

**GRACE CATHEDRAL CORPORATION AND AFFILIATE**

CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2019  
(With Summarized Comparative Totals for 2018)

**GRACE CATHEDRAL CORPORATION AND AFFILIATE**

Year Ended June 30, 2019  
(With Summarized Comparative Totals for 2018)

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# SHEA LABAGH DOBBERSTEIN

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

## INDEPENDENT AUDITORS' REPORT

### TO THE BOARD OF TRUSTEES

### GRACE CATHEDRAL CORPORATION AND AFFILIATE

We have audited the accompanying consolidated financial statements of GRACE CATHEDRAL CORPORATION AND AFFILIATE, a nonprofit religious organization, which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Consolidated Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the organization's preparation and fair presentation of the consolidated financial statements 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 organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### **Basis for Qualified Opinion**

As explained in Note 6 to the consolidated financial statements, GRACE CATHEDRAL CORPORATION AND AFFILIATE has valued the donated land at a nominal value of one dollar. Also, Grace Cathedral Corporation has not depreciated its property and equipment over their estimated useful lives to conform to accounting principles generally accepted in the United States of America. The effects on the accompanying consolidated financial statements of the preceding practices have not been determined.

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WALNUT CREEK

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## Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of GRACE CATHEDRAL CORPORATION AND AFFILIATE as of June 30, 2019, 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.

## Report on Summarized Comparative Information

We have previously audited the GRACE CATHEDRAL CORPORATION AND AFFILIATE's 2018 consolidated financial statements and, in our report dated October 11, 2018, we expressed a qualified opinion on those consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

## Other Matter – Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The Unconsolidated Statements of Financial Position – Grace Cathedral, Unconsolidated Statements of Activities and Changes in Net Assets – Grace Cathedral, Unconsolidated Statements of Functional Expenses – Grace Cathedral, Unconsolidated Statements of Financial Position – The Ghiberti Foundation, Unconsolidated Statements of Activities and Changes in Net Assets – The Ghiberti Foundation, Unconsolidated Statements of Functional Expenses – The Ghiberti Foundation, Unconsolidated Statements of Financial Position – Cathedral School for Boys, Unconsolidated Statements of Activities and Changes in Net Assets – Cathedral School for Boys, and Unconsolidated Statements of Functional Expenses – Cathedral School for Boys are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

SHEA LABAGH DOBBERSTEIN  
Certified Public Accountants, Inc.



San Francisco, California  
October 10, 2019

**GRACE CATHEDRAL CORPORATION AND AFFILIATE**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

June 30, 2019  
(With Summarized Comparative Totals for 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>ASSETS</u>				
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 850,017	\$ 899,190	\$ 1,749,207	\$ 1,885,654
Promises to Give, Net	978,610	8,733,374	9,711,984	2,227,632
Prepaid Expenses and Other Assets	420,478	2,940	423,418	584,745
Investments	17,642,902	33,780,960	51,423,862	48,347,160
Deferred Compensation Investments	476,054	-	476,054	537,057
Beneficial Interest in Charitable Trusts	-	575,042	575,042	570,588
Property and Equipment, Net	64,616,317	-	64,616,317	63,926,257
<u>TOTAL ASSETS</u>	<u>\$ 84,984,378</u>	<u>\$ 43,991,506</u>	<u>\$ 128,975,884</u>	<u>\$ 118,079,093</u>
<u>LIABILITIES AND NET ASSETS</u>				
<u>LIABILITIES</u>				
Accounts Payable and Accrued Expenses	\$ 1,219,271	\$ -	\$ 1,219,271	\$ 1,178,175
Deferred Compensation	476,054	-	476,054	537,057
Deferred Revenue	1,579,246	-	1,579,246	2,014,226
Notes Payable	1,346,871	-	1,346,871	1,821,262
<u>TOTAL LIABILITIES</u>	<u>4,621,442</u>	<u>-</u>	<u>4,621,442</u>	<u>5,550,720</u>
<u>NET ASSETS</u>				
Without Donor Restrictions:				
Undesignated	75,089,431	-	75,089,431	72,125,935
Board Designated	5,273,505	-	5,273,505	5,331,525
Total Without Donor Restrictions	80,362,936	-	80,362,936	77,457,460
With Donor Restrictions:				
Perpetual in Nature	-	23,123,799	23,123,799	17,901,641
Purpose and Time Restrictions	-	20,867,707	20,867,707	17,169,272
Total With Donor Restrictions	-	43,991,506	43,991,506	35,070,913
<u>TOTAL NET ASSETS</u>	<u>80,362,936</u>	<u>43,991,506</u>	<u>124,354,442</u>	<u>112,528,373</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 84,984,378</u>	<u>\$ 43,991,506</u>	<u>\$ 128,975,884</u>	<u>\$ 118,079,093</u>

**GRACE CATHEDRAL CORPORATION AND AFFILIATE**

**CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

Year Ended June 30, 2019  
(With Summarized Comparative Totals for 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b><u>REVENUES, GAINS AND</u></b>				
<b><u>OTHER SUPPORT</u></b>				
Congregation, Community and				
Trustee Giving	\$ 3,540,719	\$ 12,837,299	\$ 16,378,018	\$ 6,576,050
Tuition and Fees	8,908,186	-	8,908,186	8,523,043
Service Fees and Revenues:				
Special Events				
(Net of Direct Costs of \$277,316 and				
\$282,317 in 2019 and 2018, respectively)	775,871	-	775,871	560,454
Space Use Rentals	570,693	-	570,693	550,159
Community Events	300,034	-	300,034	276,159
Weddings, Memorials, and Tours	228,623	-	228,623	221,155
Other	243,308	57,730	301,038	308,798
Investment Return Designated for				
Current Operations	1,559,885	7,955	1,567,840	1,442,140
Net Assets Released from				
Restrictions	5,869,819	(5,869,819)	-	-
<b><u>TOTAL REVENUES, GAINS</u></b>	<b><u>21,997,138</u></b>	<b><u>7,033,165</u></b>	<b><u>29,030,303</u></b>	<b><u>18,457,958</u></b>
<b><u>AND OTHER SUPPORT</u></b>				
<b><u>EXPENSES</u></b>				
Program Services	13,816,908		13,816,908	13,083,050
Supporting Services:				
Management and General	3,480,389	-	3,480,389	3,640,659
Fundraising	2,091,875	-	2,091,875	2,062,240
<b><u>TOTAL EXPENSES</u></b>	<b><u>19,389,172</u></b>	<b><u>-</u></b>	<b><u>19,389,172</u></b>	<b><u>18,785,949</u></b>
<b><u>CHANGES IN NET ASSETS</u></b>				
<b><u>BEFORE OTHER CHANGES</u></b>	<b><u>2,607,966</u></b>	<b><u>7,033,165</u></b>	<b><u>9,641,131</u></b>	<b><u>(327,991)</u></b>
<b><u>OTHER CHANGES</u></b>				
Investment Return Reduced by the				
Portion of Cumulative Net				
Appreciation Designated for				
Current Operations	297,510	1,887,428	2,184,938	1,592,365
<b><u>CHANGES IN NET ASSETS</u></b>	<b><u>2,905,476</u></b>	<b><u>8,920,593</u></b>	<b><u>11,826,069</u></b>	<b><u>1,264,374</u></b>
<b><u>NET ASSETS AT</u></b>				
<b><u>BEGINNING OF YEAR</u></b>	<b><u>77,457,460</u></b>	<b><u>35,070,913</u></b>	<b><u>112,528,373</u></b>	<b><u>111,263,999</u></b>
<b><u>NET ASSETS AT</u></b>				
<b><u>END OF YEAR</u></b>	<b><u>\$ 80,362,936</u></b>	<b><u>\$ 43,991,506</u></b>	<b><u>\$ 124,354,442</u></b>	<b><u>\$ 112,528,373</u></b>

**GRACE CATHEDRAL CORPORATION AND AFFILIATE**

**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**

Year Ended June 30, 2019  
(With Summarized Comparative Totals for 2018)

	2019						2018	
	Program Services			Supporting Services				
	Tuition and Instructional Expenses	Church and Ministry	Total	Management and General	Fundraising	Total	Total	Total
Salaries and Benefits	\$ 5,508,766	\$ 3,373,808	\$ 8,882,574	\$ 2,395,970	\$ 1,592,455	\$ 3,988,425	\$ 12,870,999	\$ 12,101,137
Scholarships	1,412,904	200	1,413,104	-	-	-	1,413,104	1,342,556
Depreciation and Amortization	668,835	-	668,835	43,151	7,192	50,343	719,178	729,521
Maintenance and Repairs	300,775	7,243	308,018	166,312	23,781	190,093	498,111	674,344
Activities	79,573	-	79,573	-	-	-	79,573	85,765
Admissions and Testing	47,252	-	47,252	4,078	-	4,078	51,330	43,465
Advertising and Promotion	-	19,330	19,330	11,939	19,801	31,740	51,070	48,954
Auto and Travel	-	78,590	78,590	1,577	2,394	3,971	82,561	94,247
Bad Debt	4,750	-	4,750	-	25,446	25,446	30,196	121,898
Bank Fees	-	30,247	30,247	35,093	2,768	37,861	68,108	65,187
Church Retreat	-	56,243	56,243	-	-	-	56,243	49,714
Development	-	-	-	-	258,311	258,311	258,311	257,999
Diocesan Assessment	-	143,538	143,538	-	-	-	143,538	128,503
Dues and Subscriptions	32,855	3,054	35,909	7,691	3,177	10,868	46,777	36,286
Gift Shop Expense	-	-	-	-	-	-	-	142,267
Grants and Outreach	-	233,257	233,257	-	4,500	4,500	237,757	205,590
Hospitality	-	76,040	76,040	2,806	19,948	22,754	98,794	89,535
Instructional Expenses	360,807	3,463	364,270	-	-	-	364,270	309,170
Insurance	53,350	150	53,500	207,810	1,883	209,693	263,193	259,543
Interest Expense	-	36,521	36,521	6,156	-	6,156	42,677	41,039
Library	25,340	-	25,340	-	-	-	25,340	21,730
Miscellaneous	84,699	2,043	86,742	14,781	49,475	64,256	150,998	125,832
Office Expenses	59,165	58,412	117,577	92,045	23,039	115,084	232,661	259,169
Parking	-	46,779	46,779	4,255	-	4,255	51,034	57,496
Printing and Publication	-	14,803	14,803	18,938	36,838	55,776	70,579	83,240
Professional Services	-	77,102	77,102	147,723	-	147,723	224,825	247,226
School Lunch Meals	494,081	-	494,081	-	-	-	494,081	456,913
Security	72,678	344	73,022	52,543	1,061	53,604	126,626	104,980
Staff Development and Continuing								
Education	121,807	5,427	127,234	9,285	3,863	13,148	140,382	93,044
Technology Support	122,651	-	122,651	7,913	1,319	9,232	131,883	115,966
Telephone and Internet	24,527	3,901	28,428	29,148	13,860	43,008	71,436	78,807
Utilities	65,720	5,878	71,598	221,175	764	221,939	293,537	314,826
	<u>\$ 9,540,535</u>	<u>\$ 4,276,373</u>	<u>\$ 13,816,908</u>	<u>\$ 3,480,389</u>	<u>\$ 2,091,875</u>	<u>\$ 5,572,264</u>	<u>\$ 19,389,172</u>	<u>\$ 18,785,949</u>

**GRACE CATHEDRAL CORPORATION AND AFFILIATE**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Year Ended June 30, 2019  
(With Summarized Comparative Totals for 2018)

	<u>2019</u>	<u>2018</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Changes in Net Assets	\$ 11,826,069	\$ 1,264,374
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Provision for Uncollectible Promises to Give	25,446	109,475
Amortization of Discount on Promises to Give	-	4,460
Amortization of Debt Issuance Cost	-	2,167
Depreciation and Amortization	719,178	729,521
Net Realized and Unrealized Gains on Investments and Beneficial Interest in Charitable Trusts	(2,606,205)	(2,018,243)
Donated Investments	(95,020)	(72,140)
Loss from Furniture and Equipment Disposal	62,360	95,840
Contributions Restricted for Endowment	(5,222,158)	(1,480,313)
Decrease (Increase) in Operating Assets:		
Promises to Give	(3,050,126)	3,430,393
Prepaid Expenses and Other Current Assets	43,718	(22,116)
(Decrease) Increase in Operating Liabilities:		
Accounts Payable and Accrued Expenses	41,096	12,100
Deferred Revenue	(434,980)	854,342
Deferred Compensation	(61,003)	(56,111)
<b><u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u></b>	<u>1,248,375</u>	<u>2,853,749</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Proceeds from Sale of Investments	7,153,749	7,959,382
Purchase of Investments	(7,533,680)	(9,192,738)
Deferred Compensation Investments	61,003	56,111
Building Improvements and Equipment Acquisitions	(1,257,712)	(2,553,384)
<b><u>NET CASH USED IN INVESTING ACTIVITIES</u></b>	<u>(1,576,640)</u>	<u>(3,730,629)</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Payments on Capital Lease Obligation	(70,668)	-
Payments on Notes Payable	(500,000)	(57,145)
Collections on Contributions Restricted for Endowment	762,486	1,480,313
<b><u>NET CASH PROVIDED BY FINANCING ACTIVITIES</u></b>	<u>191,818</u>	<u>1,423,168</u>
<b><u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u></b>	<u>(136,447)</u>	<u>546,288</u>
<b><u>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</u></b>	<u>1,885,654</u>	<u>1,339,366</u>
<b><u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u></b>	<u>\$ 1,749,207</u>	<u>\$ 1,885,654</u>
<b><u>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES</u></b>		
Discount on Long-Term Promises to Give	<u>\$ 119,237</u>	<u>\$ 4,460</u>
Equipment Purchased through Capital Lease	<u>\$ 96,277</u>	<u>\$ 54,490</u>



## GRACE CATHEDRAL CORPORATION AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

#### NOTE 1 – NATURE OF OPERATION

Grace Cathedral (the “Cathedral”) is an incorporated nonprofit religious organization that is a constituent of the Episcopal Church in the Diocese of California. The Cathedral provides education, religious and community services to the public. Its major sources of revenue and support include its congregation, the community, trustee giving, tuition fees, after-school daycare fees, fees earned from space use rentals and program activities. The majority of the Cathedral’s trustees, congregation members, and other donors are residents of the San Francisco Bay Area.

The consolidated financial statements of the Cathedral include the department of the school, Cathedral School for Boys (the “School”) and an affiliate, The Ghiberti Foundation (the “Foundation”) (collectively, Cathedral and affiliate). The School was founded in 1957 and strives to provide education in consonance with the mission of the Cathedral and the Episcopal Church’s tradition. The Foundation, a California nonprofit public benefit corporation, was established in January 2001, and is the art and culture foundation of the Cathedral.

#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Cathedral and affiliate prepare the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America except as indicated in Note 6. The significant accounting and reporting policies used by the Cathedral and affiliate are described subsequently to enhance the usefulness and the understandability of the consolidated financial statements.

Principles of Consolidation – In accordance with the Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) *Consolidation of Not-for-Profit Entities*, these consolidated financial statements include the accounts of the Cathedral, the School and the Foundation. All significant intercompany transactions and accounts have been eliminated in the consolidation.

Basis of Presentation – The Cathedral and affiliate’s consolidated financial statements report net assets and changes in net assets according to two classes of net assets that are based upon the existence or absence of restrictions on use that is placed by its donors, as follows:

Net Assets Without Donor Restrictions: Those net assets and activities which represent the portion of expendable funds that are available for use in general operations and not subject to donor restrictions. The Board of Trustees may designate a portion of these net assets for specific purposes.

Net Assets With Donor Restrictions: Those net assets and activities which are donor-restricted for (a) support for specified purpose, be preserved, and not be sold; (b) investment for a specified term; (c) use in a specified future period; (d) acquisition of long-lived assets, or (e) donated with stipulations that they be invested to provide a permanent source of income. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled or both.

## GRACE CATHEDRAL CORPORATION AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates – The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents – The Cathedral and affiliate consider all highly liquid investments with an initial maturity of three months or less when purchased to be cash equivalents. Money market funds that are intended for investment purposes are classified separately under investments. As of June 30, 2019 and 2018, approximately \$899,000 and \$1,059,000, respectively, is held as restricted cash and cash equivalents with donor restrictions.

Promises to Give – Unconditional promises to give are recorded at fair value and recognized as revenues in the period such promises are made by the donor. Unconditional promises to give that are expected to be collected in future years are reported at the present value of their net realizable value, determined using the risk-free interest rate of return based on the yield of the United States of America Treasury Securities with a maturity date similar to the expected collection period applicable for the year in which the promises are to be received. Amortization of the resulting discount is recognized as additional contributions revenue. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. There were no conditional promises to give at June 30, 2019 or 2018.

The Cathedral and affiliate use the allowance method to record uncollectible unconditional promises. The allowance is based on prior years' experience and management's analysis of specific promises made. Management reviews the collectibility of promises to give on a periodic basis. At June 30, 2019 and 2018, management has provided approximately \$109,000 of allowance for uncollectible unconditional promises to give.

Investments – The Cathedral and affiliate state investments with readily determinable fair values at their fair values in the accompanying consolidated statements of financial position. Donated investments received are recorded as contributions at the fair value of the investments on the date of donation. Gains and losses and investment income derived from investments are accounted for as without donor restrictions or with donor restrictions based on restrictions, if any, in the accompanying consolidated statements of activities and changes in net assets.

The Cathedral and affiliate report their investments using a three-level hierarchy under the FASB ASC section for *Fair Value Measurements and Disclosures*. FASB ASC *Fair Value Measurements and Disclosures* establishes a hierarchical disclosures framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value.

## GRACE CATHEDRAL CORPORATION AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued) – FASB ASC *Fair Value Measurements and Disclosures* requires investments measured and reported at fair value to be classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date. The Cathedral and affiliate do not adjust the quoted price for these investments even in situations where the Cathedral and affiliate hold a large position and a sale could reasonably impact the quoted price.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable and include situations where there is little, if any, market activity for the investment.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Management's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. For the year ended June 30, 2019, there have been no changes in the Cathedral and affiliate's valuation technique and related inputs considered in the valuation process.

Realized gains or losses on investments represent the difference between the original cost of the securities on a specific identified cost basis and the related fair market value on the date of sale or distribution. They include the original cost of the investments written-off, if any. When the investments are sold, gains or losses are classified as realized gains or losses. The deemed gains or losses from any in-kind distribution of securities represent the difference between the fair value of the securities distributed as of the date of distribution and the original cost. The difference between the original cost and the fair value of investments held at the end of the year represents unrealized appreciation or depreciation.

Deferred Compensation Investments – The Cathedral and affiliate invest in a group of mutual funds related to its obligations under its deferred compensation plan (Note 15). The Cathedral and affiliate's assets related to the deferred compensation plan are measured at the fair value of the mutual funds held. The mutual funds have been valued at the daily closing price as reported by the funds at June 30, 2019. These mutual funds are open-end mutual funds registered with the Securities and Exchange Commission and are required to publish their daily net asset value ("NAV") and to transact at that price.

The deferred compensation liability is measured based on the vested notional balance of the participant's account which reflects the fair value of the mutual funds. The mutual funds are deemed to be actively traded. Accordingly, the inputs utilized in measuring the fair value of the assets and liabilities related to the deferred compensation plan fall into Level 1 under the fair value hierarchy under the FASB ASC's *Fair Value Measurements and Disclosures* topic. The Cathedral and affiliate accounts for these investments at fair value based upon the quoted NAV.

## GRACE CATHEDRAL CORPORATION AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment – The Cathedral and affiliate’s property and equipment in excess of \$1,500 to \$3,000 with an expected useful life in excess of one year are recorded at cost. Assets acquired by gifts are recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as donations with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as without donor restrictions.

The School and the Foundation depreciate and amortize their property and equipment using the straight-line method over the estimated useful lives, which range from 5 to 200 years. Maintenance and repairs are charged to expense as incurred; major renewals and betterments in excess are capitalized. The cost and accumulated depreciation and amortization of assets sold or retired are removed from the respective accounts and any gain or loss is reflected in the accompanying consolidated statements of activities and changes in net assets.

The Cathedral and affiliate regularly evaluate their long-lived assets for indicators of possible impairment. Should an impairment exist, the impairment loss would be measured based on the excess carrying value of the asset over the asset’s fair value or discounted estimates of future cash flows. Management has not identified any such impairment losses to date.

Beneficial Interest in Charitable Trusts – The Cathedral and affiliate are the beneficiary to several irrevocable charitable remainder trust arrangements, which are held by others. The trusts provide for payment of distributions to the donor or other designated beneficiaries over the trusts’ terms. At the end of the trusts’ terms, the remaining assets are available for the Cathedral and affiliate’s use. In addition, the Cathedral and affiliate are the beneficiary of several split-interest agreements. At the time of donor’s death, the trust is to terminate, and the remaining trust assets are to be distributed to the Cathedral and affiliate and other beneficiaries.

The Cathedral and affiliate recognize the related income from these arrangements or the changes in values as either with or without donor restrictions when granted, depending upon whether donor-imposed restrictions exist.

Deferred Revenue – Deferred revenue represents monies received in advance for tuition, fees and tuition deposits for following school years and is recognized as revenues when earned.

#### Revenue Recognition

Contributions – Contributions consist principally of donations from individuals and organizations. Contributions are recorded as without donor restrictions, or with donor restrictions depending on the existence and/or nature of any donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the time or purpose restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction.

## GRACE CATHEDRAL CORPORATION AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Revenue Recognition (Continued)

Contributions (Continued) – When a restriction expires (that is, when a stipulated time restriction ends, or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying consolidated statements of activities and changes in net assets as net assets released from restrictions.

Tuition and Fees – Revenue from tuition and other fees, such as after school daycare fees, are recognized as revenues in the period in which the service has been provided. After-school daycare fees are included in tuition fees.

Donated Services – The Cathedral and affiliate generally pay for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Cathedral and affiliate with campaign solicitations and various committee assignments. The services of volunteers, while often significant in value, do not meet the criteria for financial statement recognition, and accordingly, are not recorded on these consolidated financial statements.

Functional Expenses – The cost of the Cathedral and affiliate's various activities have been summarized on a functional basis in the accompanying consolidated statements of activities and changes in net assets and functional expenses. Expenses directly identifiable with programs are charged to program services. Management and general expenses include expenses not directly identifiable with programs, but which provide for overall support and direction of the Cathedral and affiliate. Special events and fundraising expenses include all direct costs of inducing contributions for general and specific purposes.

Concentration of Credit Risk – Financial instruments, which potentially subject the Cathedral and affiliate to concentration of credit risk, consist principally of cash and cash equivalents, unconditional promises to give, and investments with financial institutions. These instruments are also subject to other market risk conditions such as interest rate risk, equity market risks, and their implied volatilities and market liquidity and funding risks.

The Cathedral and affiliate's credit risk is inherent principally in its investments. Adverse economic conditions either nationwide or internationally may result in a reduction of the investments' carrying amount. The maximum loss on the investments would be the carrying amount in the consolidated financial statements, less amounts insured by the Securities Investor Protection Corporation which is generally up to \$500,000 for all brokerage accounts, including up to \$250,000 for cash. As of June 30, 2019 and 2018, the Cathedral and affiliate had investment balances in excess of the insured limits.

Cash and cash equivalents on deposit with financial institutions are guaranteed by the Federal Deposit Insurance Corporation up to \$250,000 for all cash accounts with each financial institution as of June 30, 2019 and 2018. At various times during the years ended June 30, 2019 and 2018, the Cathedral and affiliate had cash balances in excess of the insured limits.

## GRACE CATHEDRAL CORPORATION AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes – The Cathedral and affiliate are qualified organizations exempt from federal and California income taxes under the provisions of Internal Revenue Code (“IRC”) Section 501(c)(3) and Section 23701(d) of the California Revenue and Taxation Code. Accordingly, the Cathedral and affiliate have paid no income taxes and the consolidated financial statements include no provision for income taxes.

Comparative Financial Information – The accompanying consolidated financial statements include certain prior year summarized information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Cathedral and affiliate’s accompanying consolidated financial statements as of and for the year ended June 30, 2018, from which the summarized information was derived.

Reclassification – Certain amounts for the year ended June 30, 2018 in the accompanying consolidated statements of financial position and consolidated statements of activities and changes in net assets and functional expenses have been reclassified to conform to the year ended June 30, 2019 presentation with no effect on previously reported net assets and changes in net assets.

Recent Accounting Pronouncements – During the year ended June 30, 2019, the Cathedral and affiliate adopted FASB Accounting Standards Update (“ASU”) ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies how a not-for-profit organization classifies net assets and presents information in financial statements, including notes about liquidity, financial performance, and cash flows. ASU 2016-14 improves presentation and disclosures to help not-for-profits provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users of the financial statements. A key change that was required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are reported as net assets without donor restrictions and amounts previously reported as temporarily or permanently restricted net assets are reported as net assets with donor restrictions. A footnote on liquidity and availability of financial assets has also been added as required by ASU 2016-14. See Note 3.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies and provides guidance for contributions received and contributions made and assists organizations in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-For-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance, and (2) determining whether a contribution is conditional. Not-for-profit organizations should apply the amendments for transactions in which the organization serves as the resource recipient or provider for the year December 31, 2020, with early adoption permitted. Upon adoption, the guidance in this ASU 2018-08 should be applied on a modified prospective basis with retrospective application permitted. Management is currently evaluating the impact of adopting this guidance on its consolidated financial statements.

**GRACE CATHEDRAL CORPORATION AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Recent Accounting Pronouncements (Continued) – In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires, among other things, lessees to recognize a right-of-use asset and a lease liability for virtually all of their leases (other than leases that meet the definition of a short-term lease). The liability will be equal to the present value of lease payments. The asset will be based on the liability, subject to adjustment, such as for initial direct costs. For statement of activities purposes, the FASB retained the current dual model whereby leases are classified as either operating or finance. Operating leases will result in straight-line expense while finance leases will result in a front-loaded expense pattern. This is similar to the current statement of activities treatment for leases. ASU 2016-02 is effective for the Cathedral and affiliate for the fiscal year June 30, 2021. The new standard must be adopted using a modified retrospective transition and provides for certain practical expedients. Transition will require application of the new guidance at the beginning of the earliest comparative period presented. Management is currently evaluating the impact of adopting this guidance on its consolidated financial statements.

**GRACE CATHEDRAL CORPORATION AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Cathedral and affiliate’s primary sources of revenues are from tuition fees, donations and investment income. These funds will support the Cathedral and affiliate’s program and supporting services.

The Cathedral and affiliate’s liquidity management is structured to have its financial assets to be available as its general expenditures and other obligations are incurred. Financial assets in excess of daily cash requirements are invested in cash equivalents or other investments which consist of money market funds, fixed income and equity securities. The Board of Trustees can also direct its other board designated net assets such as operating reserves which may be drawn upon, if necessary, to meet unexpected liquidity needs.

As of June 30, the following table reflects the Cathedral and affiliate’s financial assets, reduced by amounts that are not available to meet general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date.

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 1,749,207	\$ 1,885,654
Promises to Give, Net	9,711,984	2,227,632
Investments	51,423,862	48,347,160
Deferred Compensation Investments	<u>476,054</u>	<u>537,057</u>
 Total Financial Assets	 63,361,107	 52,997,503
 Less: Promises to Give, With Donor Restrictions	 8,733,374	 2,193,632
Investments Restricted for Endowment	18,228,605	15,977,218
Investments Restricted for Purpose	15,552,355	15,266,805
Deferred Compensation Investments	476,054	537,057
Board Designations – Operating and Others	<u>5,273,505</u>	<u>5,331,525</u>
 Total Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	 <u>\$ 15,097,214</u>	 <u>\$ 13,691,266</u>



**GRACE CATHEDRAL CORPORATION AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 4 – PROMISES TO GIVE, NET**

Unconditional promises to give consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Without Donor Restrictions:		
Stewardship and General Support	\$ 978,610	\$ 55,150
With Donor Restrictions:		
Purpose and Time Restricted:		
Fulfilling the Strategic Vision		
Campaign - School Renovations	3,758,032	-
Stewardship and Operations	350,242	479,780
Trustees	87,020	82,087
Ferreboeuf Fund for Faculty	38,854	38,854
Foundation for the Future	24,424	301,175
	<u>4,258,572</u>	<u>901,896</u>
Endowment:		
Fulfilling the Strategic Vision		
Campaign – Teachers’ Salaries	3,896,861	-
Forbes Endowment	562,812	1,185,500
Choir and General Support	249,280	200,000
	<u>4,708,953</u>	<u>1,385,500</u>
Total Promises to Give	9,946,135	2,342,546
Less: Discount to Net Present Value	(124,676)	(5,439)
Less: Allowance for Uncollectible Promises to Give	(109,475)	(109,475)
Total Promises to Give, Net	<u>\$ 9,711,984</u>	<u>\$ 2,227,632</u>

Scheduled unconditional promises to give, net of discount and allowance, are due as follows as of June 30:

	<u>2019</u>	<u>2018</u>
Receivable in Less Than One Year	\$ 6,935,070	\$ 1,883,071
Receivable in One to Five Years	<u>2,776,914</u>	<u>344,561</u>
	<u>\$ 9,711,984</u>	<u>\$ 2,227,632</u>

**GRACE CATHEDRAL CORPORATION AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 5 – INVESTMENTS**

The Cathedral and affiliate's investments are recorded at fair value on a recurring basis.

The following table represents investments at fair value as of June 30:

	2019		
	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gains (Losses)</u>
Mutual Funds:			
Bond Funds	\$ 9,184,661	\$ 8,983,802	\$ 200,859
Emerging Market Funds	1,862,006	1,690,083	171,923
International Equity Funds	4,704,714	3,972,887	731,827
Real Estate Funds	2,075,433	1,583,048	492,385
U.S. Equity Funds	12,290,488	6,109,991	6,180,497
	<u>30,117,302</u>	<u>22,339,811</u>	<u>7,777,491</u>
Equity Securities:			
Basic Industry	830,956	299,465	531,491
Communications	439,901	245,465	194,436
Consumer	2,573,130	823,573	1,749,557
Energy	568,436	816,323	(247,887)
Finance	697,436	519,865	177,571
Foreign	279,125	330,520	(51,395)
Healthcare	1,819,143	543,500	1,275,643
Real Estate	446,121	390,390	55,731
Services	306,280	330,449	(24,169)
Technology	1,614,447	689,264	925,183
Tourism	290,705	395,969	(105,264)
	<u>9,865,680</u>	<u>5,384,783</u>	<u>4,480,897</u>
Bonds:			
Corporate Bonds	6,051,305	5,994,322	56,983
U.S. Government Bonds	1,526,029	1,510,113	15,916
	<u>7,577,334</u>	<u>7,504,435</u>	<u>72,899</u>
Money Market	<u>3,863,546</u>	<u>3,863,546</u>	<u>-</u>
	<u>\$ 51,423,862</u>	<u>\$ 39,092,575</u>	<u>\$ 12,331,287</u>

**GRACE CATHEDRAL CORPORATION AND AFFILIATE****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 5 – INVESTMENTS** (Continued)

	2018		
	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gains (Losses)</u>
Mutual Funds:			
Bond Funds	\$ 9,435,479	\$ 9,680,555	\$ (245,076)
Emerging Market Funds	1,786,111	1,584,866	201,245
International Equity Funds	4,529,879	3,716,945	812,934
Real Estate Funds	2,242,417	1,778,538	463,879
U.S. Equity Funds	12,201,017	6,139,839	6,061,178
	<u>30,194,903</u>	<u>22,900,743</u>	<u>7,294,160</u>
Equity Securities:			
Basic Industry	673,492	299,465	374,027
Communications	387,387	245,462	141,925
Consumer	2,081,738	823,573	1,258,165
Energy	443,848	489,235	(45,387)
Finance	706,624	506,186	200,438
Foreign	267,938	330,521	(62,583)
Healthcare	1,584,314	543,500	1,040,814
Real Estate	360,189	390,390	(30,201)
Services	386,440	330,449	55,991
Technology	1,330,105	689,264	640,841
Tourism	276,234	317,481	(41,247)
	<u>8,498,309</u>	<u>4,965,526</u>	<u>3,532,783</u>
Bonds:			
Corporate Bonds	5,881,060	6,058,572	(177,512)
U.S. Government Bonds	198,898	199,951	(1,053)
	<u>6,079,958</u>	<u>6,258,523</u>	<u>(178,565)</u>
Money Market	<u>3,573,990</u>	<u>3,573,990</u>	<u>-</u>
	<u>\$ 48,347,160</u>	<u>\$ 37,698,782</u>	<u>\$ 10,648,378</u>

Net realized and unrealized gain from investments and beneficial interest in charitable trusts for the years ended June 30, 2019 and 2018 totaled \$2,606,205 and \$2,018,243, respectively.

**GRACE CATHEDRAL CORPORATION AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 5 – INVESTMENTS** (Continued)

The following schedule summarizes the Cathedral and affiliate's investment return and its classification for the years ended June 30 in the accompanying consolidated statements of activities and changes in net assets:

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Dividends and Interest (Net of Expenses of \$80,812 and \$80,609 in 2019 and 2018, Respectively)	\$ 1,142,714	\$ 3,859	\$ 1,146,573	\$ 1,016,262
Net Realized and Unrealized Gains	714,681	1,891,524	2,606,205	2,018,243
	1,857,395	1,895,383	3,752,778	3,034,505
Less: Investment Return Designated for Current Operations	(1,559,885)	(7,955)	(1,567,840)	(1,442,140)
Total Investment Return Reduced by the Portion of Cumulative Net Appreciation Designated for Current Operations	\$ 297,510	\$ 1,887,428	\$ 2,184,938	\$ 1,592,365

**NOTE 6 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of June 30:

	2019	2018
Cathedral Building and Carillon	\$ 41,450,278	\$ 39,793,678
School Building and Improvements	20,420,200	20,414,961
Dean and Headmaster Residences	5,269,259	5,266,775
Furnishings, Equipment and Vehicles	4,923,068	4,709,661
Construction in Process	968,354	1,492,878
Computer Equipment	229,408	529,571
Icons	453,991	451,187
Library Books	60,734	60,734
Land	1	1
Total Property and Equipment	73,775,293	72,719,446
Less: Accumulated Depreciation and Amortization	9,158,976	8,793,189
	\$ 64,616,317	\$ 63,926,257

**GRACE CATHEDRAL CORPORATION AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 6 – PROPERTY AND EQUIPMENT** (Continued)

The donated land, on which the Cathedral and affiliate’s facilities are located, was recorded at a nominal value of one dollar on the date of donation in 1907. In the accompanying consolidated financial statements, significant property and equipment acquisitions or improvements of the Cathedral have been capitalized, but not depreciated. These practices represent departures from accounting principles generally accepted in the United States of America which state, in general, that property and equipment be recorded at cost if acquired by purchase or through capital lease, or at fair value if acquired by gift or donation, and then depreciated over their estimated useful lives. The effects of these departures are not reasonably determinable.

The School’s depreciation and amortization expense for the years ended June 30, 2019 and 2018 amounted to \$719,178 and \$729,521, respectively.

**NOTE 7 – FAIR VALUE MEASUREMENTS**

The Cathedral and affiliate have determined the fair value of the recurring assets and liabilities through the application of the FASB ASC *Fair Value Measurements and Disclosures*. The valuation of the Cathedral and affiliate’s investments using the FASB ASC fair value hierarchy levels as of June 30 is summarized as follows:

	2019			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments:				
Mutual Funds	\$ 30,117,302	\$ -	\$ -	\$ 30,117,302
Equity Securities	9,865,680	-	-	9,865,680
Bonds	7,577,334	-	-	7,577,334
Money Market	3,863,546	-	-	3,863,546
	51,423,862	-	-	51,423,862
Beneficial Interest in Charitable Trusts	-	415,255	159,787	575,042
	<u>\$ 51,423,862</u>	<u>\$ 415,255</u>	<u>\$ 159,787</u>	<u>\$ 51,998,904</u>

**GRACE CATHEDRAL CORPORATION AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 7 – FAIR VALUE MEASUREMENTS** (Continued)

	2018			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments:				
Mutual Funds	\$ 30,194,903	\$ -	\$ -	\$ 30,194,903
Equity Securities	8,498,309	-	-	8,498,309
Bonds	6,079,958	-	-	6,079,958
Money Market	3,573,990	-	-	3,573,990
	<u>48,347,160</u>	-	-	<u>48,347,160</u>
Beneficial Interest in Charitable Trusts	<u>-</u>	<u>411,971</u>	<u>158,617</u>	<u>570,588</u>
	<u>\$ 48,347,160</u>	<u>\$ 411,971</u>	<u>\$ 158,617</u>	<u>\$ 48,917,748</u>

The changes in beneficial interest in charitable trusts classified as Level 3 for the years ended June 30, 2019 and 2018 are as follows:

Balance July 1, 2017	\$ 160,011
Purchases	-
Proceeds from Sales, Issuances and Settlements	-
Realized and Unrealized Losses Included in Earnings	<u>(1,394)</u>
Balance June 30, 2018	158,617
Purchases	-
Proceeds from Sales, Issuances and Settlements	-
Realized and Unrealized Gains Included in Earnings	<u>1,170</u>
Balance June 30, 2019	<u>\$ 159,787</u>
Changes in Unrealized Gains Included in Earnings Relating to Beneficial Interest in Charitable Trusts Still Held at June 30, 2019	<u>\$ 1,170</u>

## GRACE CATHEDRAL CORPORATION AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

#### NOTE 7 – FAIR VALUE MEASUREMENT (Continued)

Total realized and unrealized gains recorded for assets classified as Level 3 are reported in the accompanying consolidated statements of activities and changes in net assets.

#### Investments

The mutual funds held by the Cathedral and affiliate are reported at the net asset value made publicly available daily. The equity securities are valued based upon quoted prices from published market quotes. The mutual funds and equity securities are required by the Securities and Exchange Commission to be measured daily at fair value. The bond investments are valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. The money market investments are valued at cost which represents fair value. The resulting net asset value for each investment is a Level 1 measurement.

#### Beneficial Interest in Charitable Trusts

The Cathedral and affiliate value the portion of their share in the irrevocable charitable remainder trusts at the present value of the allocable share in the market value of the underlying investments as reported to the Cathedral and affiliate from published market quotes. The present value of future benefits for each irrevocable charitable remainder trust arrangement is a Level 2 measurement.

The split-interest agreements are valued based upon the donor life expectancy and the use of a 4-5% discount rate. The present value of future benefits for each split-interest agreement is a Level 3 measurement.

#### NOTE 8 – LINE OF CREDIT

The Cathedral and affiliate have a revolving unsecured line of credit of \$2,000,000, bearing interest at the bank's prime rate or LIBOR plus 0.50% per annum (3.05% and 2.84% at June 30, 2019 and 2018, respectively). The line of credit matured on April 1, 2019 and has been extended until April 2021. The Cathedral and affiliate had no outstanding borrowings as of June 30, 2019 and 2018. There was no interest expense under the line of credit for the years ended June 30, 2019 and 2018.

**GRACE CATHEDRAL CORPORATION AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 9 – NOTES PAYABLE, NET**

At June 30, notes payable consists of the following:

	<u>2019</u>	<u>2018</u>
Secured note payable to a financial institution, collateralized by securities held with the financial institution, LIBOR plus 0.50% interest rate, monthly interest payments, principal payment due in full on an extended date of April 2021 from April 2019.	\$ 1,285,000	\$ 1,285,000
Unsecured note payable to a financial institution, bearing interest at 2.8% per annum, interest payable monthly, principal due in full on an extended date of November 2018. Note payable paid in full in November 2018.	-	500,000
Secured notes payable to a finance company, collateralized by technology equipment, 0.35% interest rate, payable in three annual installments, due from July 2019 to July 2020.	<u>61,871</u>	<u>36,262</u>
	<u>\$ 1,346,871</u>	<u>\$ 1,821,262</u>

Interest expense for the years ended June 30, 2019 and 2018 was approximately \$43,000 and \$41,000, respectively.

Future minimum payments due on notes payable are as follows:

<u>Years Ending June 30,</u>	
2020	\$ 29,833
2021	<u>1,317,038</u>
	<u>\$ 1,346,871</u>



**GRACE CATHEDRAL CORPORATION AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 10 – BOARD DESIGNATED NET ASSETS**

Board designated net assets at June 30 consist of:

	<u>2019</u>	<u>2018</u>
Operations	\$ 4,847,934	\$ 4,854,485
Personnel, Sabbatical and Miscellaneous Designations	<u>425,571</u>	<u>477,040</u>
	<u>\$ 5,273,505</u>	<u>\$ 5,331,525</u>

**NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted as to specified purpose, passage of time and endowment spending policy and appropriations for the following activities as of June 30:

	<u>2019</u>	<u>2018</u>
Donor Restricted – Perpetual in Nature:		
Beneficial Interest in Charitable Trusts	\$ 127,275	\$ 127,275
Centennial Campaign	8,467,786	8,467,786
Forbes Endowment	1,476,539	1,397,069
Fulfilling the Strategic Vision – School Renovations	3,487,765	-
Unappropriated Accumulated Endowment		
Earnings Subject to Spending Policy	6,536,247	6,485,990
Music	335,387	335,387
Scholarship	2,456,688	878,688
Sweeney Art Endowment	181,017	181,017
Other	<u>55,095</u>	<u>28,429</u>
	<u>\$ 23,123,799</u>	<u>\$ 17,901,641</u>

**GRACE CATHEDRAL CORPORATION AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS** (Continued)

	<u>2019</u>	<u>2018</u>
Donor Restricted – Purpose and Time Restrictions:		
Acquisitions, Improvements and		
Repairs of Property and Equipment	\$ 4,448,709	\$ 5,248,003
Building Improvements (Endowing the Future)	643,673	1,066,964
Fulfilling the Strategic Vision – School Renovations	4,508,302	-
Ministry, Liturgies and Others	1,135,666	1,313,614
Office of the Dean	820,522	851,853
Scholarship	1,942,508	2,189,341
Stewardship and Operations	639,013	676,408
Unappropriated Accumulated Endowment		
Earnings Subject to Spending Policy	<u>6,729,314</u>	<u>5,823,089</u>
	<u>\$ 20,867,707</u>	<u>\$ 17,169,272</u>

**NOTE 12 – NET ASSETS RELEASED FROM RESTRICTIONS**

During the years ended June 30, 2019 and 2018, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrences of other events specified by donors as follows:

	<u>2019</u>	<u>2018</u>
Acquisitions, Improvements and Repairs of		
Property and Equipment	\$ 800,293	\$ 1,383,123
Building Improvements (Endowing the Future)	390,000	107,794
Fulfilling the Strategic Vision	210,000	-
Ministry, Liturgies and Others	516,691	293,776
Office of the Dean	50,073	114,505
Scholarship	247,533	262,416
Stewardship and Operations	2,669,196	5,987,810
Unappropriated Accumulated Endowment		
Earnings Subject to Spending Policy	<u>986,033</u>	<u>821,601</u>
	<u>\$ 5,869,819</u>	<u>\$ 8,971,025</u>

## GRACE CATHEDRAL CORPORATION AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

#### NOTE 13 – ENDOWMENT NET ASSETS AND POLICIES

The Cathedral and affiliate's endowment funds consist of funds established for a variety of purposes and include those assets of donor-restricted endowment funds and/or funds that are designated by the Board of Trustees to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

##### Interpretation of Relevant Law

The Cathedral and affiliate's endowment is governed by the State of California's enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). The Cathedral and affiliate classify donor restrictions that are perpetual in nature: (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The Cathedral and affiliate consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purpose of the Cathedral and affiliate and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, and (6) the investment policies of the Cathedral and affiliate.

##### Return Objectives and Risk Parameters

The Cathedral and affiliate have adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding sufficient to ensure the ongoing ability of the Cathedral and affiliate to provide a stable source of perpetual financial support from the endowment in accordance with the Cathedral and affiliate's spending policies, while also maintaining the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as provide additional growth through net gifts and investment return. In establishing these policies, the Cathedral and affiliate considered the long-term expected investment return on its endowment assets. Accordingly, over the long-term, the Cathedral and affiliate's rate of return objective on its endowment assets is a rate of return that is better or equal to that of appropriate market indices. Endowment assets are invested in a manner that is intended to produce results that exceed the respective benchmark while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount. This is consistent with the Cathedral and affiliate's objective to preserve capital on a real or after inflation basis and maximize total return (income plus appreciation) at an appropriate level of risk.

**GRACE CATHEDRAL CORPORATION AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 13 – ENDOWMENT NET ASSETS AND POLICIES** (Continued)

**Spending Policies**

**School's Spending Policy**

The School has a spending rate policy of appropriating for distribution each year 5% of the endowment's total asset value over the prior year's twelve-quarter rolling average, with the understanding that this spending rate plus inflation will not normally exceed the average annual total real return (return net of inflation) from investment over the past three years. In establishing this policy, the School considered the long-term expected return on its endowment assets, the nature and duration of the endowment funds, many of which must be maintained in perpetuity because of donor restrictions and the possible effects of inflation.

**Cathedral and Foundation's Spending Policy**

The Cathedral and Foundation's Board of Trustees designates only a portion of the Cathedral and Foundation's annual cumulative investment return for support of current operations; the remainder is retained to support operations of future years and to offset potential market declines. The amount calculated under the spending policy of the investment pool is used to support current operations. The spending rate method used by the Board of Trustees is 5% of a three-year average of the market value of the pooled endowment funds based on a calendar year.

Endowment net assets at June 30 are as follows:

	<u>2019</u>		<u>2018</u>	
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
Donor-Restricted Endowment Funds	<u>\$ -</u>	<u>\$ 29,853,113</u>	<u>\$ 29,853,113</u>	<u>\$ 23,724,730</u>

**GRACE CATHEDRAL CORPORATION AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 13 – ENDOWMENT NET ASSETS AND POLICIES** (Continued)

The changes in endowment net assets during the years ended June 30 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets, July 1, 2017	\$ -	\$ 21,819,616	\$ 21,819,616
Donations	-	1,480,313	1,480,313
Interest and Dividends	445,665	2,806	448,471
Unrealized and Realized Gains	480,959	440,802	921,761
Transfer from With Donor Restrictions to			
Without Donor Restrictions for Operations	18,041	(18,041)	-
Investment Expenses	(10,130)	(766)	(10,896)
Amounts Appropriated for Operations	<u>(934,535)</u>	<u>-</u>	<u>(934,535)</u>
Endowment Net Assets, June 30, 2018	-	23,724,730	23,724,730
Donations	-	5,222,158	5,222,158
Interest and Dividends	563,015	3,858	566,873
Unrealized and Realized Gains	422,233	903,152	1,325,385
Investment Expenses	(17,176)	(785)	(17,961)
Amounts Appropriated for Operations	<u>(968,072)</u>	<u>-</u>	<u>(968,072)</u>
Endowment Net Assets, June 30, 2019	<u>\$ -</u>	<u>\$ 29,853,113</u>	<u>\$ 29,853,113</u>

## GRACE CATHEDRAL CORPORATION AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

#### NOTE 14 – COMMITMENTS

##### Sublease Agreement

The Cathedral and affiliate lease out the parking garage under a non-cancelable operating lease that was extended through December 2019. The lessee pays the Cathedral and affiliate a base rent of \$10,000 per month through the term of the lease. In addition to the base rent, the lessee will pay the Cathedral and affiliate a percentage rent based on lessee's gross receipts in excess of \$400,000.

The Cathedral and affiliate's future minimum amounts receivable under this sublease through December 31, 2019 is approximately \$60,000.

##### Other Commitments

The Cathedral had entered into various contracts relating to chapel repairs, construction, and restorations during the year ended June 30, 2019 totaling approximately \$651,000. For the year ended June 30, 2019, the Cathedral and affiliate have incurred costs of approximately \$149,000 to these contractors. Subsequent to June 30, 2019, the Cathedral had entered into a contract relating to a lighting installation. The estimated project cost is approximately \$249,000, and installation is expected to be completed in October 2019.

The School had entered into various contracts relating to school renovations during the year ended June 30, 2019 totaling approximately \$1,739,000. For the year ended June 30, 2019, the School has paid approximately \$487,000 to these contractors.

#### NOTE 15 – PENSION PLANS

##### Cathedral's Pension Plan

The Cathedral has a defined contribution plan established by the Episcopal Church of the United States of America covering all eligible employees as per plan agreement. The Plan provides for the Cathedral to contribute an amount equal to 5% of each employee's salary and match employee contributions up to 4% of each employee's salary, subject to Internal Revenue Code limitations. The Cathedral's contributions totaled approximately \$216,000 and \$205,000 for the years ended June 30, 2019 and 2018, respectively.

The Cathedral also provides pension benefits for clergy through a separate national plan. The Cathedral's contributions totaled approximately \$148,000 and \$134,000 for the years ended June 30, 2019 and 2018, respectively.

## **GRACE CATHEDRAL CORPORATION AND AFFILIATE**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2019

#### **NOTE 15 – PENSION PLANS** (Continued)

##### **School's Pension Plan**

The School has a defined contribution pension plan covering all eligible employees and contributes 9.5% of eligible employees' salary to the Teachers Insurance and Annuity Association and College Retirement Equities Fund. In addition, all eligible employees may make voluntary contributions by salary reduction to a Group Supplemental Annuity program, up to the limit allowed by law. The School contributed approximately \$415,000 and \$394,000 for the years ended June 30, 2019 and 2018, respectively.

##### **Deferred Compensation Plan**

The School maintains a Section 457(f) Supplemental Employee Retirement Plan ("SERP") that allows certain key employees to defer receipt of current compensation in order to provide retirement benefits on behalf of such employees. The SERP is not intended to be a qualified plan under the provisions of the Internal Revenue Code. All compensation deferred under the SERP is held in the name of the participants. Contributions made to the SERP by the School totaled approximately \$36,000 for each of the years ended June 30, 2019 and 2018, respectively. As of June 30, 2019 and 2018, the fair value of the 457(f) plan assets and liabilities amounted to approximately \$476,000 and \$537,000, respectively, as shown in the accompanying consolidated statements of financial position as deferred compensation investments and deferred compensation liability.

#### **NOTE 16 – RELATED PARTY TRANSACTIONS**

For the years ended June 30, 2019 and 2018, the Cathedral and affiliate paid the Diocese of California approximately \$805,000 and \$776,000, respectively, for certain operating expenses, including employee benefits.

For the years ended June 30, 2019 and 2018, the Diocese of California leased land owned by the Cathedral and affiliate for \$1 per year.

**GRACE CATHEDRAL CORPORATION AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2019

**NOTE 17 – CONCENTRATIONS**

**Promises to Give**

As of June 30, 2019 and 2018, a significant portion of the Cathedral and affiliate's promises to give is due from one and two donors who have promised to give approximately \$2,000,000 and \$1,200,000, respectively, for the Cathedral and affiliate's Stewardship and Operations, Forbes Endowment, and Fulfilling the Strategic Vision Campaign.

**Accounts Payable**

As of June 30, 2019 and 2018, one and three vendors comprised 79% and 55%, respectively, of the Cathedral and affiliate's total accounts payable.

**NOTE 18 – OTHER CASH FLOW INFORMATION**

The Cathedral and affiliate made the following cash payments during the years ended June 30:

	<u>2019</u>	<u>2018</u>
Interest Paid	\$ <u>42,679</u>	\$ <u>39,741</u>

**NOTE 19 – SUBSEQUENT EVENTS**

The Cathedral and affiliate have evaluated subsequent events through October 10, 2019, the date the consolidated financial statements were issued.



SUPPLEMENTARY INFORMATION

**GRACE CATHEDRAL CORPORATION AND AFFILIATE**

**SUPPLEMENTARY INFORMATION**

**UNCONSOLIDATED STATEMENTS OF FINANCIAL POSITION – GRACE CATHEDRAL**

June 30, 2019

(With Summarized Comparative Totals for 2018)

	<u>2019</u>			<u>2018</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
<b><u>ASSETS</u></b>				
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$ 50,578	\$ 644,264	\$ 694,842	\$ 898,346
Promises to Give, Net	950,000	656,542	1,606,542	731,867
Prepaid Expenses and Other Current Assets	357,027	2,941	359,968	451,792
Investments	8,721,626	24,805,902	33,527,528	33,116,579
Beneficial Interest in Charitable Trusts	-	575,042	575,042	570,588
Property and Equipment, Net	49,045,225	-	49,045,225	48,216,068
Due from Related Party	-	-	-	500,000
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 59,124,456</u></b>	<b><u>\$ 26,684,691</u></b>	<b><u>\$ 85,809,147</u></b>	<b><u>\$ 84,485,240</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>				
<b><u>LIABILITIES</u></b>				
Accounts Payable and Accrued Expenses	\$ 500,365	\$ -	\$ 500,365	\$ 506,660
Notes Payable, Net of Debt Issuance Cost	1,285,000	-	1,285,000	1,785,000
<b><u>TOTAL LIABILITIES</u></b>	<b><u>1,785,365</u></b>	<b><u>-</u></b>	<b><u>1,785,365</u></b>	<b><u>2,291,660</u></b>
<b><u>NET ASSETS</u></b>				
Without Donor Restrictions:				
Unrestricted	54,491,157	-	54,491,157	52,263,069
Board Designated	2,847,934	-	2,847,934	2,854,485
Total Without Donor Restrictions	57,339,091	-	57,339,091	55,117,554
With Donor Restrictions:				
Perpetual in Nature	-	15,131,309	15,131,309	15,081,051
Purpose and Time Restrictions	-	11,553,382	11,553,382	11,994,975
Total With Donor Restrictions	-	26,684,691	26,684,691	27,076,026
<b><u>TOTAL NET ASSETS</u></b>	<b><u>57,339,091</u></b>	<b><u>26,684,691</u></b>	<b><u>84,023,782</u></b>	<b><u>82,193,580</u></b>
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b><u>\$ 59,124,456</u></b>	<b><u>\$ 26,684,691</u></b>	<b><u>\$ 85,809,147</u></b>	<b><u>\$ 84,485,240</u></b>

**GRACE CATHEDRAL CORPORATION AND AFFILIATE**

SUPPLEMENTARY INFORMATION

UNCONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS – GRACE CATHEDRAL

Year Ended June 30, 2019  
(With Summarized Comparative Totals for 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>REVENUES, GAINS AND</u>				
<u>OTHER SUPPORT</u>				
Congregation, Community and				
Trustee Giving	\$ 3,707,789	\$ 1,306,118	\$ 5,013,907	\$ 3,670,592
Tuition and Fees	143,273	-	143,273	177,706
Service Fees and Revenues:				
Space Use Rentals	570,693	-	570,693	548,108
Special Events				
(Net of direct costs of \$146,163 and \$133,036 in 2019 and 2018, respectively)	597,151	-	597,151	357,922
Weddings, Memorials, and Tours	228,623	-	228,623	221,155
Other	67,830	57,731	125,561	156,570
Investment Return Designated for				
Current Operations	833,841	-	833,841	803,560
Net Assets Released from Restrictions	3,169,104	(3,169,104)	-	-
<u>TOTAL REVENUES, GAINS AND OTHER SUPPORT</u>	<u>9,318,304</u>	<u>(1,805,255)</u>	<u>7,513,049</u>	<u>5,935,613</u>
<u>EXPENSES</u>				
Program Services	4,025,597	-	4,025,597	3,836,010
Supporting Services:				
Management and General	2,015,783	-	2,015,783	2,230,067
Fundraising	1,096,163	-	1,096,163	1,135,561
<u>TOTAL EXPENSES</u>	<u>7,137,543</u>	<u>-</u>	<u>7,137,543</u>	<u>7,201,638</u>
<u>CHANGES IN NET ASSETS BEFORE OTHER CHANGES</u>	<u>2,180,761</u>	<u>(1,805,255)</u>	<u>375,506</u>	<u>(1,266,025)</u>
<u>OTHER CHANGES</u>				
Investment Return Reduced by the Portion of Cumulative Net Appreciation Designated for Current Operations	40,776	1,413,920	1,454,696	1,375,337
<u>CHANGES IN NET ASSETS</u>	<u>2,221,537</u>	<u>(391,335)</u>	<u>1,830,202</u>	<u>109,312</u>
<u>NET ASSETS AT BEGINNING OF YEAR</u>	<u>55,117,554</u>	<u>27,076,026</u>	<u>82,193,580</u>	<u>82,084,268</u>
<u>NET ASSETS AT END OF YEAR</u>	<u>\$ 57,339,091</u>	<u>\$ 26,684,691</u>	<u>\$ 84,023,782</u>	<u>\$ 82,193,580</u>

**GRACE CATHEDRAL CORPORATION AND AFFILIATE**

**SUPPLEMENTARY INFORMATION**

**UNCONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES – GRACE CATHEDRAL**

Year Ended June 30, 2019  
(With Summarized Comparative Totals for 2018)

	2019				2018
	Church and Ministry	Supporting Services		Total	Total
		Management and General	Fundraising		
Salaries and Benefits	\$ 3,245,673	\$ 1,167,802	\$ 870,390	\$ 5,283,865	\$ 4,980,227
Grants and Outreach	216,019	-	37,670	253,689	355,613
Utilities	5,113	216,935	57	222,105	245,017
Insurance	-	200,278	-	200,278	202,053
Advertising and Promotion	5,423	11,939	19,801	37,163	35,987
Auto and Travel	77,484	1,577	2,394	81,455	93,497
Bad Debt	-	-	25,446	25,446	39,301
Bank Fees	11,037	35,093	2,768	48,898	46,996
Church Retreat	56,243	-	-	56,243	49,714
Diocesan Assessment	143,538	-	-	143,538	128,503
Dues and Subscriptions	3,054	3,052	2,017	8,123	6,927
Gift Shop Expense	-	-	-	-	142,267
Hospitality	74,670	2,806	19,948	97,424	85,144
Instructional Expenses	3,463	-	-	3,463	5,109
Interest Expense	36,521	-	-	36,521	25,184
Maintenance and Repairs	7,243	150,356	21,121	178,720	308,810
Miscellaneous	2,046	1,230	34,794	38,070	9,925
Office Expenses	53,432	68,412	12,463	134,307	146,351
Parking	40,280	4,255	(4,097)	40,438	49,647
Printing and Publication	1,020	18,938	36,838	56,796	63,342
Professional Services	1,648	52,483	-	54,131	61,620
Scholarships	200	-	-	200	1,175
School Lunch Meals	31,818	-	-	31,818	33,497
Security	344	47,854	280	48,478	34,480
Staff Development	5,427	9,285	7,960	22,672	17,017
Telephone and Internet	3,901	23,488	6,313	33,702	34,235
	<u>\$ 4,025,597</u>	<u>\$ 2,015,783</u>	<u>\$ 1,096,163</u>	<u>\$ 7,137,543</u>	<u>\$ 7,201,638</u>

**GRACE CATHEDRAL CORPORATION AND AFFILIATE**

**SUPPLEMENTARY INFORMATION**

**UNCONSOLIDATED STATEMENTS OF FINANCIAL POSITION – THE GHIRBERTI FOUNDATION**

June 30, 2019

(With Summarized Comparative Totals for 2018)

	<u>2019</u>			<u>2018</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
<u>ASSETS</u>				
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 88,334	\$ 254,926	\$ 343,260	\$ 314,878
Prepaid Expenses and Other Current Assets	<u>2,700</u>	<u>-</u>	<u>2,700</u>	<u>685</u>
<u>TOTAL ASSETS</u>	<u>\$ 91,034</u>	<u>\$ 254,926</u>	<u>\$ 345,960</u>	<u>\$ 315,563</u>
<u>LIABILITIES AND NET ASSETS</u>				
<u>LIABILITIES</u>				
Accounts Payable and Accrued Expenses	<u>\$ 36,938</u>	<u>\$ -</u>	<u>\$ 36,938</u>	<u>\$ 13,228</u>
<u>NET ASSETS</u>				
Without Donor Restrictions: Undesignated	54,096	-	54,096	53,272
With Donor Restrictions: Purpose and Time Restrictions	<u>-</u>	<u>254,926</u>	<u>254,926</u>	<u>249,063</u>
<u>TOTAL NET ASSETS</u>	<u>54,096</u>	<u>254,926</u>	<u>309,022</u>	<u>302,335</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 91,034</u>	<u>\$ 254,926</u>	<u>\$ 345,960</u>	<u>\$ 315,563</u>

**GRACE CATHEDRAL CORPORATION AND AFFILIATE**

SUPPLEMENTARY INFORMATION

UNCONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS – THE GIBERTI FOUNDATION

Year Ended June 30, 2019  
(With Summarized Comparative Totals for 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	
<u>REVENUES, GAINS AND OTHER SUPPORT</u>				
Contributions	\$ 135,341	\$ 45,000	\$ 180,341	\$ 251,237
Service Fees and Revenues:				
Community Events	316,984	-	316,984	297,903
Net Assets Released from Restrictions	39,137	(39,137)	-	-
<u>TOTAL REVENUES, GAINS AND OTHER SUPPORT</u>	<u>491,462</u>	<u>5,863</u>	<u>497,325</u>	<u>549,140</u>
<u>EXPENSES</u>				
Program Services	440,872	-	440,872	415,500
Management and General	49,766	-	49,766	37,575
<u>TOTAL EXPENSES</u>	<u>490,638</u>	<u>-</u>	<u>490,638</u>	<u>453,075</u>
<u>CHANGES IN NET ASSETS</u>	824	5,863	6,687	96,065
<u>NET ASSETS AT BEGINNING OF YEAR</u>	<u>53,272</u>	<u>249,063</u>	<u>302,335</u>	<u>206,270</u>
<u>NET ASSETS AT END OF YEAR</u>	<u>\$ 54,096</u>	<u>\$ 254,926</u>	<u>\$ 309,022</u>	<u>\$ 302,335</u>

**GRACE CATHEDRAL AND AFFILIATE**

**SUPPLEMENTARY INFORMATION**

**UNCONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES – THE GIBERTI FOUNDATION**

Year Ended June 30, 2019  
(With Summarized Comparative Totals for 2018)

	2019				2018
	Church and Ministry	Supporting Services		Total	Total
		Management and General	Fundraising		
Grants and Outreach	\$ 175,518	\$ -	\$ -	\$ 175,518	\$ 123,897
Salaries and Benefits	128,135	38,646	-	166,781	185,264
Professional Services	75,454	11,120	-	86,574	68,117
Bank Fees	19,210	-	-	19,210	18,190
Advertising and Promotion	13,906	-	-	13,906	12,967
Auto and Travel	1,105	-	-	1,105	750
Hospitality	1,370	-	-	1,370	4,391
Insurance	150	-	-	150	100
Office Expenses	4,979	-	-	4,979	8,656
Parking	6,498	-	-	6,498	7,849
Printing and Publications	13,782	-	-	13,782	19,898
Utilities	765	-	-	765	2,996
	<u>\$ 440,872</u>	<u>\$ 49,766</u>	<u>\$ -</u>	<u>\$ 490,638</u>	<u>\$ 453,075</u>

**GRACE CATHEDRAL CORPORATION AND AFFILIATE**

**SUPPLEMENTARY INFORMATION**

**UNCONSOLIDATED STATEMENTS OF FINANCIAL POSITION – CATHEDRAL SCHOOL FOR BOYS**

June 30, 2019  
(With Summarized Comparative Totals for 2018)

	2019		2018	
	With Donor Restrictions	Without Donor Restrictions	Total	Total
<b><u>ASSETS</u></b>				
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$ 711,105	\$ -	\$ 711,105	\$ 672,430
Promises to Give, Net	28,610	8,076,832	8,105,442	1,495,765
Prepaid Expenses and Other Current Assets	92,174	-	92,174	160,313
Investments	8,921,276	8,975,057	17,896,333	15,230,581
Deferred Compensation Investments	476,054	-	476,054	537,057
Property and Equipment, Net	15,571,092	-	15,571,092	15,710,189
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 25,800,311</u></b>	<b><u>\$ 17,051,889</u></b>	<b><u>\$ 42,852,200</u></b>	<b><u>\$ 33,806,335</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>				
<b><u>LIABILITIES</u></b>				
Accounts Payable and Accrued Expenses	\$ 775,262	\$ -	\$ 775,262	\$ 722,593
Deferred Revenue	1,579,246	-	1,579,246	2,014,226
Deferred Compensation	476,054	-	476,054	537,057
Due to Related Party	-	-	-	500,000
<b><u>TOTAL LIABILITIES</u></b>	<b><u>2,830,562</u></b>	<b><u>-</u></b>	<b><u>2,830,562</u></b>	<b><u>3,773,876</u></b>
<b><u>NET ASSETS</u></b>				
Without Donor Restrictions:				
Undesignated	20,544,178	-	20,544,178	19,809,595
Board Designated	2,425,571	-	2,425,571	2,477,040
Total Without Donor Restrictions	22,969,749	-	22,969,749	22,286,635
With Donor Restrictions:				
Perpetual in Nature	-	7,992,490	7,992,490	2,820,590
Purpose and Time Restrictions	-	9,059,399	9,059,399	4,925,234
Total With Donor Restrictions	-	17,051,889	17,051,889	7,745,824
<b><u>TOTAL NET ASSETS</u></b>	<b><u>22,969,749</u></b>	<b><u>17,051,889</u></b>	<b><u>40,021,638</u></b>	<b><u>30,032,459</u></b>
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b><u>\$ 25,800,311</u></b>	<b><u>\$ 17,051,889</u></b>	<b><u>\$ 42,852,200</u></b>	<b><u>\$ 33,806,335</u></b>



**GRACE CATHEDRAL CORPORATION AND AFFILIATE**

**SUPPLEMENTARY INFORMATION**

**UNCONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS – CATHEDRAL SCHOOL FOR BOYS**

Year Ended June 30, 2019  
(With Summarized Comparative Totals for 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b><u>REVENUES, GAINS AND OTHER SUPPORT</u></b>				
Tuition and Fees	\$ 8,764,913	\$ -	\$ 8,764,913	\$ 8,345,337
Contributions	1,479,085	9,901,755	11,380,840	2,938,546
Special Events (Net of Direct Costs of \$131,153 and \$162,729 in 2019 and 2018, Respectively)	183,721	-	183,721	170,447
Other Income	175,475	-	175,475	154,215
Investment Return Designated for Current Operations	726,045	7,955	734,000	638,580
Net Assets Released from Restrictions	1,077,152	(1,077,152)	-	-
<b><u>TOTAL REVENUES, GAINS AND OTHER SUPPORT</u></b>	<b><u>12,406,391</u></b>	<b><u>8,832,558</u></b>	<b><u>21,238,949</u></b>	<b><u>12,247,125</u></b>
<b><u>EXPENSES</u></b>				
Program Services:				
Tuition and Instructional Expenses	9,508,719	-	9,508,719	9,054,039
Supporting Services:				
Management and General	1,420,461	-	1,420,461	1,379,017
Fundraising	1,050,831	-	1,050,831	972,099
<b><u>TOTAL EXPENSES</u></b>	<b><u>11,980,011</u></b>	<b><u>-</u></b>	<b><u>11,980,011</u></b>	<b><u>11,405,155</u></b>
<b><u>CHANGES IN NET ASSETS BEFORE OTHER CHANGES</u></b>	<b><u>426,380</u></b>	<b><u>8,832,558</u></b>	<b><u>9,258,938</u></b>	<b><u>841,970</u></b>
<b><u>OTHER CHANGES</u></b>				
Investment Return Reduced by the Portion of Cumulative Net Appreciation Designated for Current Operations	256,734	473,507	730,241	217,028
<b><u>CHANGES IN NET ASSETS</u></b>	<b><u>683,114</u></b>	<b><u>9,306,065</u></b>	<b><u>9,989,179</u></b>	<b><u>1,058,998</u></b>
<b><u>NET ASSETS AT BEGINNING OF YEAR</u></b>	<b><u>22,286,635</u></b>	<b><u>7,745,824</u></b>	<b><u>30,032,459</u></b>	<b><u>28,973,461</u></b>
<b><u>NET ASSETS AT END OF YEAR</u></b>	<b><u>\$ 22,969,749</u></b>	<b><u>\$ 17,051,889</u></b>	<b><u>\$ 40,021,638</u></b>	<b><u>\$ 30,032,459</u></b>

**GRACE CATHEDRAL CORPORATION AND AFFILIATE**

**SUPPLEMENTARY INFORMATION**

**UNCONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES – CATHEDRAL SCHOOL FOR BOYS**

Year Ended June 30, 2019  
(With Summarized Comparative Totals for 2018)

	2019			2018	
	Tuition and Instructional Expenses	Supporting Services		Total	Total
		Management and General	Fundraising		
Salaries and Benefits	\$ 5,508,766	\$ 1,195,142	\$ 722,065	\$ 7,425,973	\$ 6,935,646
Scholarship Grants	1,412,904	-	-	1,412,904	1,341,381
Depreciation and Amortization	668,835	43,151	7,192	719,178	729,521
School Lunch Meals	462,263	-	-	462,263	423,416
Activities	79,573	-	-	79,573	85,765
Admissions	36,701	4,078	-	40,779	30,110
Bad Debts	4,750	-	-	4,750	82,597
Campus Security	72,678	4,689	781	78,148	70,500
Copier Expense	22,525	5,198	6,929	34,652	38,563
Development	-	-	258,001	258,001	233,816
Faculty Continuing Education	121,807	-	-	121,807	76,027
Governance	-	8,953	-	8,953	20,448
Instructional Expenses:					
Classroom Supplies and Textbooks	170,284	-	-	170,284	186,319
Other	190,523	-	-	190,523	117,742
Insurance	53,350	7,532	1,883	62,765	57,390
Interest Expense	-	6,156	-	6,156	15,855
Library	25,340	-	-	25,340	21,730
Maintenance and Repairs	300,775	15,956	2,660	319,391	365,534
Merchandise and Other Expenses					
- Parent's Association	-	-	22,259	22,259	24,183
Miscellaneous	84,699	13,552	14,681	112,932	115,908
Occupancy Cost	65,720	4,240	707	70,667	66,813
Office Expenses	36,642	9,482	3,647	49,771	45,150
Professional Services	-	84,120	-	84,120	117,489
School Association Dues	32,855	4,639	1,160	38,654	29,359
Technology Support	122,651	7,913	1,319	131,883	115,966
Telephone	24,527	5,660	7,547	37,734	44,572
Testing	10,551	-	-	10,551	13,355
	<u>\$ 9,508,719</u>	<u>\$ 1,420,461</u>	<u>\$ 1,050,831</u>	<u>\$ 11,980,011</u>	<u>\$ 11,405,155</u>