

**GRACE CATHEDRAL CORPORATION AND AFFILIATES**

CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2023  
(With Summarized Comparative Totals for 2022)

## GRACE CATHEDRAL CORPORATION AND AFFILIATES

Year Ended June 30, 2023  
(With Summarized Comparative Totals for 2022)

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## INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF TRUSTEES

GRACE CATHEDRAL CORPORATION AND AFFILIATES

### *Qualified Opinion*

We have audited the consolidated financial statements of Grace Cathedral Corporation and Affiliates (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2023, 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.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization 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 Qualified Opinion*

As more fully described in Note 7 to the consolidated financial statements, Grace Cathedral Corporation and Affiliates, exclusive of the School, have not depreciated its property and equipment over their estimated useful lives. In our opinion, property and equipment should be depreciated over the estimated useful lives of the assets to conform with accounting principles generally accepted in the United States of America. Quantification of the effects on the consolidated financial statements of the preceding practices is not practicable.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization 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 qualified audit opinion.

### *Responsibilities of Management for the Consolidated Financial Statements*

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

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



### ***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Organization'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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 Summarized Comparative Information***

We have previously audited the Grace Cathedral corporation and Affiliates' 2022 consolidated financial statements and, in our report dated November 14, 2022, 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, 2022, 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 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 Balance Sheets – Cathedral Garage, LLC, Unconsolidated Statement of Operations – Cathedral Garage, LLC, Unconsolidated Statement of Changes in Member’s Equity (Deficit) – Cathedral Garage, LLC, Unconsolidated Statements of Operating Expenses – Cathedral Garage, LLC, 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 section, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Mayer Hoffman McCann P.C.*

San Francisco, California  
November 9, 2023

**GRACE CATHEDRAL CORPORATION AND AFFILIATES**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

June 30, 2023  
(With Summarized Comparative Totals For 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b><u>ASSETS</u></b>				
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$ 1,608,743	\$ 568,831	\$ 2,177,574	\$ 2,980,305
Promises to Give, Net	566,176	2,980,355	3,546,531	5,778,885
Prepaid Expenses and Other Assets	832,250	-	832,250	613,367
Investments	16,733,293	34,867,409	51,600,702	51,720,057
Alternative Investment	-	1,900,000	1,900,000	-
Deferred Compensation Investments	519,638	-	519,638	465,931
Beneficial Interest in Charitable Trusts	-	487,483	487,483	489,649
Property and Equipment, Net	84,517,374	-	84,517,374	85,301,003
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 104,777,474</u></b>	<b><u>\$ 40,804,078</u></b>	<b><u>\$ 145,581,552</u></b>	<b><u>\$ 147,349,197</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>				
<b><u>LIABILITIES</u></b>				
Line of Credit	\$ -	\$ -	\$ -	\$ 1,133,411
Margin Debt	3,950,059	-	3,950,059	6,576,954
Accounts Payable and Accrued Expenses	1,633,137	-	1,633,137	2,127,085
Contract Liabilities	1,179,708	-	1,179,708	1,172,408
Other Liabilities	235,294	-	235,294	75,166
Deferred Compensation	519,638	-	519,638	465,931
Loan Payable to Endowment Fund	1,900,000	-	1,900,000	-
Notes Payable	3,581,812	-	3,581,812	4,041,812
<b><u>TOTAL LIABILITIES</u></b>	<b><u>12,999,648</u></b>	<b><u>-</u></b>	<b><u>12,999,648</u></b>	<b><u>15,592,767</u></b>
<b><u>COMMITMENTS</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b><u>NET ASSETS</u></b>				
Without Donor Restrictions:				
Undesignated	88,722,321	-	88,722,321	84,277,163
Board Designated	3,055,505	-	3,055,505	3,659,668
Total Without Donor Restrictions	91,777,826	-	91,777,826	87,936,831
With Donor Restrictions:				
Perpetual in Nature	-	23,850,107	23,850,107	23,639,909
Purpose and Time Restrictions	-	16,953,971	16,953,971	20,179,690
Total With Donor Restrictions	-	40,804,078	40,804,078	43,819,599
<b><u>TOTAL NET ASSETS</u></b>	<b><u>91,777,826</u></b>	<b><u>40,804,078</u></b>	<b><u>132,581,904</u></b>	<b><u>131,756,430</u></b>
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b><u>\$ 104,777,474</u></b>	<b><u>\$ 40,804,078</u></b>	<b><u>\$ 145,581,552</u></b>	<b><u>\$ 147,349,197</u></b>

**GRACE CATHEDRAL CORPORATION AND AFFILIATES**

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

Year Ended June 30, 2023  
(With Summarized Comparative Totals For 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b><u>REVENUES, GAINS AND</u></b>				
<b><u>OTHER SUPPORT</u></b>				
Tuition and Fees	\$ 11,087,181	\$ -	\$ 11,087,181	\$ 10,551,832
Congregation, Community and Trustee Giving	2,837,430	4,569,864	7,407,294	7,861,173
Paycheck Protection Program Loan Forgiveness	-	-	-	1,019,000
Service Fees and Revenues: Special Events (Net of Direct Costs of \$162,744 and \$182,388 in 2023 and 2022, Respectively)	672,442	-	672,442	656,967
Space Use Rentals	492,833	-	492,833	543,944
Cultural Membership Program	448,754	-	448,754	-
Gain from Fixed Asset Disposal	430,192	-	430,192	-
Community Events	370,115	-	370,115	235,926
Weddings, Memorials, and Mind Body Spirit Income	426,533	-	426,533	222,543
Other	208,164	-	208,164	127,034
Investment Return Designated for Current Operations	1,114,131	912,466	2,026,597	1,955,030
Net Assets Released from Restrictions	11,937,699	(11,937,699)	-	-
<b><u>TOTAL REVENUES, GAINS AND OTHER SUPPORT</u></b>	<b><u>30,025,474</u></b>	<b><u>(6,455,369)</u></b>	<b><u>23,570,105</u></b>	<b><u>23,173,449</u></b>
<b><u>EXPENSES</u></b>				
Program Services	18,028,638	-	18,028,638	16,538,863
Supporting Services: Management and General Fundraising	4,860,518 3,051,878	- -	4,860,518 3,051,878	4,444,563 2,703,622
<b><u>TOTAL EXPENSES</u></b>	<b><u>25,941,034</u></b>	<b><u>-</u></b>	<b><u>25,941,034</u></b>	<b><u>23,687,048</u></b>
<b><u>CHANGES IN NET ASSETS BEFORE OTHER CHANGES</u></b>				
	4,084,440	(6,455,369)	(2,370,929)	(513,599)
<b><u>OTHER CHANGES</u></b>				
Investment Return (Loss) In Excess of Amounts (Reduced by the Portion of Cumulative Net Appreciation) Designated for Current Operations	(243,445)	3,439,848	3,196,403	(9,378,309)
<b><u>CHANGES IN NET ASSETS</u></b>	<b><u>3,840,995</u></b>	<b><u>(3,015,521)</u></b>	<b><u>825,474</u></b>	<b><u>(9,891,908)</u></b>
<b><u>NET ASSETS AT BEGINNING OF YEAR</u></b>				
	87,936,831	43,819,599	131,756,430	141,648,338
<b><u>NET ASSETS AT END OF YEAR</u></b>				
	<b><u>\$ 91,777,826</u></b>	<b><u>\$ 40,804,078</u></b>	<b><u>\$ 132,581,904</u></b>	<b><u>\$ 131,756,430</u></b>

**GRACE CATHEDRAL CORPORATION AND AFFILIATES**

**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**

Year Ended June 30, 2023  
(With Summarized Comparative Totals for 2022)

	2023						2022	
	Program Services			Supporting Services			Total	Total
	Tuition and Instructional Expenses	Church and Ministry	Total	Management and General	Fundraising	Total		
Salaries and Benefits	\$ 5,363,739	\$ 4,235,419	\$ 9,599,158	\$ 3,572,701	\$ 1,893,302	\$ 5,466,003	\$ 15,065,161	\$ 14,227,487
Scholarships	1,878,201	330	1,878,531	-	-	-	1,878,531	1,887,313
Depreciation and Amortization	1,636,893	-	1,636,893	90,939	90,939	181,878	1,818,771	1,345,247
School Lunch Meals	582,299	38,405	620,704	-	-	-	620,704	584,169
Advertising and Promotion	-	47,562	47,562	-	48,044	48,044	95,606	98,251
Auto and Travel	32,410	334,714	367,124	72,020	2,716	74,736	441,860	130,566
Bad Debt	-	-	-	34,374	-	34,374	34,374	93,961
Bank Fees	-	43,324	43,324	3,982	34,345	38,327	81,651	121,910
Church Retreat	-	44,851	44,851	-	-	-	44,851	35,403
Development	-	-	-	134	308,590	308,724	308,724	290,521
Diocesan Assessment	-	173,569	173,569	-	-	-	173,569	168,479
Dues and Subscriptions	19,014	27,549	46,563	53,550	17,878	71,428	117,991	105,431
Grants and Outreach	-	189,870	189,870	502	26,384	26,886	216,756	193,907
Health and Safety, COVID-19	78,181	-	78,181	4,343	4,343	8,686	86,867	147,202
Hospitality	-	91,923	91,923	478	17,416	17,894	109,817	78,552
Insurance	161,819	189,819	351,638	141,545	-	141,545	493,183	405,059
Interest Expense	-	88,913	88,913	162,298	136	162,434	251,347	77,059
Instructional Expenses	670,043	12,721	682,764	-	-	-	682,764	432,386
Miscellaneous	9,879	26,452	36,331	208,586	81	208,667	244,998	268,300
Maintenance and Repairs	212,946	88,950	301,896	79,377	18,501	97,878	399,774	374,614
Office Expenses	1,224	107,272	108,496	73,830	112,207	186,037	294,533	278,651
Printing and Publication	-	24,474	24,474	17,795	49,910	67,705	92,179	68,427
Professional Services	164,147	370,934	535,081	215,360	85,622	300,982	836,063	842,364
Security	86,819	94,828	181,647	-	67,752	67,752	249,399	199,573
Staff Development and Continuing Education	41,014	6,413	47,427	83,148	4,094	87,242	134,669	108,086
Technology Support	173,804	-	173,804	9,656	9,656	19,312	193,116	166,943
Telephone and Internet	20,421	19,329	39,750	28,334	6,721	35,055	74,805	77,815
Temporary Help	-	328,557	328,557	1,948	252,361	254,309	582,866	547,510
Utilities	81,830	227,777	309,607	5,618	880	6,498	316,105	331,862
	<u>\$ 11,214,683</u>	<u>\$ 6,813,955</u>	<u>\$ 18,028,638</u>	<u>\$ 4,860,518</u>	<u>\$ 3,051,878</u>	<u>\$ 7,912,396</u>	<u>\$ 25,941,034</u>	<u>\$ 23,687,048</u>



**GRACE CATHEDRAL CORPORATION AND AFFILIATES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Year Ended June 30, 2023  
(With Summarized Comparative Totals For 2022)

	<u>2023</u>	<u>2022</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Changes in Net Assets	\$ 825,474	\$ (9,891,908)
Adjustments to Reconcile Changes in Net Assets		
to Net Cash Provided by (Used in) Operating Activities:		
Provision for Uncollectible Promises to Give	14,103	80,794
Amortization of Discount on Promises to Give	(28,761)	(55,566)
Depreciation and Amortization	1,818,771	1,345,247
Forgiveness on Paycheck Protection Loan Program	-	(1,019,000)
Net Realized and Unrealized Gains (Losses) on Investments		
and Beneficial Interest in Charitable Trusts	(4,039,240)	8,496,167
Donated Investments	(683,418)	(836,989)
Gains from Disposal of Assets	(430,192)	-
Contributions Restricted for Construction-in-Progress	-	(341,500)
Contributions Restricted for Endowment	(51,240)	(244,072)
Non-cash Lease Expense	21,058	-
Changes in Operating Assets and Liabilities:		
Promises to Give	2,638,574	4,553,897
Prepaid Expenses and Other Assets	(58,893)	(277,845)
Benefit Interest in Charitable Trusts	3,160	100,000
Accounts Payable and Accrued Expenses	(493,948)	(200,242)
Contract Liabilities	7,300	(210,325)
Deferred Compensation	53,707	(46,490)
Other Liabilities	(15,925)	-
	<u>(419,470)</u>	<u>1,452,168</u>
<b><u>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</u></b>		
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Proceeds from Sale of Investments	10,462,712	7,549,879
Purchase of Investments	(5,621,693)	(5,007,908)
Deferred Compensation Investments	(53,707)	46,490
Proceeds from Sale of Property and Equipment	2,837,453	-
Building Improvements and Equipment Acquisitions	(3,365,995)	(13,263,454)
	<u>4,258,770</u>	<u>(10,674,993)</u>
<b><u>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</u></b>		
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Proceeds from Line of Credit	(1,442,083)	1,333,411
Payments on Line of Credit	308,672	(200,000)
Proceeds from Notes Payable	-	2,756,812
Payment on Notes Payable	(460,000)	-
Proceeds from Margin Debt	990,270	4,919,955
Payments on Margin Debt	(3,617,165)	(2,592,951)
Payments on Finance Lease Obligations	(81,403)	(58,524)
Collections on Contributions Restricted for Endowment	(340,322)	(1,159,742)
	<u>(4,642,031)</u>	<u>4,998,961</u>
<b><u>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</u></b>		
<b><u>NET DECREASE IN CASH AND CASH EQUIVALENTS</u></b>	<u>(802,731)</u>	<u>(4,223,864)</u>
<b><u>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</u></b>	<u>2,980,305</u>	<u>7,204,169</u>
<b><u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u></b>	<u>\$ 2,177,574</u>	<u>\$ 2,980,305</u>
<b><u>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING</u></b>		
<b><u>AND FINANCING ACTIVITIES</u></b>		
Equipment Purchased through Finance Lease	\$ 76,408	\$ 76,685
Initial Recognition of Right-of-Use Assets Obtained		
In Exchange for Operating Lease Liabilities	\$ 73,252	\$ -
Non-cash Right-of-Use Assets obtained In Exchange for New Leases	\$ 107,796	\$ -
<b><u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u></b>		
Interest Paid	\$ 199,110	\$ 82,761

## GRACE CATHEDRAL CORPORATION AND AFFILIATES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023

#### NOTE 1 – NATURE OF OPERATIONS

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”), The Ghiberti Foundation (the “Foundation”) and the Cathedral Garage, LLC (the “Company”), (collectively, “Cathedral and affiliates”). 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. The Company, a limited liability company, was formed in August 2020 under the laws of the State of California, to operate the Cathedral’s parking garage. The Cathedral is the sole member of the Company.

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

The Cathedral and affiliates prepare the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America except as indicated in Note 7. The significant accounting and reporting policies used by the Cathedral and affiliates 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, the Foundation, and the Company. All significant intercompany transactions and accounts have been eliminated in the consolidation.

Basis of Presentation – The Cathedral and affiliates 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 AFFILIATES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023

#### 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 affiliates 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, 2023 and 2022, approximately \$569,000 and \$944,000, respectively, is held as 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, 2023 and 2022.

The Cathedral and affiliates 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 collectability of promises to give on a periodic basis. At June 30, 2023 and 2022, management has provided approximately \$302,000 and \$309,000, respectively of allowance for uncollectible unconditional promises to give.

Investments – The Cathedral and affiliates 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 affiliates 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 AFFILIATES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023

#### 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 affiliates do not adjust the quoted price for these investments even in situations where the Cathedral and affiliates 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 years ended June 30, 2023 and 2022, there have been no changes in the Cathedral and affiliates' 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 affiliates invest in a group of mutual funds related to its obligations under its deferred compensation plan (Note 16). The Cathedral and affiliates' 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, 2023 and 2022. 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 affiliates accounts for these investments at fair value based upon the quoted NAV.

## GRACE CATHEDRAL CORPORATION AND AFFILIATES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023

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

Property and Equipment – The Cathedral and affiliates' 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 depreciates and amortize its property and equipment using the straight-line method over the estimated useful lives, which range from 3 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 affiliates 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 affiliates 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 affiliates' use. In addition, the Cathedral and affiliates 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 affiliates and other beneficiaries.

The Cathedral and affiliates 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.

Contract Balances – Generally, there are no contract assets arising from the School's contracts. Contract liabilities consist of advance tuitions received relating to the School's obligation to transfer services to students at the earlier of (1) when the student prepays consideration or (2) the time that the student's consideration is due for services that the School will yet provide. Contract balances represent monies received in advance for tuition, fees and tuition deposits for the following school year and is recognized as revenue when earned.

## GRACE CATHEDRAL CORPORATION AND AFFILIATES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023

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

##### 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.

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 affiliates generally pay for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Cathedral and affiliates 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 program and supporting activities have been summarized on a functional basis in the accompanying consolidated statements of activities and changes in net assets. The accompanying consolidated statements of functional expenses present the natural classification detail by of expenses by function. 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 affiliates. 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 affiliates 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.

## GRACE CATHEDRAL CORPORATION AND AFFILIATES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023

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

Concentration of Credit Risk (Continued) – The Cathedral and affiliates’ 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, 2023 and 2022, the Cathedral and affiliates 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 (“FDIC”) up to \$250,000 for all cash accounts with each financial institution as of June 30, 2023 and 2022. At various times during the years ended June 30, 2023 and 2022, the Cathedral and affiliates had cash balances in excess of the insured limits. In March 2023, the School enrolled into “*Insured Cash Sweep Service*” as offered by its financial institution operated by IntraFi Network, LLC, in order to mitigate risk associated with maintaining deposits at one financial institution in amounts that exceed the FDIC’s insured limit.

Income Taxes – The Cathedral and the Foundation 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 the Foundation have paid no income taxes and the accompanying consolidated financial statements include no provision for income taxes.

The Company has elected to be classified as a corporation for both federal and state income tax purposes. Income taxes are provided for the tax effects of transactions reported in the accompanying financial statements and consist of taxes currently due.

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by the Cathedral and affiliates in their tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Cathedral and affiliates in their federal and state tax returns are more likely than not to be sustained upon examination.

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 affiliates’ accompanying consolidated financial statements as of and for the year ended June 30, 2022, from which the summarized information was derived.

Reclassification – Certain amounts for the year ended June 30, 2022 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, 2023 presentation with no effect on previously reported net assets and changes in net assets.

## GRACE CATHEDRAL CORPORATION AND AFFILIATES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023

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

Adoption of Lease Accounting Policy – In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under Topic 840, *Leases*. Subsequently, the FASB issued the following additional ASU's, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; and ASU 2019-01, *Leases (Topic 842): Codification Improvements*.

Topic 842 requires, among other things, lessees to recognize a right-of-use asset and a lease liability for virtually all 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 income statement 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 previous statement of operations treatment for leases. Under this ASU, a lessor will classify leases as (1) sales-type, (2) direct financing, or (3) operating, using criteria similar to Accounting Standards Codification ("ASC") Topic 840, *Leases* and lessor accounting is not fundamentally changed. A vast majority of leases continue to be classified as operating leases for lessors, and lessors continue to recognize lease income for those leases on a straight-line basis over the lease term.

Effective July 1, 2022, the Cathedral and affiliates adopted the new leasing standards using the modified retrospective transition approach, with no restatement of prior periods and there was no cumulative adjustment to consolidated net assets. Upon adoption, as both lessee and lessor, the Organization elected the package of transition practical expedients, which allowed the Organization to not reassess the following: (i) whether any expired or existing contracts are or contain leases, (ii) the lease classification for any expired or existing leases and (iii) the treatment of initial direct costs for existing leases. As a lessee, the Organization also made an accounting policy election to not recognize short-term leases with an initial term of twelve months or less within its balance sheets and to recognize those lease payments on a straight-line basis in its statements of operations over the lease term.

The Cathedral and affiliates also elected to apply the short-term lease exemption to all classes of underlying assets. Therefore, leases with an initial term of 12 months or less, that do not include an option to purchase the underlying asset that the Cathedral is reasonably certain to exercise, are not recorded on the balance sheet. In 2022, the Cathedral and affiliates had a short-term leases that qualify for the exemption. The short-term lease cost recognized and disclosed for this lease for the year ended June 30, 2023 was \$7,182.

As a result of the adoption of ASC 842, the Cathedral and affiliates recognized on July 1, 2022 a right-of-use asset and liability of \$73,252, which represents the present value of the remaining operating lease payments of \$77,857, discounted using the discount rate of 2.88%. Operating leases are included in other assets and liabilities on our statements of financial positions.



**GRACE CATHEDRAL CORPORATION AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2023

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

Adoption of Lease Accounting Policy (Continued) –The Cathedral and affiliates also recognized on July 1, 2022 a lease liability at the carrying amount of the finance lease obligations on July 1, 2022, of \$75,166 and a right-of-use asset at the carrying amount of the finance lease asset of \$74,363. These amounts represent the balances of the capital leases as of June 30, 2022. Finance leases are included in property and equipment and other liabilities on our consolidated statements of financial positions.

As a lessee, the standard did not have material impact on our consolidated statements of financial position, consolidated statements of activities, nor consolidated statements of cash flows.

As a lessor, the standard had no effect on beginning consolidated net assets or consolidated financial position accounts related to lessor accounting because the Organization elected the practical expedient to not reassess lease identification, classification and initial direct costs. The adoption of the new leasing standards did not have a material impact on the Organization’s consolidated statements of financial position, consolidated statements of activities, or consolidated statements of cash flows.

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## GRACE CATHEDRAL CORPORATION AND AFFILIATES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023

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

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

The Cathedral and affiliates' 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, mutual 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 affiliates' 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>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 2,177,574	\$ 2,980,305
Promises to Give, Net	3,546,531	5,778,885
Investments	51,600,702	51,720,057
Alternative Investment	1,900,000	-
Deferred Compensation Investments	519,638	465,931
Total Financial Assets	<u>59,744,445</u>	<u>60,945,178</u>
Less: Cash and Cash Equivalents, Restricted for Purpose	568,831	944,244
Promises to Give, With Donor Restrictions	2,980,355	5,250,459
Alternative Investment	1,900,000	-
Investments Restricted for Endowment	20,900,311	22,043,611
Investments Restricted for Purpose	13,967,098	15,091,636
Deferred Compensation Investments	519,638	465,931
Investments Restricted as Collateral for Margin Debt	3,950,059	6,576,954
Board Designations – Operating and Others	3,055,505	3,659,668
	<u>47,841,797</u>	<u>54,032,503</u>
Total Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 11,902,648</u>	<u>\$ 6,912,675</u>

**GRACE CATHEDRAL CORPORATION AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 4 – PROMISES TO GIVE, NET**

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

	<u>2023</u>	<u>2022</u>
Without Donor Restrictions:		
Stewardship and General Support	\$ 566,176	\$ 528,426
With Donor Restrictions:		
Purpose and Time Restricted:		
Fulfilling the Strategic Vision		
Campaign - School Renovations	1,930,903	3,680,528
Stewardship and Operations	313,347	552,708
General and Community Support	41,391	82,100
Trustees	31,816	19,111
	<u>2,317,457</u>	<u>4,334,447</u>
Perpetual in Nature:		
Fulfilling the Strategic Vision		
Campaign – Teachers’ Salaries	756,337	1,022,173
Forbes Endowment	20,978	44,044
Choir and General Support	200,000	200,000
	<u>977,315</u>	<u>1,266,217</u>
Total Promises to Give with Donor Restrictions	3,294,772	5,600,664
Less: Discount to Net Present Value	(11,969)	(40,730)
Less: Allowance for Uncollectible Promises to Give	(302,448)	(309,475)
Promises to Give, With Donor Restrictions, Net	<u>2,980,355</u>	<u>5,250,459</u>
Total Promises to Give, Net	<u>\$ 3,546,531</u>	<u>\$ 5,778,885</u>

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

	<u>2023</u>	<u>2022</u>
Receivable in Less Than One Year	\$ 3,256,106	\$ 4,084,108
Receivable in One to Five Years	290,425	1,694,777
	<u>\$ 3,546,531</u>	<u>\$ 5,778,885</u>

**GRACE CATHEDRAL CORPORATION AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 5 – INTERFUND TRANSACTION**

On May 2, 2023, the Cathedral and affiliates' Board of Trustees approved an alternative investment in the form of a loan in the amount of \$1,900,000 to the Cathedral's unrestricted fund. The Cathedral used the funds to repay an outstanding line of credit and note payable of the Cathedral. The investment will return 5.75% per annum, within a fully amortized notes receivable. The investment had certain features that made the transaction attractive to the Cathedral and Affiliates' Board of Trustees, including but not limited to language in the investment document that prioritizes the investment position related to certain assets of the Cathedral. As a result, the unrestricted fund incurred a loan payable to Endowment Fund that offsets the note receivable for the same amount. For the period from May 2, 2023 to June 30, 2023, only interest is receivable or payable. Starting July 1, 2023, principal and interest receivable are due quarterly through June 30, 2053. As of June 30, 2023, alternative investment and loan payable to endowment fund amounted to \$1,900,000. For the years ended June 30, 2023, total interest incurred and earned from notes receivable or expensed from the loan payable amounted to \$18,208. The unrestricted funds' five (5) year and thereafter future minimum principal repayments are as follows: 2024 (\$24,567), 2025 (\$26,009), 2026 (\$27,537), 2027 (\$29,155), 2028 (\$30,868), and thereafter (\$1,761,864).

**NOTE 6 – INVESTMENTS**

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

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

	<u>2023</u>		
	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gains (Losses)</u>
Mutual Funds:			
Bond Funds	\$ 10,076,642	\$ 11,250,533	\$ (1,173,891)
Emerging Market Funds	1,657,529	1,777,250	(119,721)
International Equity Funds	4,390,734	3,807,217	583,517
Real Estate Funds	1,980,012	1,725,959	254,053
U.S. Equity Funds	<u>10,333,960</u>	<u>4,561,257</u>	<u>5,772,703</u>
	28,438,877	23,122,216	5,316,661
Equity Securities	18,650,609	16,166,250	2,484,359
Money Market	3,396,109	3,396,109	-
Other Securities	<u>1,115,107</u>	<u>579,575</u>	<u>535,532</u>
	<u>\$ 51,600,702</u>	<u>\$ 43,264,150</u>	<u>\$ 8,336,552</u>

**GRACE CATHEDRAL CORPORATION AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 6 – INVESTMENTS** (Continued)

	2022		
	Fair Value	Cost	Unrealized Gains (Losses)
Mutual Funds:			
Bond Funds	\$ 12,343,647	\$ 13,415,781	\$ (1,072,134)
Emerging Market Funds	1,669,766	1,776,233	(106,047)
International Equity Funds	4,294,627	4,168,491	126,136
Real Estate Funds	1,935,748	1,516,854	418,894
U.S. Equity Funds	9,971,141	4,776,526	5,194,615
	<u>30,214,929</u>	<u>25,653,885</u>	<u>4,561,044</u>
Equity Securities	17,086,703	16,833,765	252,938
Money Market	3,107,728	3,107,728	-
Other Securities	<u>1,310,697</u>	<u>591,512</u>	<u>719,185</u>
	<u>\$ 51,720,057</u>	<u>\$ 46,186,890</u>	<u>\$ 5,533,167</u>

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

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Dividends and Interest (Net of Expenses of \$129,965 and \$184,684 in 2023 and 2022, Respectively)	\$ 32,233	\$ 1,151,527	\$ 1,183,760	\$ 1,072,888
Net Realized and Unrealized Gains (Losses)	<u>863,453</u>	<u>3,175,787</u>	<u>4,039,240</u>	<u>(8,496,167)</u>
	895,686	4,327,314	5,223,000	(7,423,279)
Less: Investment Return Designated for Current Operations	<u>(1,114,131)</u>	<u>(912,466)</u>	<u>(2,026,597)</u>	<u>(1,955,030)</u>
Investment Return (Loss) in Excess of Amounts (Reduced by the Portion of Cumulative Net Appreciation) Designated for Current Operations	<u>\$ (218,445)</u>	<u>\$ 3,414,848</u>	<u>\$ 3,196,403</u>	<u>\$ (9,378,309)</u>

## GRACE CATHEDRAL CORPORATION AND AFFILIATES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023

#### NOTE 7 – PROPERTY AND EQUIPMENT

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

	<u>2023</u>	<u>2022</u>
Cathedral Building and Carillon	\$ 43,386,830	\$ 42,970,600
School Building and Improvements	34,730,529	34,297,695
Dean and Headmaster Residences	9,213,410	8,786,350
Furnishings, Equipment and Vehicles	6,063,033	5,940,971
Land	2,252,788	2,252,788
Technology and Computer Equipment	785,677	602,770
Icons	523,459	521,972
Construction-in-Progress	218,411	984,539
Library Books	60,734	60,734
	<hr/>	<hr/>
Total Property and Equipment	97,234,871	96,418,419
Less: Accumulated Depreciation and Amortization	<hr/> (12,717,497) <hr/>	<hr/> (11,117,416) <hr/>
	<u>\$ 84,517,374</u>	<u>\$ 85,301,003</u>

In the accompanying consolidated financial statements, significant property and equipment acquisitions or improvements of the Cathedral and the Company, exclusive of the School, have been capitalized but not depreciated. This practice represents a departure 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 at fair value if acquired by gift or donation, and then depreciated over their estimated useful lives. The effect of this departure is not reasonably determinable.

The School's depreciation and amortization expense for the years ended June 30, 2023 and 2022 amounted to \$1,818,771 and \$1,345,247, respectively.

#### NOTE 8 – LINE OF CREDIT

The Cathedral and affiliates have a revolving unsecured line of credit of \$2,000,000, bearing interest at Secured Overnight Financing Rate ("SOFR") plus 0.50% per annum (5.59% at June 30, 2023). The line of credit matured on June 29, 2023, and was subsequently extended to June 29, 2024. The Cathedral and affiliates had no outstanding borrowings as of June 30, 2023. The Cathedral and affiliates had outstanding borrowings of \$1,133,411 as of June 30, 2022. For the year ended June 30, 2023 and 2022, total interest incurred and expensed from the line of credit amounted to \$49,477 and \$1,756, respectively.

**GRACE CATHEDRAL CORPORATION AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 9 – MARGIN DEBT**

The School has a margin account with their investment broker for approximately \$3,950,000 and \$6,577,000, as of June 30, 2023 and 2022, respectively. The margin account is used to finance the purchase of the headmaster residence (see Note 9) and to finance renovations under the *Fulfilling the Strategic Vision - School Renovation Project*. The margin account is collateralized by the School's investments without donor restrictions, bearing interest rate ranging from 2.75% to 6.00% per annum and payable at the discretion of the School through the sale of investments and/or fund transfer. For the years ended June 30, 2023 and 2022, total interest incurred from the margin account amounted to \$276,448 and \$64,743, respectively. Interest capitalized to construction in progress for the years ended June 30, 2023 and 2022 was \$181,390 and \$64,743, respectively.

**NOTE 10 – NOTES PAYABLE**

At June 30, notes payable consists of the following:

	<u>2023</u>	<u>2022</u>
Secured note payable to a financial institution, collateralized by securities held with the financial institution, SOFR plus 0.50% per annum (5.59% at June 30, 2023). monthly interest payments, principal payment due in full in June 2024.	\$ 825,000	\$ 1,285,000
Secured note payable to a financial institution collateralized by the School's headmaster residence bearing interest at 3% per annum and interest payable monthly through August 2031. Thereafter, a substantial equal monthly principal and interest payments to be determined by the school will be due from September 2031 through August 1, 2051, bearing interest at the bank's index rate plus 2.50%.	<u>2,756,812</u>	<u>2,756,812</u>
	<u>\$ 3,581,812</u>	<u>\$ 4,041,812</u>

For the year ended June 30, 2023, total interest incurred on notes payable amounted to \$131,424, and \$62,028 was capitalized to construction in progress. For the year ended June 30, 2022, total interest incurred on notes payable amounted to \$82,761, and \$55,136 was capitalized to construction in progress.

**GRACE CATHEDRAL CORPORATION AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2023

NOTE 10 – NOTES PAYABLE (Continued)

The future minimum payments on notes payables are as follows:

<u>Years Ending June 30,</u>	<u>Notes Payables</u>
2024	\$ 825,000
2025 - 2028	-
Thereafter	<u>2,756,812</u>
	<u>\$ 3,581,812</u>

NOTE 11 – FAIR VALUE MEASUREMENTS

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

	<u>2023</u>			
	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Total</u>
Investments:				
Equity Securities	\$ 18,650,609	\$ -	\$ -	\$ 18,650,609
Mutual Funds	28,438,877	-	-	28,438,877
Money Market	3,396,109	-	-	3,396,109
Other Securities	<u>-</u>	<u>-</u>	<u>1,115,107</u>	<u>1,115,107</u>
	50,485,595	-	1,115,107	51,600,702
Beneficial Interest in Charitable Trusts	-	360,508	126,975	487,483
Deferred Compensation Investments:				
Mutual Funds	<u>519,638</u>	<u>-</u>	<u>-</u>	<u>519,638</u>
	<u>\$ 51,005,233</u>	<u>\$ 360,508</u>	<u>\$ 1,242,082</u>	<u>\$ 52,607,823</u>



**GRACE CATHEDRAL CORPORATION AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 11 – FAIR VALUE MEASUREMENT (Continued)**

	2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments:				
Equity Securities	\$ 17,086,703	\$ -	\$ -	\$ 17,086,703
Mutual Funds	30,214,929	-	-	30,214,929
Money Market	3,107,728	-	-	3,107,728
Other Securities	-	-	1,310,697	1,310,697
	50,409,360	-	1,310,697	51,720,057
Beneficial Interest in Charitable Trusts	-	338,886	150,763	489,649
Deferred Compensation Investments				
Mutual Funds	465,931	-	-	465,931
	<u>\$ 50,875,291</u>	<u>\$ 338,886</u>	<u>\$ 1,461,460</u>	<u>\$ 52,675,637</u>

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## GRACE CATHEDRAL CORPORATION AND AFFILIATES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023

#### NOTE 11 – FAIR VALUE MEASUREMENT (Continued)

The changes in beneficial interest in charitable trusts and other securities classified as Level 3 for the years ended June 30, 2023 and 2022 are as follows:

	Beneficial Interest In Charitable Trusts	Other Securities	Total
Balance July 1, 2021	\$ 184,387	878,352	1,062,739
Purchases	-	-	-
Proceeds from Sales, Issuances and Settlements	-	-	-
Realized and Unrealized Gains (Losses) Included in Earnings	<u>(33,624)</u>	<u>432,345</u>	<u>398,721</u>
Balance June 30, 2022	150,763	\$ 1,310,697	\$ 1,461,460
Purchases	-	-	-
Proceeds from Sales, Issuances and Settlements	-	(27,475)	(27,475)
Realized and Unrealized Losses Included in Earnings	<u>(23,788)</u>	<u>(168,115)</u>	<u>(191,903)</u>
Balance June 30, 2023	<u>\$ 126,975</u>	<u>\$ 1,115,107</u>	<u>\$ 1,242,082</u>
Changes in Unrealized Losses Included in Earnings Still Held on June 30, 2023	<u>\$ (23,788)</u>	<u>\$ (183,654)</u>	<u>\$ (207,442)</u>

The Cathedral and affiliates used the following valuation methods and assumptions to estimate the fair value of recurring assets:

#### Investments

The equity securities and mutual funds products held by the Cathedral and affiliates 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.

For other securities where quoted prices or market prices of similar securities are not available, fair values are calculated using the most recent appraisal value of the private equity or other market indicators. The resulting asset value for each investment is a Level 3 measurement.

## GRACE CATHEDRAL CORPORATION AND AFFILIATES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023

#### NOTE 11 – FAIR VALUE MEASUREMENT (Continued)

##### Beneficial Interest in Charitable Trusts

The Cathedral and affiliates 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 affiliates 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 4.4%-4.75% discount rate. The present value of future benefits for each split-interest agreement is a Level 3 measurement.

#### NOTE 12 – BOARD DESIGNATED NET ASSETS

Board designated net assets at June 30 consist of:

	<u>2023</u>	<u>2022</u>
Operations	\$ 3,003,215	\$ 3,597,715
Personnel, Sabbatical and Miscellaneous Designations	<u>52,290</u>	<u>61,953</u>
	<u>\$ 3,055,505</u>	<u>\$ 3,659,668</u>

#### NOTE 13 – 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>2023</u>	<u>2022</u>
Donor Restricted – Perpetual in Nature:		
Centennial Campaign	\$ 8,468,166	\$ 8,468,166
Unappropriated Accumulated Endowment		
Earnings Subject to Spending Policy	6,593,868	6,592,368
Fulfilling the Strategic Vision	3,573,895	3,560,000
Scholarships	2,983,856	2,793,656
Forbes Endowment	1,519,901	1,515,549
Beneficial Interest in Charitable Trusts	127,275	127,275
Others	<u>583,146</u>	<u>582,895</u>
	<u>\$ 23,850,107</u>	<u>\$ 23,639,909</u>

**GRACE CATHEDRAL CORPORATION AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 13 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)**

Donor Restricted – Purpose and Time Restrictions:

Unappropriated Accumulated Endowment		
Earnings Subject to Spending Policy	\$ 8,535,466	\$ 7,014,246
Fulfilling the Strategic Vision	-	4,018,838
Scholarships	2,892,836	2,432,101
Acquisitions, Improvements and		
Repairs of Property and Equipment	2,173,040	2,708,379
Ministry, Liturgies and Others	2,000,077	1,867,462
Building Improvements (Endowing the Future)	125,585	656,075
Office of the Dean	799,194	815,004
Stewardship and Operations	427,773	667,585
	<u>\$ 16,953,971</u>	<u>\$ 20,179,690</u>

**NOTE 14 – ENDOWMENT NET ASSETS AND POLICIES**

The Cathedral and affiliates' 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 affiliates' 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 affiliates 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 affiliates 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 affiliates 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 affiliates.

## GRACE CATHEDRAL CORPORATION AND AFFILIATES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023

#### NOTE 14 – ENDOWMENT NET ASSETS AND POLICIES (Continued)

##### Return Objectives and Risk Parameters

The Cathedral and affiliates 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 affiliates to provide a stable source of perpetual financial support from the endowment in accordance with the Cathedral and affiliates' 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 affiliates considered the long-term expected investment return on its endowment assets. Accordingly, over the long-term, the Cathedral and affiliates' 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 affiliates' objective to preserve capital on a real or after inflation basis and maximize total return (income plus appreciation) at an appropriate level of risk.

##### Spending Policies

###### School's Spending Policy

The School has a spending rate policy of appropriating for distribution each year 5% of the investment pool 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.

**GRACE CATHEDRAL CORPORATION AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 14 – ENDOWMENT NET ASSETS AND POLICIES (Continued)**

Endowment net assets at June 30 are as follows:

	2023			2022
	Without Donor Restrictions	With Donor Restrictions		Total
	Restrictions	Purpose Restrictions	Endowment	Total
Donor-Restricted Endowment Funds	\$ -	\$ 8,535,466	\$ 23,850,107	\$ 32,385,573
	<u>\$ -</u>	<u>\$ 8,535,466</u>	<u>\$ 23,850,107</u>	<u>\$ 32,385,573</u>

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

	With Donor Restrictions			
	Without Donor Restrictions	Purpose Restricted	Endowment	Total
Endowment Net Assets, July 1, 2021	\$ -	\$ 12,452,659	\$ 23,395,837	\$ 35,848,496
Contributions	-	-	244,072	244,072
Investment Return, Net	1,391,919	(5,433,329)	-	(4,041,410)
Appropriation of Endowment Assets Pursuant to Spending Rate Policy	<u>(1,391,919)</u>	<u>(5,084)</u>	<u>-</u>	<u>(1,397,003)</u>
Endowment Net Assets, June 30, 2022	-	7,014,246	23,639,909	30,654,155
Contributions	-	-	210,198	210,198
Investment Return, Net	1,470,892	1,526,909	-	2,997,801
Appropriation of Endowment Assets Pursuant to Spending Rate Policy	<u>(1,470,892)</u>	<u>(5,689)</u>	<u>-</u>	<u>(1,476,581)</u>
Endowment Net Assets, June 30, 2023	<u>\$ -</u>	<u>\$ 8,535,466</u>	<u>\$ 23,850,107</u>	<u>\$ 32,385,573</u>

## GRACE CATHEDRAL CORPORATION AND AFFILIATES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023

#### NOTE 15 – NET ASSETS RELEASED FROM RESTRICTIONS

During the years ended June 30, 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>2023</u>	<u>2022</u>
Donor Restricted – Purpose and Time Restrictions:		
Stewardship and Operations	\$ 4,314,913	\$ 3,988,402
Fulfilling the Strategic Vision	4,018,874	6,116,247
Unappropriated Accumulated Endowment		
Earnings Subject to Spending Policy	1,476,581	3,548,201
Building Improvements – Endowing the Future	891,950	-
Acquisitions, Improvements and		
Repairs of Property and Equipment	555,340	334,642
Ministry, Liturgies and Others	380,580	201,243
Others	299,461	501,459
	<u>\$ 11,937,699</u>	<u>\$ 14,690,194</u>

#### NOTE 16 – 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 \$296,000 and \$275,000 for the years ended June 30, 2023 and 2022, respectively.

The Cathedral also provides pension benefits for clergy through a separate national plan. The Cathedral's contributions totaled approximately \$144,000 and \$124,000 for the years ended June 30, 2023 and 2022, respectively.

##### School's Pension Plan

The School has a defined contribution pension plan covering all eligible employees and contributes 10% 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 \$568,000 and \$552,000 for the years ended June 30, 2023 and 2022, respectively.

## GRACE CATHEDRAL CORPORATION AND AFFILIATES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023

#### NOTE 16 – PENSION PLANS (Continued)

##### 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 \$66,000 and \$55,000 for the years ended June 30, 2023 and 2022, respectively. As of June 30, 2023 and 2022, the fair value of the 457(f) plan assets and liabilities amounted to approximately \$520,000 and \$466,000, respectively, as shown in the accompanying statements of financial position as deferred compensation investments and deferred compensation liability.

#### NOTE 17 – RELATED PARTY TRANSACTIONS

For the years ended June 30, 2023 and 2022, the Cathedral and affiliates paid the Diocese of California approximately \$1,062,000 and \$1,022,000, respectively, for certain operating expenses, including employee benefits.

The Cathedral and affiliates has an arrangement to lease a portion of the land to the Diocese of California for 99 years commencing May 1, 1935 for \$1 per year.

#### NOTE 18 – CONCENTRATIONS

As of June 30, 2023 and 2022, a significant portion of the Cathedral and affiliates’ promises to give is due from three donors who have promised to give approximately \$1,667,000 and \$2,297,000, respectively, for the Cathedral and affiliates’ general operations and Fulfilling the Strategic Vision Campaign.

#### NOTE 19 – RISK AND UNCERTAINTIES

In an environment with high stock market volatility and rising interest rate, the Cathedral and affiliates’ tuition revenue and contribution revenue from Board of Directors, parents, private foundations and corporate grants could be negatively affected. In addition, the Cathedral and affiliates holds various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risk. Market risks include global events which could impact the value of investment securities, such as a pandemic, bank failures, or international conflict. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Cathedral and affiliates net assets.



**GRACE CATHEDRAL CORPORATION AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2023

**NOTE 20 – SUBSEQUENT EVENTS**

On July 24, 2023, the Cathedral extended its line of credit and note payable to mature on June 29, 2024.

The Cathedral and affiliates have evaluated subsequent events through November 9, 2023, the date the consolidated financial statements were issued.

SUPPLEMENTARY INFORMATION

**GRACE CATHEDRAL CORPORATION AND AFFILIATES**

SUPPLEMENTARY INFORMATION

UNCONSOLIDATED STATEMENTS OF FINANCIAL POSITION – GRACE CATHEDRAL

June 30, 2023

(With Summarized Comparative Totals For 2022)

	2023		2022	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>ASSETS</u>				
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 622,313	\$ 462,773	\$ 1,085,086	\$ 980,136
Promises to Give, Net	566,176	315,163	881,339	1,070,246
Prepaid Expenses and Other Assets	609,728	-	609,728	481,986
Investments	6,063,971	21,901,998	27,965,969	30,090,318
Alternative Investment	-	1,900,000	1,900,000	-
Beneficial Interest in Charitable Trusts	-	487,483	487,483	489,649
Due from Related Party	2,756,812	-	2,756,812	2,756,812
Property and Equipment, Net	53,175,100	-	53,175,100	52,548,185
<b>TOTAL ASSETS</b>	<b>\$ 63,794,100</b>	<b>\$ 25,067,417</b>	<b>\$ 88,861,517</b>	<b>\$ 88,417,332</b>
<u>LIABILITIES AND NET ASSETS</u>				
<u>LIABILITIES</u>				
Line of Credit	\$ -	\$ -	\$ -	\$ 1,133,411
Accounts Payable and Accrued Expenses	569,844	-	569,844	667,941
Other Liabilities	103,110	-	103,110	-
Notes Payable	3,581,812	-	3,581,812	4,041,812
Loan Payable to Endowment Fund	1,900,000	-	1,900,000	-
<b>TOTAL LIABILITIES</b>	<b>6,154,766</b>	<b>-</b>	<b>6,154,766</b>	<b>5,843,164</b>
<u>NET ASSETS</u>				
Without Donor Restrictions:				
Unrestricted	56,636,119	-	56,636,119	55,799,622
Board Designated	1,003,215	-	1,003,215	1,597,715
<b>Total Without Donor Restrictions</b>	<b>57,639,334</b>	<b>-</b>	<b>57,639,334</b>	<b>57,397,337</b>
With Donor Restrictions:				
Perpetual in Nature	-	15,189,309	15,189,309	15,187,809
Purpose and Time Restrictions	-	9,878,108	9,878,108	9,989,022
<b>Total With Donor Restrictions</b>	<b>-</b>	<b>25,067,417</b>	<b>25,067,417</b>	<b>25,176,831</b>
<b>TOTAL NET ASSETS</b>	<b>57,639,334</b>	<b>25,067,417</b>	<b>82,706,751</b>	<b>82,574,168</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 63,794,100</b>	<b>\$ 25,067,417</b>	<b>\$ 88,861,517</b>	<b>\$ 88,417,332</b>

**GRACE CATHEDRAL CORPORATION AND AFFILIATES**

**SUPPLEMENTARY INFORMATION**

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

Year Ended June 30, 2023  
(With Summarized Comparative Totals For 2022)

	2023		2022	
	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	\$ 3,174,616	\$ 1,754,947	\$ 4,929,563	\$ 4,735,092
Paycheck Protection Program Loan Forgiveness	-	-	-	1,019,000
Tuition and Fees	71,177	-	71,177	67,701
Service Fees and Revenues:				
Space Use Rentals	492,833	-	492,833	283,049
Special Events (Net of direct costs of \$165,778 and \$187,388 in 2023 and 2022, respectively)	669,408	-	669,408	651,967
Cultural Membership & Admissions	448,754	-	448,754	-
Weddings, Memorials, and Mind Body Spirit Income	426,533	-	426,533	222,543
Other Income	162,612	-	162,612	152,485
Investment Return Designated for Current Operations	1,053,251	-	1,053,251	982,772
Net Assets Released from Restrictions	3,674,532	(3,674,532)	-	-
<b><u>TOTAL REVENUES, GAINS AND OTHER SUPPORT</u></b>	<b><u>10,173,716</u></b>	<b><u>(1,919,585)</u></b>	<b><u>8,254,131</u></b>	<b><u>8,114,609</u></b>
<b><u>EXPENSES</u></b>				
Program Services	6,316,655	-	6,316,655	5,682,066
Supporting Services:				
Management and General	1,219,224	-	1,219,224	1,154,810
Fundraising	2,006,896	-	2,006,896	1,533,584
<b><u>TOTAL EXPENSES</u></b>	<b><u>9,542,775</u></b>	<b><u>-</u></b>	<b><u>9,542,775</u></b>	<b><u>8,370,460</u></b>
<b><u>CHANGES IN NET ASSETS BEFORE OTHER CHANGES</u></b>	<b><u>630,941</u></b>	<b><u>(1,919,585)</u></b>	<b><u>(1,288,644)</u></b>	<b><u>(255,851)</u></b>
<b><u>OTHER CHANGES</u></b>				
Investment Return (Loss) in Excess of Amounts (Reduced by the Portion of Cumulative Net Appreciation) Designated for Current Operations	(388,950)	1,810,172	1,421,222	(5,363,231)
<b><u>CHANGES IN NET ASSETS</u></b>	<b><u>241,991</u></b>	<b><u>(109,413)</u></b>	<b><u>132,578</u></b>	<b><u>(5,619,082)</u></b>
<b><u>NET ASSETS AT BEGINNING OF YEAR</u></b>	<b><u>57,397,343</u></b>	<b><u>25,176,830</u></b>	<b><u>82,574,173</u></b>	<b><u>88,193,250</u></b>
<b><u>NET ASSETS AT END OF YEAR</u></b>	<b><u>\$ 57,639,334</u></b>	<b><u>\$ 25,067,417</u></b>	<b><u>\$ 82,706,751</u></b>	<b><u>\$ 82,574,168</u></b>

**GRACE CATHEDRAL CORPORATION AND AFFILIATES**

SUPPLEMENTARY INFORMATION

UNCONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES – GRACE CATHEDRAL

Year Ended June 30, 2023  
(With Summarized Comparative Totals for 2022)

	2023				2022
	Church and Ministry	Supporting Services		Total	Total
		Management and General	Fundraising		
Salaries and Benefits	\$ 4,072,248	\$ 771,055	\$ 1,216,033	\$ 6,059,336	\$ 5,684,313
Temporary Help	289,043	1,948	252,361	543,352	430,652
Bad Debts	-	34,374	-	34,374	29,361
Insurance	189,819	112,989	-	302,808	239,800
Advertising and Promotion	27,686	-	48,044	75,730	87,609
Auto and Travel	297,896	770	1,927	300,593	40,115
Bank Fees	26,320	3,983	34,345	64,648	93,429
Church Retreat	44,851	-	-	44,851	35,403
Diocesan Assessments	173,569	-	-	173,569	168,479
Dues and Subscriptions	27,474	5,472	1,005	33,951	41,762
Grants and Outreach	177,272	502	188,072	365,846	283,940
Hospitality	74,916	478	17,416	92,810	74,915
Instructional Expenses	12,721	-	-	12,721	9,239
Interest Expense	88,913	28,439	-	117,352	9,559
Maintenance and Repairs	88,950	79,377	18,501	186,828	210,934
Miscellaneous	9,419	487	81	9,987	8,583
Office Expenses	78,846	43,697	109,541	232,084	209,295
Parking	14,183	2,929	788	17,900	23,763
Printing and Publication	1,550	17,795	49,910	69,255	53,209
Professional Services	234,180	79,811	571	314,562	249,027
Scholarships	330	-	-	330	2,200
School Lunch Meals	38,405	-	-	38,405	34,198
Security	94,828	-	67,752	162,580	77,923
Staff Development	6,413	11,158	111	17,682	10,862
Telephone and Internet	19,329	23,621	438	43,388	39,443
Utilities	227,494	339	-	227,833	222,447
	<u>\$ 6,316,655</u>	<u>\$ 1,219,224</u>	<u>\$ 2,006,896</u>	<u>\$ 9,542,775</u>	<u>\$ 8,370,460</u>

**GRACE CATHEDRAL CORPORATION AND AFFILIATES**

SUPPLEMENTARY INFORMATION

UNCONSOLIDATED STATEMENTS OF FINANCIAL POSITION – THE Ghiberti Foundation

June 30, 2023

(With Summarized Comparative Totals For 2022)

	<u>2023</u>		<u>2022</u>	
	<u>Without</u>	<u>With</u>	<u>Total</u>	<u>Total</u>
	<u>Donor Restrictions</u>	<u>Donor Restrictions</u>		
<u>ASSETS</u>				
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 84,971	\$ 106,058	\$ 191,029	\$ 239,442
Prepaid Expenses and Other Current Assets	<u>75,215</u>	<u>-</u>	<u>75,215</u>	<u>14,079</u>
<u>TOTAL ASSETS</u>	<u>\$ 160,186</u>	<u>\$ 106,058</u>	<u>\$ 266,244</u>	<u>\$ 253,521</u>
<u>LIABILITIES AND NET ASSETS</u>				
<u>LIABILITIES</u>				
Accounts Payable and Accrued Expenses	<u>\$ 60,335</u>	<u>\$ -</u>	<u>\$ 60,335</u>	<u>\$ 31,122</u>
<u>NET ASSETS</u>				
Without Donor Restrictions:				
Undesignated	99,851	-	99,851	128,185
With Donor Restrictions:				
Purpose and Time Restrictions	<u>-</u>	<u>106,058</u>	<u>106,058</u>	<u>94,214</u>
<u>TOTAL NET ASSETS</u>	<u>99,851</u>	<u>106,058</u>	<u>205,909</u>	<u>222,399</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 160,186</u>	<u>\$ 106,058</u>	<u>\$ 266,244</u>	<u>\$ 253,521</u>

**GRACE CATHEDRAL CORPORATION AND AFFILIATES**

SUPPLEMENTARY INFORMATION

UNCONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS – THE Ghiberti Foundation

Year Ended June 30, 2023  
(With Summarized Comparative Totals For 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>REVENUES, GAINS AND OTHER SUPPORT</u>				
Contributions	\$ 214,229	\$ 66,000	\$ 280,229	\$ 202,068
Service Fees and Revenues:				
Community Events				
(Net of Direct Costs of \$1,966 in 2023)	384,061	-	384,061	249,945
Other Income (Loss)	(156)	-	(156)	361
Net Assets Released from Restrictions	54,156	(54,156)	-	-
<u>TOTAL REVENUES, GAINS AND OTHER SUPPORT</u>	<u>652,290</u>	<u>11,844</u>	<u>664,134</u>	<u>452,374</u>
<u>EXPENSES</u>				
Program Services	623,199	-	623,199	326,426
Management and General	57,425	-	57,425	53,058
<u>TOTAL EXPENSES</u>	<u>680,624</u>	<u>-</u>	<u>680,624</u>	<u>379,484</u>
<u>CHANGES IN NET ASSETS</u>	<u>(28,334)</u>	<u>11,844</u>	<u>(16,490)</u>	<u>72,890</u>
<u>NET ASSETS AT BEGINNING OF YEAR</u>	<u>128,185</u>	<u>94,214</u>	<u>222,399</u>	<u>149,509</u>
<u>NET ASSETS AT END OF YEAR</u>	<u>\$ 99,851</u>	<u>\$ 106,058</u>	<u>\$ 205,909</u>	<u>\$ 222,399</u>

**GRACE CATHEDRAL AND AFFILIATES**

**SUPPLEMENTARY INFORMATION**

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

Year Ended June 30, 2023  
(With Summarized Comparative Totals for 2022)

	2023				2022
	Church and Ministry	Supporting Services		Total	Total
		Management and General	Fundraising		
Salaries and Benefits	\$ 163,171	\$ 54,390	\$ -	\$ 217,561	\$ 201,082
Temporary Help	39,514	-	-	39,514	5,324
Professional Services	131,724	3,035	-	134,759	94,617
Grants and Outreach	147,598	-	-	147,598	20,135
Advertising and Promotion	19,876	-	-	19,876	10,124
Auto and Travel	18,500	-	-	18,500	-
Bank Fees	17,004	-	-	17,004	15,146
Gifts	27	-	-	27	34
Hospitality	16,980	-	-	16,980	3,637
Office Expenses	28,426	-	-	28,426	3,916
Miscellaneous	13,320	-	-	13,320	4,384
Parking	4,135	-	-	4,135	5,879
Printing and Publications	22,924	-	-	22,924	15,206
	<u>\$ 623,199</u>	<u>\$ 57,425</u>	<u>\$ -</u>	<u>\$ 680,624</u>	<u>\$ 379,484</u>



**GRACE CATHEDRAL CORPORATION AND AFFILIATES**

**SUPPLEMENTARY INFORMATION**

**UNCONSOLIDATED BALANCE SHEETS – CATHEDRAL GARAGE, LLC**

	<u>June 30</u>	
	<u>2023</u>	<u>2022</u>
<b><u>ASSETS</u></b>		
Cash and Cash Equivalents	\$ 29,585	\$ 217,559
Property and Equipment	<u>29,173</u>	<u>29,173</u>
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 58,758</u></b>	<b><u>\$ 246,732</u></b>
<b><u>LIABILITIES</u></b>		
Accounts Payable and Accrued Expenses	\$ -	\$ 3,874
Accounts Payable - Related Party	<u>-</u>	<u>73,964</u>
<b><u>TOTAL LIABILITIES</u></b>	<b>-</b>	<b>77,838</b>
<b><u>MEMBER'S EQUITY</u></b>	<b><u>58,758</u></b>	<b><u>168,894</u></b>
<b><u>TOTAL LIABILITIES</u></b>		
<b><u>AND MEMBER'S EQUITY</u></b>	<b><u>\$ 58,758</u></b>	<b><u>\$ 246,732</u></b>

**GRACE CATHEDRAL CORPORATION AND AFFILIATES**

**SUPPLEMENTARY INFORMATION**

**UNCONSOLIDATED STATEMENTS OF OPERATIONS**

**– CATHEDRAL GARAGE, LLC**

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>OPERATING REVENUES</u>		
Parking Garage	\$ -	\$ 305,895
<u>OPERATING EXPENSES</u>	<u>4,071</u>	<u>213,383</u>
<u>NET INCOME (LOSS)</u>	<u>\$ (4,071)</u>	<u>\$ 92,512</u>

**GRACE CATHEDRAL CORPORATION AND AFFILIATES**

**SUPPLEMENTARY INFORMATION**

**UNCONSOLIDATED STATEMENT OF CHANGES IN MEMBER'S EQUITY (DEFICIT)**  
**– CATHEDRAL GARAGE, LLC**

Years Ended June 30, 2023 and 2022

Balance, July 1, 2021	\$	(23,618)
Member's Contribution		100,000
Net Gain		<u>92,512</u>
Balance, June 30, 2022		168,894
Member's In-kind Contribution		73,965
Member's Distribution		(175,000)
Net Loss		<u>(9,101)</u>
Balance, June 30, 2023	\$	<u><u>58,758</u></u>

**GRACE CATHEDRAL AND AFFILIATES**

**SUPPLEMENTARY INFORMATION**

**UNCONSOLIDATED STATEMENTS OF OPERATING EXPENSES – CATHEDRAL GARAGE, LLC**

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Professional Services	\$ 5,030	\$ 12,340
Security	-	15,457
Rent, Cathedral	-	45,000
Temporary Help	-	111,534
Advertising and Promotion	-	518
Bank Fees	-	13,335
Insurance	-	1,528
Miscellaneous	4,071	3,074
Maintenance & Repairs	-	7,771
Management Fees	-	-
Office Expenses	-	236
Printing and Publications	-	12
Telephone	-	2,578
	<u>\$ 4,071</u>	<u>\$ 213,383</u>

**GRACE CATHEDRAL CORPORATION AND AFFILIATES**

**SUPPLEMENTARY INFORMATION**

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

June 30, 2023

(With Summarized Comparative Totals For 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
	<u>ASSETS</u>			
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 871,874	\$ -	\$ 871,874	\$ 1,543,171
Promises to Give, Net	21,391	2,643,801	2,665,192	4,708,639
Prepaid Expenses and Other Current Assets	259,248	-	259,248	261,893
Investments	10,706,688	12,986,802	23,693,490	21,798,633
Deferred Compensation Investments	519,638	-	519,638	465,931
Property and Equipment, Net	31,313,102	-	31,313,102	32,723,645
<u>TOTAL ASSETS</u>	<u>\$ 43,691,941</u>	<u>\$ 15,630,603</u>	<u>\$ 59,322,544</u>	<u>\$ 61,501,912</u>
	<u>LIABILITIES AND NET ASSETS</u>			
<u>LIABILITIES</u>				
Margin Debt	\$ 3,950,059	\$ -	\$ 3,950,059	\$ 6,576,954
Accounts Payable and Accrued Expenses	1,114,896	-	1,114,896	1,494,780
Contract Liabilities	1,179,708	-	1,179,708	1,172,408
Deferred Compensation	519,638	-	519,638	465,931
Other Liabilities	132,184	-	132,184	75,166
Note Payable - Related Party	2,756,812	-	2,756,812	2,756,812
<u>TOTAL LIABILITIES</u>	<u>9,653,297</u>	<u>-</u>	<u>9,653,297</u>	<u>12,542,051</u>
<u>NET ASSETS</u>				
Without Donor Restrictions:				
Undesignated	31,986,354	-	31,986,354	28,349,354
Board Designated	2,052,290	-	2,052,290	2,061,953
Total Without Donor Restrictions	34,038,644	-	34,038,644	30,411,307
With Donor Restrictions:				
Perpetual in Nature	-	8,660,798	8,660,798	8,452,101
Purpose and Time Restrictions	-	6,969,805	6,969,805	10,096,453
Total With Donor Restrictions	-	15,630,603	15,630,603	18,548,554
<u>TOTAL NET ASSETS</u>	<u>34,038,644</u>	<u>15,630,603</u>	<u>49,669,247</u>	<u>48,959,861</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 43,691,941</u>	<u>\$ 15,630,603</u>	<u>\$ 59,322,544</u>	<u>\$ 61,501,912</u>

**GRACE CATHEDRAL CORPORATION AND AFFILIATES**

**SUPPLEMENTARY INFORMATION**

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

Year Ended June 30, 2023  
(With Summarized Comparative Totals For 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b><u>REVENUES, GAINS AND OTHER SUPPORT</u></b>				
Tuition and Fees	\$ 11,016,004	\$ -	\$ 11,016,004	\$ 10,484,131
Contributions	2,301,511	233,179	2,534,690	3,045,681
Other Income	466,798	-	466,798	66,700
Investment Return Designated for Current Operations	60,880	912,466	973,346	972,258
Net Assets Released from Restrictions	5,693,272	(5,693,272)	-	-
<b><u>TOTAL REVENUES, GAINS AND OTHER SUPPORT</u></b>	<b>19,538,465</b>	<b>(4,547,627)</b>	<b>14,990,838</b>	<b>14,568,770</b>
<b><u>EXPENSES</u></b>				
Program Services:				
Tuition and Instructional Expenses	11,214,683	-	11,214,683	10,378,618
Supporting Services:				
Management and General	3,619,370	-	3,619,370	3,243,195
Fundraising	1,222,581	-	1,222,581	1,277,595
<b><u>TOTAL EXPENSES</u></b>	<b>16,056,634</b>	<b>-</b>	<b>16,056,634</b>	<b>14,899,408</b>
<b><u>CHANGES IN NET ASSETS BEFORE OTHER CHANGES</u></b>	<b>3,481,831</b>	<b>(4,547,627)</b>	<b>(1,065,796)</b>	<b>(330,638)</b>
<b><u>OTHER CHANGES</u></b>				
Investment Return (Loss) In Excess of Amounts (Reduced by the Portion of Cumulative Net Appreciation) Designated for Current Operations	145,506	1,629,676	1,775,182	(4,015,078)
<b><u>CHANGES IN NET ASSETS</u></b>	<b>3,627,337</b>	<b>(2,917,951)</b>	<b>709,386</b>	<b>(4,345,716)</b>
<b><u>NET ASSETS AT BEGINNING OF YEAR</u></b>	<b>30,411,307</b>	<b>18,548,554</b>	<b>48,959,861</b>	<b>53,305,577</b>
<b><u>NET ASSETS AT END OF YEAR</u></b>	<b>\$ 34,038,644</b>	<b>\$ 15,630,603</b>	<b>\$ 49,669,247</b>	<b>\$ 48,959,861</b>

**GRACE CATHEDRAL CORPORATION AND AFFILIATES**

**SUPPLEMENTARY INFORMATION**

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

Year Ended June 30, 2023  
(With Summarized Comparative Totals For 2022)

	2023				2022
	Tuition and Instructional Expenses	Supporting Services			Total
		Management and General	Fundraising	Total	
Salaries and Benefits	\$ 5,363,739	\$ 2,747,256	\$ 677,269	\$ 8,788,264	\$ 8,342,092
Scholarship Grants	1,878,201	-	-	1,878,201	1,885,113
Depreciation and Amortization	1,636,893	90,939	90,939	1,818,771	1,345,247
School Lunch Meals	582,299	-	-	582,299	549,971
Bad Debts	-	-	-	-	64,600
Campus Security	86,819	-	-	86,819	106,193
Continuing Education	41,014	71,990	3,983	116,987	97,224
Copier Expense	-	-	-	-	30,076
Development	-	134	303,799	303,933	281,904
Health and Safety, COVID-19	78,181	4,343	4,343	86,867	147,202
Instructional Expenses:					
Classroom Supplies and Textbooks	237,410	-	-	237,410	191,647
Other	432,633	-	-	432,633	231,500
Insurance	161,819	28,556	-	190,375	163,697
Interest Expense	-	133,859	136	133,995	67,500
Maintenance and Repairs	212,946	-	-	212,946	155,909
Merchandise and Other Expenses					
- Parent's Association	-	-	20,703	20,703	22,636
Miscellaneous	9,879	243,599	-	253,478	258,833
Occupancy	81,830	5,279	880	87,989	109,415
Office Supplies and Postage	1,224	30,133	2,666	34,023	35,128
Professional Services	164,147	132,514	85,051	381,712	486,380
School Association Dues	19,014	48,078	16,873	83,965	63,595
Technology Support	173,804	9,656	9,656	193,116	166,943
Telephone	20,421	4,713	6,283	31,417	35,794
Travel and Parking	32,410	68,321	-	100,731	60,809
	<u>\$ 11,214,683</u>	<u>\$ 3,619,370</u>	<u>\$ 1,222,581</u>	<u>\$ 16,056,634</u>	<u>\$ 14,899,408</u>