receivable** - Notes receivable are recorded at cost (adjusted for any bad debt allowance or impairment), and interest is recorded as earned. The Archdiocese does not charge fees for its loan programs. Management uses various factors, including the borrower's location, and the local economy, and population where the borrower is located to determine the amount of the allowance for bad debts. The allowance is adjusted annually. A note is written off against the allowance when management determines that the balance is uncollectible. Due to the close working relationship between the Archdiocese and the borrowers, management has not established past due categories for loans. Accordingly, loans continually accrue interest while they are outstanding.

**Annuities and Trusts** - The Archdiocese receives contributions in the form of irrevocable split-interest agreements. These agreements include charitable annuities and charitable remainder trusts. As the Archdiocese is the trustee, the assets are recorded at fair value and are included as part of annuity and trust investments; the estimated present value of the distributions expected to be paid to the beneficiaries over the term of the trust is recorded as a liability along with any amounts to be paid to other organizations at the termination of the agreement. The difference is recorded as contribution revenue. The discount rate used to compute the present value of the liabilities was 6.5% - 7.0%, and the discount periods are based on Internal Revenue Service actuarial tables and state of Washington required annuity calculations.

**Property and Equipment** - Property and equipment are recorded at cost when purchased and at fair value when contributed. The Archdiocese's policy is to capitalize assets with a cost greater than \$10,000. Depreciation is computed by the straight-line method over the estimated useful lives of the assets, ranging from 3 to 45 years. Donated property and equipment are considered unrestricted property unless specifically restricted by the donor. Restricted donated property and equipment are reclassified to net assets without donor restrictions when the restrictions are met.

**Income Taxes** - The Church is exempt from federal income tax under Internal Revenue Code Section 501(c)(3) except to the extent of unrelated business taxable income, if any.

**Reclassifications** - Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. Such reclassifications have no effect on the change in net assets or net asset balances as previously reported.

**Subsequent Events** - Management of the Archdiocese has evaluated subsequent events through December 31, 2023, the date on which these financial statements were available to be issued.

**Note 2 - Liquidity and Availability of Resources**

The Archdiocese strives to maintain liquid financial assets sufficient to cover 180 days of general expenditures. Financial assets in excess of daily cash requirements are invested in money market funds and other short-term investments.

**THE PROGRAM AND ADMINISTRATIVE OFFICES OF THE  
CORPORATION OF THE CATHOLIC ARCHBISHOP OF SEATTLE**

**Notes to Financial Statements  
For the Years Ended June 30, 2023 and 2022**

---

**Note 2 - Continued**

The following table reflects the Archdiocese financial assets as of June 30, 2023 and 2022, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. Amounts not available include custodial liabilities as more fully described in Note 7. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions.

The Archdiocese's financial assets available within one year of the statement of financial position date to meet general expenditures include the following as of June 30:

	(in thousands)	
	<u>2023</u>	<u>2022</u>
Cash	\$ 6,701	\$ 22,601
Investments	53,135	45,563
Contributions and other receivables	10,258	6,349
Notes receivable	21	6
Insurance reimbursement receivable		237
	<u>70,115</u>	<u>74,756</u>
Total financial assets		
Less financial assets not available for general expenditure-		
Custodial liabilities	(7,618)	(6,108)
Revolving fund deposits	(46,222)	(49,239)
Net assets with donor restrictions for certain purposes	(5,910)	(4,792)
	<u>(59,750)</u>	<u>(59,149)</u>
<b>Financial Assets Available to Meet Cash Needs for General Operating Expenditures Within One Year</b>	<b><u>\$ 10,365</u></b>	<b><u>\$ 14,617</u></b>

**THE PROGRAM AND ADMINISTRATIVE OFFICES OF THE  
CORPORATION OF THE CATHOLIC ARCHBISHOP OF SEATTLE**

**Notes to Financial Statements  
For the Years Ended June 30, 2023 and 2022**

**Note 3 - Contributions and Other Receivables**

Contributions and other receivables consisted of the following at June 30:

	(in thousands)	
	<u>2023</u>	<u>2022</u>
Annual Catholic Appeal pledges	\$ 2,597	\$ 2,833
Insurance premiums receivable	931	1,769
Parish assessments	803	875
Receivables from related entities for payroll processing	3,157	
Grants receivable from St. Joseph Foundation	552	
Other	<u>3,310</u>	<u>2,062</u>
	11,350	7,539
Less allowance for doubtful accounts	<u>(1,092)</u>	<u>(1,190)</u>
<b>Net Contributions and Other Receivables</b>	<b><u>\$ 10,258</u></b>	<b><u>\$ 6,349</u></b>

**Note 4 - Investments and Fair Value Measurements**

The following tables represent a summary of the investments presented on the statement of financial position and information about the Archdiocese's assets that have been measured at fair value on a recurring basis and indicates classification by level of inputs within the fair value hierarchy as of June 30, 2023 and 2022. These investments are presented on the statements of financial position as follows:

	(in thousands)	
	<u>2023</u>	<u>2022</u>
Investments	\$ 53,135	\$ 45,563
Endowment investments	21,505	17,859
Annuities and trusts investments	3,686	3,748
Priests' health plan assets	<u>13,864</u>	<u>13,051</u>
<b>Total Investments</b>	<b><u>\$ 92,190</u></b>	<b><u>\$ 80,221</u></b>



**THE PROGRAM AND ADMINISTRATIVE OFFICES OF THE  
CORPORATION OF THE CATHOLIC ARCHBISHOP OF SEATTLE**

**Notes to Financial Statements  
For the Years Ended June 30, 2023 and 2022**

**Note 4 - Continued**

The following tables set forth by level, within the fair value hierarchy, the Archdiocese's investments measured at fair value at June 30:

	2023 (in thousands)		
	Level 1 Inputs	Level 2 Inputs	Total Fair Value
Money market accounts	\$ 26,009	\$ -	\$ 26,009
Bond mutual funds	16,877		16,877
Equity mutual funds	46,225		46,225
Equities	2,153		2,153
Corporate bonds		662	662
Real estate equities	100		100
<b>Total Investments in the Fair Value Hierarchy</b>	<b>\$ 91,364</b>	<b>\$ 662</b>	92,026
Other assets, net of liabilities, in the priests' health plan assets			164
<b>Total Investments</b>			<b>\$ 92,190</b>

	2022 (in thousands)		
	Level 1 Inputs	Level 2 Inputs	Total Fair Value
Money market accounts	\$ 21,951	\$ -	\$ 21,951
Bond mutual funds	16,177		16,177
Equity mutual funds	37,850		37,850
Equities	3,575		3,575
Growth mutual funds	394		394
Corporate bonds		153	153
Real estate equities	121		121
<b>Total Investments</b>	<b>\$ 80,068</b>	<b>\$ 153</b>	<b>\$ 80,221</b>

**THE PROGRAM AND ADMINISTRATIVE OFFICES OF THE  
CORPORATION OF THE CATHOLIC ARCHBISHOP OF SEATTLE**

**Notes to Financial Statements  
For the Years Ended June 30, 2023 and 2022**

---

**Note 5 - Property and Equipment**

Property and equipment consisted of the following at June 30:

	(in thousands)	
	<u>2023</u>	<u>2022</u>
Land and improvements	\$ 9,660	\$ 8,355
Buildings	42,939	41,064
Furniture and equipment	<u>6,240</u>	<u>5,945</u>
	58,839	55,364
Less accumulated depreciation	<u>(38,334)</u>	<u>(36,763)</u>
<b>Net Property and Equipment</b>	<b><u>\$ 20,505</u></b>	<b><u>\$ 18,601</u></b>

**Note 6 - Notes Receivable and Revolving Fund Deposits**

The ARF is a deposit and loan fund operated by the Archdiocese for non-parish Catholic organizations. The resulting balances are included in the operating fund. Deposits are generally available for withdrawal on demand. Organizations with excess funds may deposit them and earn interest. The savings rate is 1.5% as of June 30, 2023 and 2022. Revolving fund deposits liabilities totaled \$46,222,000 and \$49,239,000 at June 30, 2023 and 2022, respectively.

Of the total revolving fund deposits as of June 30, 2023 and 2022, \$31,769,000 and \$31,707,000, respectively, was due to ACC. ACC is separately incorporated from the Archdiocese, and the Archbishop of Seattle is the corporate sole of ACC. During the years ended June 30, 2023 and 2022, \$470,000 and \$455,000, respectively, of interest was paid to ACC.

Loans (notes receivable) are made based on financial status, an approved repayment plan, and the availability of funds. Payments are received monthly, quarterly, or annually over an agreed-upon payback period. Interest on loans is charged at agreed-upon rates, normally between 0% and 5%. The allowance for doubtful accounts is the estimated uncollectible amount of notes receivable. All notes in this fund are due on various payment schedules and are unsecured. At June 30, 2023, there were three notes receivable from three outstanding borrowers. At June 30, 2022, there were six notes receivable from six outstanding borrowers. At June 30, 2023, the note portfolio consisted of maturities between 16 months and 29 years.

**THE PROGRAM AND ADMINISTRATIVE OFFICES OF THE  
CORPORATION OF THE CATHOLIC ARCHBISHOP OF SEATTLE**

**Notes to Financial Statements  
For the Years Ended June 30, 2023 and 2022**

---

**Note 7 - Custodial Liabilities**

The Archdiocese serves a custodial function for money due to other Catholic organizations. All custodial accounts are recorded as liabilities until remitted to the intended recipients. The custodial liabilities balances were as follows at June 30:

	(in thousands)	
	<u>2023</u>	<u>2022</u>
Amounts held for local and national Archdiocesan organizations	\$ 1,807	\$ 2,643
Archdiocesan parish and other Archdiocesan organization endowment funds	<u>5,811</u>	<u>3,465</u>
<b>Total Custodial Liabilities</b>	<b><u>\$ 7,618</u></b>	<b><u>\$ 6,108</u></b>

**Note 8 - Defined Contribution Retirement Plans**

The Archdiocese maintains defined contribution retirement plans that provide retirement benefits to all lay employees and priests who meet eligibility requirements.

The Archdiocesan Pension Plan for Lay Employees is a noncontributory defined contribution plan. The plan covers all eligible employees of the Archdiocese who are not ordained priests or members of a religious order. The costs of the plan are paid by the employing parishes, schools, and agencies. Annual contributions to the plan are made on the basis of 6% of gross annual earnings of each eligible employee. The Archdiocese's expense associated with this plan for the years ended June 30, 2023 and 2022, was \$589,000 and \$581,000, respectively. This represents the contribution by the Archdiocese on behalf of lay employees working in the Chancery.

The Archdiocesan 403(b) Savings Plan is a tax deferred savings plan covering substantially all employees of the Archdiocese. There are no matching contributions for employees at the Chancery except for eligible priests. Archdiocesan contributions to this plan were not material during the years ended June 30, 2023 and 2022.

In addition, the Archdiocese contributed to retirement plans maintained by the various religious orders of women. Archdiocesan contributions to this plan were not material during the years ended June 30, 2023 and 2022.

**Note 9 - Pension Plan and Trust for the Priests of the Archdiocese of Seattle**

**Description of the Plan** - The Pension Plan and Trust for the Priests of the Archdiocese of Seattle is a noncontributory defined benefit plan covering all eligible Archdiocesan priests. Contributions from parishes, schools, and agencies employing priests outside the Archdiocese, along with contributions from the Called to Serve as Christ Campaign, are recognized as a reduction to pension expense by the Archdiocese.

**THE PROGRAM AND ADMINISTRATIVE OFFICES OF THE  
CORPORATION OF THE CATHOLIC ARCHBISHOP OF SEATTLE**

**Notes to Financial Statements  
For the Years Ended June 30, 2023 and 2022**

---

**Note 9 - Continued**

On January 1, 2018, a new plan, the Frozen Pension Benefit Plan for Priests, was created for priests who are on permanent prayer and penance or have been reduced to the lay state under the Norms accompanying the charter for the Protection of Children and Youth. These Priests were removed from the Priests' Pension Plan and all related assets and liabilities were transferred into the new plan. The assets and liabilities related to the Frozen Pension Benefit Plan for Priests are included with the Pension Plan and Trust for the Priests of the Archdiocese of Seattle on the statements of financial position (collectively, referred to as the Priests' Pension Plans).

The Priests' Pension Plans are not subject to the requirements of Title I of the Employee Retirement Income Security Act of 1974.

**Obligations and Funded Status** - Pension funding requirements are computed by an actuary and are subject to certain actuarial assumptions regarding discount rates and mortality rates. The benefits are computed using years of service and the accrued annual benefit stipulated in the Priests' Pension Plans documents. The obligations and change in benefit obligations computed by the actuary were as follows at June 30:

	(in thousands)	
	<u>2023</u>	<u>2022</u>
Fair value of plan assets	\$ 33,469	\$ 29,947
Benefit obligation	<u>23,510</u>	<u>24,944</u>
<b>Overfunded Pension Obligation</b>	<b><u>\$ 9,959</u></b>	<b><u>\$ 5,003</u></b>
<b>Accumulated Benefit Obligation</b>	<b><u>\$ 23,435</u></b>	<b><u>\$ 24,851</u></b>

**THE PROGRAM AND ADMINISTRATIVE OFFICES OF THE  
CORPORATION OF THE CATHOLIC ARCHBISHOP OF SEATTLE**

**Notes to Financial Statements  
For the Years Ended June 30, 2023 and 2022**

**Note 9 - Continued**

**Net Periodic Pension Costs and Other Components of Pension Gains and Losses** - Components of net periodic benefit cost consisted of the following for the year ended June 30:

	(in thousands)	
	<u>2023</u>	<u>2022</u>
Net periodic benefit cost-		
Service cost	\$ (570)	\$ (690)
Interest cost	(1,030)	(727)
Expected return on plan assets	1,900	1,660
Amortization of net loss (gain)	(419)	(493)
Amortization of prior service cost	<u>(371)</u>	<u>(299)</u>
<b>Net Periodic Pension Costs</b>	<b>(490)</b>	<b>(549)</b>
Contributions to pension plans:		
Called to Serve as Christ contributions	1,510	3,278
Employer contributions	476	938
Memorials and bequests	763	258
Annual Catholic Appeal	400	600
Contributions to frozen plan	130	71
Other benefit from change in pension obligation	<u>2,166</u>	<u>129</u>
<b>Net Change in Priests' Pension Plans Presented on the Statement of Activities and Changes in Net Assets</b>	<b><u>\$ 4,955</u></b>	<b><u>\$ 4,725</u></b>

**Actuarial Assumptions** - Assumptions used by the actuary in the accounting for the above Plan were as follows for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Weighted-average assumptions to determine net periodic benefit cost-		
Discount rate	4.87%	4.32%
Expected return on plan assets	6.50%	6.50%
Weighted-average assumption used to determine benefit obligations-		
Discount rate	4.87%	4.32%

**THE PROGRAM AND ADMINISTRATIVE OFFICES OF THE  
CORPORATION OF THE CATHOLIC ARCHBISHOP OF SEATTLE**

**Notes to Financial Statements  
For the Years Ended June 30, 2023 and 2022**

---

**Note 9 - Continued**

The discount rate represents the theoretical rate at which the Priests' Pension Plans' projected benefit obligation could be settled using currently available high-quality fixed income investments and the FTSE Pension Discount Curve. The expected return on plan assets represents management's expectation of the future long-term return on the Priests' Pension Plans' assets based on the Priests' Pension Plans' investment policies and asset allocations.

**Plan Investments** - The Priests' Pension Plans hold investment assets separate and apart from the assets of the Archdiocese; accordingly, the Priests' Pension Plans' investments are not included in the statement of financial position of the Archdiocese. The Priests' Pension Plans' overall strategy is to invest in a diversified portfolio of high-grade securities and other assets to provide long-term growth through income and appreciation in excess of customized indexes and at a lower relative risk. However, market fluctuations may result in capital losses. The Pension Plan weighted-average asset allocations by asset category were as follow at June 30:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	0%	0%
Accounts receivable	0%	1%
Domestic equity securities and mutual funds	60%	55%
International equity securities and mutual funds	18%	20%
Fixed income and cash surrender value of life insurance	8%	9%
Real estate funds	8%	9%
Mortgage-based fixed income funds	<u>6%</u>	<u>6%</u>
	<u><b>100%</b></u>	<u><b>100%</b></u>

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023 and 2022.

Cash and Equivalents - Valued at cost plus accrued interest, which approximates fair value.

Equity Securities - Valued at the closing price reported on the active market on which the securities are traded.

Mutual Funds - Valued at quoted market prices in active markets, which represent the Net Asset Value (NAV) of shares held at year end.

Cash Surrender Value of Life Insurance - Valued at the cash surrender value based on contractual terms as supplied by the insurance company.

Alternative Funds - Valued at the NAV of units of the funds. The NAV, as provided by management of funds, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV.

**THE PROGRAM AND ADMINISTRATIVE OFFICES OF THE  
CORPORATION OF THE CATHOLIC ARCHBISHOP OF SEATTLE**

**Notes to Financial Statements  
For the Years Ended June 30, 2023 and 2022**

**Note 9 - Continued**

Fair values of Plan assets measured on a recurring basis were as follows at June 30:

	2023 (in thousands)			Total
	Level 1	Level 2	Level 3	
Cash and equivalents	\$ 1,121	\$ -	\$ -	\$ 1,121
Equity securities	9,544			9,544
Mutual funds	8,926			8,926
Cash surrender value of life insurance			1,234	1,234
<b>Total Assets in the Fair Value Hierarchy</b>	<b>\$ 19,591</b>	<b>\$ -</b>	<b>\$ 1,234</b>	20,825
Investments measured at NAV <sup>(a)</sup>				
Master trusts				5,984
Mutual fund				7,072
Other assets, net of liabilities, at cost				(412)
<b>Total Plan Assets, June 30, 2023</b>				<b>\$ 33,469</b>
	2022 (in thousands)			Total
	Level 1	Level 2	Level 3	
Cash and equivalents	\$ 150	\$ -	\$ -	\$ 150
Equity securities	8,544			8,544
Mutual funds	8,214			8,214
Cash surrender value of life insurance			1,227	1,227
<b>Total Assets in the Fair Value Hierarchy</b>	<b>\$ 16,908</b>	<b>\$ -</b>	<b>\$ 1,227</b>	18,135
Investments measured at NAV <sup>(a)</sup>				
Master trusts				5,957
Mutual fund				5,973
Other assets, net of liabilities, at cost				(118)
<b>Total Plan Assets, June 30, 2022</b>				<b>\$ 29,947</b>

(a) In accordance with U.S. GAAP, certain investments that were measured at NAV per share using the practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of net assets available for benefits.

**THE PROGRAM AND ADMINISTRATIVE OFFICES OF THE  
CORPORATION OF THE CATHOLIC ARCHBISHOP OF SEATTLE**

**Notes to Financial Statements  
For the Years Ended June 30, 2023 and 2022**

---

**Note 9 - Continued**

**Expected Future Contributions to the Plan** - The total expected contribution to the Priests' Pension Plan from employers for the year ending June 30, 2024 is \$819,000. Amounts to be paid into the plans from the CTSC for future years are dependent on cash collected against the CTSC pledges.

The contributions to the Frozen Pension Benefit Plan for Priests is not funded by the Annual Catholic Appeal or the CTSC Campaign. Expected contributions are made as needed and range from approximately \$50,000 to \$100,000.

**Expected Future Benefit Payments** - The following pension benefit payments to Priests' Pension Plans beneficiaries used by the actuary, which reflect expected future service, as appropriate, are expected to be paid as follows during the next 10 years:

For the Year Ending June 30, (in thousands)

2024	\$	2,197
2025		2,057
2026		2,000
2027		1,955
2028		1,850
Succeeding 5 years		7,993

**Note 10 - Priests' Health Plan**

**Description of the Plan** - The Priests' Health Plan (the Health Plan) is used by the Archdiocese to provide health benefits including medical, dental, vision, and other benefits to its active, retired, and inactive priests ordained or incardinated in the Archdiocese of Seattle. Contributions from parishes, schools, and agencies employing priests outside the Archdiocese, along with contributions from the Called to Serve as Christ Campaign, are recognized as a reduction to health plan expense by the Archdiocese.

The Health Plan is not subject to the requirements of Title I of the Employee Retirement Income Security Act of 1974.

**Obligations and Funded Status** - The Health Plan funding requirements are computed by an actuary and are subject to certain actuarial assumptions regarding discount rates and mortality rates. The benefits are computed using years of service and the accrued benefits stipulated in the Health Plan document. The obligations computed by the actuary was as follows at June 30:

	(in thousands)	
	2023	2022
Current portion of benefit obligation	\$ 609	\$ 612
Noncurrent portion of benefit obligation	10,838	11,316
<b>Total Benefit Obligation</b>	<b>\$ 11,447</b>	<b>\$ 11,928</b>



**THE PROGRAM AND ADMINISTRATIVE OFFICES OF THE  
CORPORATION OF THE CATHOLIC ARCHBISHOP OF SEATTLE**

**Notes to Financial Statements  
For the Years Ended June 30, 2023 and 2022**

---

**Note 10 - Continued**

The Archdiocese has designed investments for funding the Health Plan totaling \$13,864,000 and \$13,051,000, as of June 30, 2023 and 2022, respectively. However, these investments are not netted against the benefit obligation liability on the statement of financial position because they are not segregated in a trust, or otherwise effectively restricted for exclusive use of the Health Plan.

**Net Periodic Plan Costs and Other Components of Plan Gains and Losses** - Components of net periodic benefit cost and the net change in priests' health plan presented on the statement of activities and changes in net assets consisted of the following for the year ended June 30:

	<u>2023</u>	<u>2022</u>
Net periodic benefit cost-		
Service cost	\$ (339)	\$ (552)
Interest cost	(514)	(465)
Amortization of net loss (gain)	251	
Amortization of prior service cost	<u>(2)</u>	<u>(2)</u>
<b>Net Periodic Plan Costs</b>	<b><u>\$ (604)</u></b>	<b><u>\$ (1,019)</u></b>
Contributions to plan:		
Called to Serve as Christ contributions	\$ 568	\$ 1,231
Employer contributions	1,487	1,514
Annual Catholic Appeal	801	698
Memorials and bequests	127	174
Investment return on assets designed for the plan	1,400	(1,937)
Benefits paid	(2,508)	(2,319)
Administrative expenses and other activity, net	(1,062)	373
Gain from change in plan obligation	<u>481</u>	<u>5,645</u>
<b>Net Change in Priests' Health Plan Presented on the Statement of Activities and Changes in Net Assets</b>	<b><u>\$ 1,294</u></b>	<b><u>\$ 5,379</u></b>

**THE PROGRAM AND ADMINISTRATIVE OFFICES OF THE  
CORPORATION OF THE CATHOLIC ARCHBISHOP OF SEATTLE**

**Notes to Financial Statements  
For the Years Ended June 30, 2023 and 2022**

---

**Note 10 - Continued**

**Actuarial Assumptions** - Assumptions used by the actuary in the accounting for the Health Plan were as follows for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Weighted-average assumptions to determine net periodic benefit cost and benefit obligation-		
Discount rate	4.89%	4.42%
Medical trend	6.0% in 2023 grading to 3.7%	4.9% in 2022 grading to 3.7%

The discount rate is determined based on yields available on high-quality fixed income investments as published in the FTSE Pension Discount Curve. The medical trend rate is based on a trend model from the Society of Actuaries' published report on long-term medical trend.

**Expected Future Benefit Payments** - The following benefit payments for Health Plan beneficiaries used by the actuary, which reflect expected future service, as appropriate, are expected to be paid as follows during the next 10 years:

For the Year Ending June 30, (in thousands)

2024	\$	609
2025		618
2026		631
2027		644
2028		653
Succeeding 5 years		3,360

**Note 11 - Insurance Program**

Property, liability, and workers' compensation insurance coverage is purchased by the Archdiocese on behalf of all parts of the Archdiocese including the parishes, schools, ACC, CCS, Archdiocesan Housing Authority, and Catholic Charities Foundation of Western Washington. The liability insurance includes coverage for sexual misconduct liabilities. The Archdiocese administers the insurance program for the administrative offices, parishes, and other Archdiocesan organizations. It collects premiums from the affected organizations and pays insurance policy premiums and certain claim costs.

The Archdiocese is self-insured for specific amounts. Coverage for losses in excess of the self-insured limits of liabilities is also purchased. Estimated unpaid claim costs that are self-insured have been recorded as a liability in these financial statements.

**THE PROGRAM AND ADMINISTRATIVE OFFICES OF THE  
CORPORATION OF THE CATHOLIC ARCHBISHOP OF SEATTLE**

**Notes to Financial Statements  
For the Years Ended June 30, 2023 and 2022**

---

**Note 11 - Continued**

Insurance claims payable include the following as of June 30:

	(in thousands)	
	<u>2023</u>	<u>2022</u>
Workers' compensation	\$ 4,629	\$ 3,900
Property and liability	3,544	3,723
Sexual abuse	5,650	6,898
Employment	<u>50</u>	<u>50</u>
	<b><u>\$ 13,873</u></b>	<b><u>\$ 14,571</u></b>

Property and liability and workers' compensation liabilities represent exposure based on actuarially determined case reserves and incurred but not reported claims for losses up to the Archdiocese's self-insurance level. The Archdiocese is self-insured up to \$500,000 for workers' compensation claims and \$250,000 for property and liability claims.

The Archdiocese is defending claims for damages involving allegations of sexual abuse. These cases date back to abuse that happened between the 1950's and early 2000's. The Archdiocese's policy is to provide counseling assistance to everyone who reports a claim. However, it is also the Archdiocese's policy to ensure that it has competent legal representation in every claim made against it. Liabilities are assessed at the time a claim is reported. The Archdiocese is not able to estimate a liability for unreported incidents and accordingly does not record a liability prior to a claim being made.

During the year ended June 30, 2023, the Archdiocese settled 16 sexual abuse cases for approximately \$4,550,000, net of insurance. During the year ended June 30, 2022, the Archdiocese settled 11 sexual abuse cases for approximately \$3,713,000, net of insurance.

As of June 30, 2023, there were 18 sexual abuse cases outstanding and in litigation. Management has concluded that reasonable estimates for settlements of these cases would be \$5,650,000, which is recorded as a liability as of June 30, 2023.

Management considers estimates of settlements of sexual abuse claims and related insurance recoveries to be significant estimates, and it is reasonably possible that the amounts will change in the near term based on further settlements and claims activity. The changes could have a material effect on the financial statements.

**THE PROGRAM AND ADMINISTRATIVE OFFICES OF THE  
CORPORATION OF THE CATHOLIC ARCHBISHOP OF SEATTLE**

**Notes to Financial Statements  
For the Years Ended June 30, 2023 and 2022**

**Note 12 - Net Assets With Donor Restrictions**

Net assets with donor restrictions consist of the following balances at June 30:

	(in thousands)	
	<u>2023</u>	<u>2022</u>
Net assets with donor restrictions for time and purpose-		
Annual Appeal Pledges restricted for next year	\$ 10,432	\$ 10,377
Contributions restricted for various purposes	<u>5,910</u>	<u>4,792</u>
Total net assets with donor restrictions for time and purpose	16,342	15,169
Donor-restricted endowment funds:		
Accumulated endowment earnings:		
Priest support and education endowments	2,953	2,572
Religious education endowments	126	90
Poor and needy endowments	119	84
Camp maintenance and development	50	38
Net assets with perpetual donor restrictions-		
Priest support and education endowments	7,349	7,286
Religious education endowments	512	512
Poor and needy endowments	501	501
Camp maintenance and development	<u>175</u>	<u>175</u>
Total donor-restricted endowment funds	<u>11,785</u>	<u>11,258</u>
<b>Total Donor Restricted Net Assets</b>	<b><u>\$ 28,127</u></b>	<b><u>\$ 26,427</u></b>

**Note 13 - Endowment Funds**

**Archdiocesan Endowment** - The Archdiocesan endowments consist of 12 individual funds established for a variety of purposes. The endowments include eight donor-restricted endowment funds and four funds designated by the Archbishop to function as endowments (quasi-endowments). Five of the 12 individual funds, or 78% of the endowment fund balance, are restricted for seminarian support. Designated endowments may be re-designated as non-endowed funds at the discretion of the Archbishop. As required by U.S. GAAP, net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**THE PROGRAM AND ADMINISTRATIVE OFFICES OF THE  
CORPORATION OF THE CATHOLIC ARCHBISHOP OF SEATTLE**

**Notes to Financial Statements  
For the Years Ended June 30, 2023 and 2022**

---

**Note 13 - Continued**

**Interpretation of Relevant Law** - Management interpreted the State of Washington Prudent Management of Institutional Funds Act (PMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Archdiocese classifies (a) the original value of gifts donated to the permanent endowment plus (b) the original value of subsequent gifts to the permanent endowment as net assets with donor restrictions to be held in perpetuity. The remaining portion of the donor-restricted endowment fund that is not classified in donor-restricted net assets to be held in perpetuity is classified as donor-restricted net assets until those amounts are appropriated for expenditure by the Archdiocese in a manner consistent with the standard of prudence described by PMIFA.

In accordance with PMIFA, the Archdiocese considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- The duration and preservation of the endowment fund
- The purposes of the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Archdiocese
- The investment policies of the Archdiocese

Endowment net assets consisted of the following at June 30:

	2023 (in thousands)			
	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Earnings	Perpetual Restrictions	
Donor-restricted endowment funds	\$ -	\$ 3,248	\$ 8,537	\$ 11,785
Quasi-endowment funds	3,826			3,826
	<b>\$ 3,826</b>	<b>\$ 3,248</b>	<b>\$ 8,537</b>	<b>\$ 15,611</b>

THE PROGRAM AND ADMINISTRATIVE OFFICES OF THE  
CORPORATION OF THE CATHOLIC ARCHBISHOP OF SEATTLE

Notes to Financial Statements  
For the Years Ended June 30, 2023 and 2022

Note 13 - Continued

	2022 (in thousands)			Total
	Without Donor Restrictions	With Donor Restrictions		
		Accumulated Earnings	Perpetual Restrictions	
Donor-restricted endowment funds	\$ -	\$ 2,784	\$ 8,474	\$ 11,258
Quasi-endowment funds	3,129			3,129
	<b>\$ 3,129</b>	<b>\$ 2,784</b>	<b>\$ 8,474</b>	<b>\$ 14,387</b>

Changes in endowment net assets were as follows for the years ended June 30:

	(in thousands)			Total
	Without Donor Restrictions	With Donor Restrictions		
		Accumulated Earnings	Perpetual Restrictions	
Endowment net assets, June 30, 2021	\$ 4,659	\$ 4,786	\$ 8,471	\$ 17,916
Investment return	(1,430)	(1,285)		(2,715)
Contributions			3	3
Appropriation of endowment net assets for expenditure	(100)	(717)		(817)
<b>Endowment Net Assets, June 30, 2022</b>	<b>3,129</b>	<b>2,784</b>	<b>8,474</b>	<b>14,387</b>
Investment return	796	1,149		1,945
Contributions			63	63
Appropriation of endowment net assets for expenditure	(99)	(685)		(784)
<b>Endowment Net Assets, June 30, 2023</b>	<b>\$ 3,826</b>	<b>\$ 3,248</b>	<b>\$ 8,537</b>	<b>\$ 15,611</b>

**THE PROGRAM AND ADMINISTRATIVE OFFICES OF THE  
CORPORATION OF THE CATHOLIC ARCHBISHOP OF SEATTLE**

**Notes to Financial Statements  
For the Years Ended June 30, 2023 and 2022**

---

**Note 13 - Continued**

**Return Objectives and Risk Parameters** - The Archdiocese has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets and maintaining compliance with socially responsible investment guidelines of the Church. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor- specified period(s), as well as quasi-endowment funds. Under this policy, as approved by the Archbishop, the endowment investment objectives will be for the asset value, exclusive of contributions or withdrawals, to grow over time and earn, through a combination of investment income and capital appreciation, a rate-of-return (time-weighted total return) in excess of inflation, as measured by the Consumer Price Index and defined benchmarks. Allocations of endowment investments will change over time as circumstances, investment performance, economic, and other conditions change.

**Strategies Employed for Achieving Objectives** - To satisfy its long-term rate-of-return objectives, the Archdiocese relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Archdiocese targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**Spending Policy and How the Investment Objectives Relate to the Spending Policy** - The Archdiocese has a policy of appropriating for distribution each year no more than 5% of its endowment fund's fair value at June 30. This is consistent with the Archdiocese's objective to maintain the purchasing power of the endowment assets held in perpetuity for a specified term, as well as to provide additional real growth through new gifts and investment return. Investment returns depend on many factors, and there can be no assurance that the planned returns will be achieved.

**Funds With Deficiencies** - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires. As of June 30, 2023 and 2022, there were no funds with deficiencies.

**Note 14 - Related Party Transactions**

As discussed in Note 1 of these financials, the ARF is a deposit and loan fund representing resources arising from cooperative investment and lending programs established for the mutual benefit of Catholic organizations within the Archdiocese. The ARF is a segregated portion of the Operating Fund within the Archdiocese. Parishes participate in the PRF, a separate revolving fund not included in these financial statements. The Associated Catholic Cemeteries holds a significant portion of their investment funds in the ARF (see further discussion below). See also Note 6 for further discussion of ARF activities. In year ended June 30, 2022, most of the notes receivable and deposits for the Archdiocesan High Schools were moved from the ARF to the PRF.

Funds held by the ARF attributable to ACC amounted to \$31,769,000 and \$31,707,000 as of June 30, 2023 and 2022, respectively. Funds held by the ARF attributable to ACC that are classified as cash in ACC's statement of financial position are \$1,732,000 and \$1,766,000 as of June 30, 2023 and 2022, respectively. The Archdiocese incurred \$470,000 and \$455,000 in interest expense for the years ended June 30, 2023 and 2022, respectively, on the aforementioned revolving fund deposits.

**THE PROGRAM AND ADMINISTRATIVE OFFICES OF THE  
CORPORATION OF THE CATHOLIC ARCHBISHOP OF SEATTLE**

**Notes to Financial Statements  
For the Years Ended June 30, 2023 and 2022**

---

**Note 14 - Continued**

Various high schools, which are mostly separate entities from the Archdiocese, participate in the ARF program. For the years ended June 30, 2023 and 2022, total loans receivable attributable to the high schools amounted to \$358,000 and \$366,000, respectively. For the years ended June 30, 2023 and 2022, total revolving fund deposits attributable to the high schools amounted to \$1,782,000 and \$4,297,000, respectively.

The Fulcrum Foundation is an independent corporation from the Archdiocese that supports catholic schools in the Archdiocese of Seattle. The Archdiocese awarded \$8,000 and \$13,000 in contributions to the Foundation during the years ended June 30, 2023 and 2022, respectively. No amounts were owed to the Foundation at June 30, 2023. The Archdiocese owed the Foundation for cash receipts amounting to \$32 at June 30, 2022.

The Archdiocese received grants from the Foundation for the benefit of Catholic schools of \$477,000 and \$418,000 for the years ended June 30, 2023 and 2022, respectively. In addition, the Foundation pays the Archdiocese for accounting services of \$116,000 and \$112,000 and for space leased for offices of \$54,000 and \$49,000 for the years ended June 30, 2023 and 2022, respectively. Total amounts due from the Foundation at year end were \$108,000 and \$58,000 at June 30, 2023 and 2022, respectively.

The Archdiocese received grants from the St. Joseph Foundation for the benefit of various ministries, including lay formation, youth ministry, and Agape, totaling \$836,000 inception to June 30, 2023, of which \$284,000 has been received and \$552,000 are to be paid in future years.

The Called to Serve as Christ Capital Campaign is a separate entity from the Archdiocese. The campaign's goal was to provide long-term funding for the retirement and medical needs of priests and women's religions that serve the Archdiocese of Seattle, as well as to support the individual parishes. During the years ended June 30, 2023 and 2022, the campaign disbursed \$1,512,000 and \$3,278,000, respectively, to the Priest Pension Plan and \$568,000 and \$1,231,000, respectively, to the Priest Health Plans.

The Archdiocese maintains a joint venture with the Diocese of Spokane and Yakima through the Washington State Catholic Conference (WSCC). The venture is a lobbying activity in which each diocese makes payments to WSCC to cover operational costs. The Archdiocese paid the venture \$286,000 and \$214,000 for the years ended June 30, 2023 and 2022, respectively. The Archdiocese also receives lease income from the venture. For the years ended June 30, 2023 and 2022, lease income amounted to \$11,000 and \$15,000, respectively.

The Archdiocese maintains a service agreement with ACC, a separate entity from the Archdiocese. The Archdiocese provides services including payroll, benefits, and related costs for which ACC reimburses the Archdiocese. ACC reimbursed the Archdiocese \$72,000 and \$0 during the years ended June 30, 2023 and 2022, respectively. ACC also participates in the Archdiocesan insurance program, of which insurance revenues totaled \$154,000 and \$135,000 for the years ended June 30, 2023 and 2022, respectively.

The Pope John Paul II High School has leased property under a lease ending in June 2025. The Archdiocese has guaranteed the payments on the lease through June 2024. The total amount of the guarantee is approximately \$416,000.

The Archdiocese process payroll for all the parishes, schools, and other related entities.

The insurance program covers all of the entities referenced in this footnote. Refer to Note 11.



**THE PROGRAM AND ADMINISTRATIVE OFFICES OF THE  
CORPORATION OF THE CATHOLIC ARCHBISHOP OF SEATTLE**

**Notes to Financial Statements  
For the Years Ended June 30, 2023 and 2022**

---

**Note 15 - Other Contingencies**

During the year ended June 30, 2023, the Archdiocese was assessed penalties by the Internal Revenue Service totaling approximately \$2,200,000 related to payroll filings. As of the date these financial statements were available to be issued, the Archdiocese was in the process of resolving the issue with the Internal Revenue Service, including requesting abatement of the penalties.

**SUPPLEMENTARY INFORMATION**

**THE PROGRAM AND ADMINISTRATIVE OFFICES OF THE  
CORPORATION OF THE CATHOLIC ARCHBISHOP OF SEATTLE**  
**Statement of Financial Position by Fund**  
**June 30, 2023**  
(In Thousands)

	Operating Fund	Archdiocesan Revolving Fund	Plant Fund	Endowment and Similar Funds	Total
<b>Assets</b>					
<b>Current Assets:</b>					
Cash	\$ 6,701	\$ -	\$ -	\$ -	\$ 6,701
Investments	53,135				53,135
Contributions and other receivables	10,258				10,258
Notes receivable		21			21
Prepaid expenses and other assets	339				339
<b>Total Current Assets</b>	<b>70,433</b>	<b>21</b>			<b>70,454</b>
Endowment investments				21,505	21,505
Annuities and trusts investments	3,686				3,686
Notes receivable, less current portion and net of allowance		357			357
Net priests' pension plan asset	9,959				9,959
Priests' health plan assets	13,864				13,864
Property and equipment net			20,505		20,505
Other interfund balance	(45,760)	45,844		(84)	
<b>Total Assets</b>	<b>\$ 52,182</b>	<b>\$ 46,222</b>	<b>20,505</b>	<b>21,421</b>	<b>140,330</b>

See independent auditor's report.

**THE PROGRAM AND ADMINISTRATIVE OFFICES OF THE  
CORPORATION OF THE CATHOLIC ARCHBISHOP OF SEATTLE**  
**Statement of Financial Position by Fund (Continued)**  
**June 30, 2023**  
(In Thousands)

	Operating Fund	Archdiocesan Revolving Fund	Plant Fund	Endowment and Similar Funds	Total
<b>Liabilities and Net Assets</b>					
<b>Current Liabilities:</b>					
Revolving fund deposits	\$ -	\$ 46,222	\$ -	\$ -	\$ 46,222
Accounts payable and accrued expenses	5,233				5,233
Deferred revenue	871				871
Insurance claims payable	13,873				13,873
Priests' health plan liability	609				609
Custodial liabilities	1,808			5,810	7,618
<b>Total Current Liabilities</b>	<b>22,394</b>	<b>46,222</b>		<b>5,810</b>	<b>74,426</b>
Net priests' health plan liability, less current portion	10,838				10,838
Annuities and trusts liabilities	2,522				2,522
<b>Total Liabilities</b>	<b>35,754</b>	<b>46,222</b>		<b>5,810</b>	<b>87,786</b>
<b>Net Assets:</b>					
Without donor restrictions-					
Undesignated funds surplus (deficit)	(4,768)		20,258	1,935	17,425
Designated funds	4,853		247	1,892	6,992
Total net assets without donor restrictions	85		20,505	3,827	24,417
With donor restrictions	16,343			11,784	28,127
<b>Total Net Assets</b>	<b>16,428</b>		<b>20,505</b>	<b>15,611</b>	<b>52,544</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 52,182</b>	<b>\$ 46,222</b>	<b>\$ 20,505</b>	<b>\$ 21,421</b>	<b>\$ 140,330</b>

See independent auditor's report.

**THE PROGRAM AND ADMINISTRATIVE OFFICES OF THE  
CORPORATION OF THE CATHOLIC ARCHBISHOP OF SEATTLE**  
**Statement of Activities and Changes in Net Assets by Fund**  
**For the Year Ended June 30, 2023**  
(In Thousands)

	Operating Fund	Archdiocesan Revolving Fund	Plant Fund	Endowment and Similar Funds	Total
<b>Net Assets Without Donor Restrictions:</b>					
Revenue and other support-					
Parish assessments	\$ 6,683	\$ -	\$ -	\$ -	\$ 6,683
Program fees	6,070				6,070
Interest, dividends and other income	2,626	8		134	2,768
Contributions	1,177				1,177
	16,556	8		134	16,698
Net assets released from restrictions-					
Satisfaction of time restrictions, Annual Catholic Appeal	10,807				10,807
Satisfaction of program restrictions	1,029			685	1,714
<b>Total Revenue and Other Support</b>	<b>28,392</b>	<b>8</b>		<b>819</b>	<b>29,219</b>
<b>Expenses:</b>					
Program	15,303		876		16,179
Management and general	13,530		640		14,170
Stewardship and development	1,122		55		1,177
<b>Total Expenses</b>	<b>29,955</b>		<b>1,571</b>		<b>31,526</b>
<b>Change in Net Assets Before Other Activities</b>	<b>(1,563)</b>	<b>8</b>	<b>(1,571)</b>	<b>819</b>	<b>(2,307)</b>

See independent auditor's report.

**THE PROGRAM AND ADMINISTRATIVE OFFICES OF THE  
CORPORATION OF THE CATHOLIC ARCHBISHOP OF SEATTLE**  
**Statement of Activities and Changes in Net Assets by Fund (Continued)**  
**For the Year Ended June 30, 2023**  
**(In Thousands)**

	Operating Fund	Archdiocesan Revolving Fund	Plant Fund	Endowment and Similar Funds	Total
Insurance revenue	15,271				15,271
Insurance expense	(15,888)				(15,888)
Bequests	82				82
Gains on investments	2,834			662	3,496
Net change in priests' pension plan	4,955				4,955
Net change in priests' health plan	1,294				1,294
Internal transfers of net assets without donor restrictions	(2,683)	(8)	3,475	(784)	
<b>Change in Net Assets Without Donor Restrictions</b>	<b>4,302</b>		<b>1,904</b>	<b>697</b>	<b>6,903</b>
<b>Net Assets With Donor Restrictions:</b>					
Contributions	13,010			63	13,073
Investment income				193	193
Losses on investment				956	956
Net assets release from restrictions-					
Satisfaction of time restrictions from the Annual Catholic Appeal	(10,807)				(10,807)
Satisfaction of the program restrictions	(1,029)			(685)	(1,714)
<b>Change in Net Assets With Donor Restrictions</b>	<b>1,174</b>			<b>527</b>	<b>1,701</b>
<b>Total Net Assets:</b>					
Change in net assets without donor restrictions	4,302		1,904	697	6,903
Change in net assets with donor restrictions	1,174			527	1,701
<b>Total Change in Net Assets</b>	<b>5,476</b>		<b>1,904</b>	<b>1,224</b>	<b>8,604</b>
Net assets, beginning of year	10,952		18,601	14,387	43,940
<b>Net Assets at End of Year</b>	<b>\$ 16,428</b>	<b>\$ -</b>	<b>\$ 20,505</b>	<b>\$ 15,611</b>	<b>\$ 52,544</b>

See independent auditor's report.