

GRACE CATHEDRAL CORPORATION AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2024
(With Summarized Comparative Totals for 2023)

GRACE CATHEDRAL CORPORATION AND AFFILIATES

Year Ended June 30, 2024
(With Summarized Comparative Totals for 2023)

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INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF TRUSTEES

GRACE CATHEDRAL CORPORATION AND AFFILIATES

Qualified Opinion

We have audited the accompanying consolidated financial statements of Grace Cathedral Corporation and Affiliates (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2024, 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, 2024, 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 ("GAAS"). 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 these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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' 2023 consolidated financial statements and, in our report dated November 9, 2023, 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, 2023, 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 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.

CBIZ CPAs P.C.¹

San Francisco, California
November 20, 2024

GRACE CATHEDRAL CORPORATION AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2024
(With Summarized Comparative Totals For 2023)

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>ASSETS</u>				
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 1,230,815	\$ 301,480	\$ 1,532,295	\$ 2,177,574
Promises to Give, Net	650,000	1,006,381	1,656,381	3,546,531
Prepaid Expenses and Other Assets	986,059	8,000	994,059	832,250
Investments	15,062,100	39,058,821	54,120,921	51,600,702
Alternative Investment	-	1,875,434	1,875,434	1,900,000
Deferred Compensation Investments	660,361	-	660,361	519,638
Beneficial Interest in Charitable Trusts	-	1,341,622	1,341,622	487,483
Property and Equipment, Net	84,439,359	-	84,439,359	84,517,374
<u>TOTAL ASSETS</u>	<u>\$ 103,028,694</u>	<u>\$ 43,591,738</u>	<u>\$ 146,620,432</u>	<u>\$ 145,581,552</u>
<u>LIABILITIES AND NET ASSETS</u>				
<u>LIABILITIES</u>				
Line of Credit	\$ 830,092	\$ -	\$ 830,092	\$ -
Margin Debt	2,213,824	-	2,213,824	3,950,059
Accounts Payable and Accrued Expenses	1,718,079	-	1,718,079	1,633,137
Contract Liabilities	1,372,963	-	1,372,963	1,179,708
Other Liabilities	150,478	-	150,478	235,294
Deferred Compensation	660,361	-	660,361	519,638
Loan Payable to Endowment Fund	1,875,434	-	1,875,434	1,900,000
Notes Payable	2,756,812	-	2,756,812	3,581,812
<u>TOTAL LIABILITIES</u>	<u>11,578,043</u>	<u>-</u>	<u>11,578,043</u>	<u>12,999,648</u>
<u>NET ASSETS</u>				
Without Donor Restrictions:				
Undesignated	89,029,031	-	89,029,031	88,722,321
Board Designated	2,421,620	-	2,421,620	3,055,505
Total Without Donor Restrictions	91,450,651	-	91,450,651	91,777,826
With Donor Restrictions:				
Perpetual in Nature	-	23,872,612	23,872,612	23,850,107
Purpose and Time Restrictions	-	19,719,126	19,719,126	16,953,971
Total With Donor Restrictions	-	43,591,738	43,591,738	40,804,078
<u>TOTAL NET ASSETS</u>	<u>91,450,651</u>	<u>43,591,738</u>	<u>135,042,389</u>	<u>132,581,904</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 103,028,694</u>	<u>\$ 43,591,738</u>	<u>\$ 146,620,432</u>	<u>\$ 145,581,552</u>

GRACE CATHEDRAL CORPORATION AND AFFILIATES

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2024
(With Summarized Comparative Totals For 2023)

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>REVENUES, GAINS AND</u>				
<u>OTHER SUPPORT</u>				
Tuition and Fees	\$ 11,528,201	\$ -	\$ 11,528,201	\$ 11,087,181
Congregation, Community and Trustee Giving	3,022,115	5,300,046	8,322,161	7,407,294
Service Fees and Revenues: Special Events (Net of Direct Costs of \$290,314 and \$162,744 in 2024 and 2023, respectively)	618,966	-	618,966	672,442
Space Use Rentals	440,382	-	440,382	492,833
Cultural Membership Program	323,928	-	323,928	448,754
Gain from Fixed Asset Disposal	-	-	-	430,192
Community Events	720,758	-	720,758	370,115
Weddings, Memorials, and Mind Body Spirit Income	497,791	-	497,791	426,533
Other	180,366	80	180,446	208,164
Investment Return Designated for Current Operations	1,105,014	1,077,078	2,182,092	2,026,597
Net Assets Released from Restrictions	8,589,106	(8,589,106)	-	-
<u>TOTAL REVENUES, GAINS AND OTHER SUPPORT</u>	<u>27,026,627</u>	<u>(2,211,902)</u>	<u>24,814,725</u>	<u>23,570,105</u>
<u>EXPENSES</u>				
Program Services	19,644,100	-	19,644,100	18,028,638
Supporting Services: Management and General Fundraising	4,735,711 2,928,744	- -	4,735,711 2,928,744	4,860,518 3,051,878
<u>TOTAL EXPENSES</u>	<u>27,308,555</u>	<u>-</u>	<u>27,308,555</u>	<u>25,941,034</u>
<u>CHANGES IN NET ASSETS</u>				
<u>BEFORE OTHER CHANGES</u>	<u>(281,928)</u>	<u>(2,211,902)</u>	<u>(2,493,830)</u>	<u>(2,370,929)</u>
<u>OTHER CHANGES</u>				
Investment Return (Loss) In Excess of Amounts (Reduced by the Portion of Cumulative Net Appreciation) Designated for Current Operations	(45,247)	4,999,562	4,954,315	3,196,403
<u>CHANGES IN NET ASSETS</u>	<u>(327,175)</u>	<u>2,787,660</u>	<u>2,460,485</u>	<u>825,474</u>
<u>NET ASSETS AT</u>				
<u>BEGINNING OF YEAR</u>	<u>91,777,826</u>	<u>40,804,078</u>	<u>132,581,904</u>	<u>131,756,430</u>
<u>NET ASSETS AT</u>				
<u>END OF YEAR</u>	<u>\$ 91,450,651</u>	<u>\$ 43,591,738</u>	<u>\$ 135,042,389</u>	<u>\$ 132,581,904</u>

GRACE CATHEDRAL CORPORATION AND AFFILIATES

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2024
(With Summarized Comparative Totals for 2023)

	2024						2023	
	Program Services			Supporting Services			Total	Total
	Tuition and Instructional Expenses	Church and Ministry	Total	Management and General	Fundraising	Total		
Salaries and Benefits	\$ 6,295,355	\$ 4,663,110	\$ 10,958,465	\$ 3,408,391	\$ 1,689,723	\$ 5,098,114	\$ 16,056,579	\$ 15,065,161
Scholarships	2,224,321	500	2,224,821	-	-	-	2,224,821	1,878,531
Depreciation and Amortization	1,485,020	-	1,485,020	82,501	82,501	165,002	1,650,022	1,818,771
School Lunch Meals	599,008	36,751	635,759	-	-	-	635,759	620,704
Advertising and Promotion	-	50,047	50,047	-	21,842	21,842	71,889	95,606
Auto and Travel	4,379	39,608	43,987	75,376	895	76,271	120,258	441,860
Bad Debt	-	-	-	54,767	39,678	94,445	94,445	34,374
Bank Fees	-	49,911	49,911	16,844	27,114	43,958	93,869	81,651
Church Retreat	-	59,135	59,135	-	126	126	59,261	44,851
Development	-	-	-	11,634	301,272	312,906	312,906	308,724
Diocesan Assessment	-	212,746	212,746	-	-	-	212,746	173,569
Dues and Subscriptions	28,107	39,654	67,761	54,408	31,469	85,877	153,638	117,991
Grants and Outreach	-	447,895	447,895	3,007	-	3,007	450,902	216,756
Health and Safety, COVID-19	1,990	-	1,990	111	111	222	2,212	86,867
Hospitality	-	82,444	82,444	449	12,395	12,844	95,288	109,817
Insurance	194,417	212,833	407,250	162,382	-	162,382	569,632	493,183
Interest Expense	-	55,972	55,972	240,350	155,103	395,453	451,425	251,347
Instructional Expenses	649,999	7,260	657,259	-	-	-	657,259	682,764
Miscellaneous	4,132	82,458	86,590	158,599	-	158,599	245,189	244,998
Maintenance and Repairs	228,574	126,616	355,190	105,299	-	105,299	460,489	399,774
Office Expenses	14,097	104,414	118,511	67,572	89,316	156,888	275,399	294,533
Printing and Publication	-	22,353	22,353	30,471	28,698	59,169	81,522	92,179
Professional Services	163,472	378,584	542,056	173,136	73,359	246,495	788,551	836,063
Security	103,886	120,190	224,076	-	64,579	64,579	288,655	249,399
Staff Development and Continuing Education	45,974	4,810	50,784	49,350	2,096	51,446	102,230	134,669
Technology Support	197,500	-	197,500	10,972	10,972	21,944	219,444	193,116
Telephone and Internet	16,357	17,175	33,532	24,007	5,442	29,449	62,981	74,805
Temporary Help	-	256,251	256,251	225	291,076	291,301	547,552	582,866
Utilities	90,831	225,964	316,795	5,860	977	6,837	323,632	316,105
	<u>\$ 12,347,419</u>	<u>\$ 7,296,681</u>	<u>\$ 19,644,100</u>	<u>\$ 4,735,711</u>	<u>\$ 2,928,744</u>	<u>\$ 7,664,455</u>	<u>\$ 27,308,555</u>	<u>\$ 25,941,034</u>

GRACE CATHEDRAL CORPORATION AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended June 30, 2024

	<u>2024</u>	<u>2023</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Changes in Net Assets	\$ 2,460,485	\$ 825,474
Adjustments to Reconcile Changes in Net Assets		
to Net Cash Provided by (Used in) Operating Activities:		
Provision for Uncollectible Promises to Give	94,445	14,103
Amortization of Discount on Promises to Give	(10,332)	(28,761)
Depreciation and Amortization	1,650,022	1,818,771
Net Realized and Unrealized (Gains) Losses on Investments		
and Beneficial Interest in Charitable Trusts	(5,830,754)	(4,039,240)
Donated Investments	(449,913)	(683,418)
Gains from Disposal of Assets	-	(430,192)
Receipt of Charitable Remainder Trust	(815,970)	-
Contributions Restricted for Endowment	-	(51,240)
Non-cash Interest Expense	170,616	276,448
Non-cash Lease Expense	36,737	21,058
Changes in Operating Assets and Liabilities:		
Promises to Give	2,518,954	2,638,574
Prepaid Expenses and Other Assets	(198,546)	(58,893)
Benefit Interest in Charitable Trusts	-	3,160
Accounts Payable and Accrued Expenses	90,034	(493,948)
Contract Liabilities	193,255	7,300
Deferred Compensation	140,723	53,707
Other Liabilities	(16,204)	(15,925)
<u>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</u>	<u>33,552</u>	<u>(143,022)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceeds from Sale of Investments	8,819,760	10,462,712
Purchase of Investments	(5,097,481)	(5,621,693)
Deferred Compensation Investments	(140,723)	(53,707)
Proceeds from Sale of Property and Equipment	-	2,837,453
Building Improvements and Equipment Acquisitions	(1,572,007)	(3,365,995)
<u>NET CASH PROVIDED BY INVESTING ACTIVITIES</u>	<u>2,009,549</u>	<u>4,258,770</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from Line of Credit	-	(1,442,083)
Payments on Line of Credit	-	308,672
Payment on Notes Payable	-	(460,000)
Proceeds from Margin Debt	-	713,822
Payments on Margin Debt	(1,906,851)	(3,617,165)
Payments on Finance Lease Obligations	(68,612)	(81,403)
Collections on Contributions Restricted for Endowment	(712,917)	(340,322)
<u>NET CASH USED IN FINANCING ACTIVITIES</u>	<u>(2,688,380)</u>	<u>(4,918,479)</u>
<u>NET DECREASE IN CASH AND CASH EQUIVALENTS</u>	<u>(645,279)</u>	<u>(802,731)</u>
<u>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</u>	<u>2,177,574</u>	<u>2,980,305</u>
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	<u>\$ 1,532,295</u>	<u>\$ 2,177,574</u>
<u>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING</u>		
<u>AND FINANCING ACTIVITIES</u>		
Equipment Purchased through Finance Lease	\$ -	\$ 76,408
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
Conversion of Notes Payable to Line of Credit	\$ 830,092	\$ -
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Interest Paid	\$ 244,465	\$ 199,110

See accompanying notes to consolidated financial statements.

GRACE CATHEDRAL CORPORATION AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024

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, 2024

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, 2024 and 2023, approximately \$301,000 and \$569,000, 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, 2024 and 2023.

The Cathedral and affiliates use the allowance method to record credit losses from 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, 2024 and 2023, management has provided \$290,800 and \$302,448, respectively of allowance for credit losses from 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, 2024

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.

The equity securities and exchange traded products held by the Cathedral and affiliates' are valued based upon quoted prices from published market quotes. The 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 measure.

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, 2024 and 2023, 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, 2024 and 2023. 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.

GRACE CATHEDRAL CORPORATION AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Compensation Investments (Continued) – 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.

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 amortizes 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 Liabilities – 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 liabilities 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, 2024

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. Expenses attributable to more than one function, such as salaries, depreciation, and insurance, are allocated among program services, management and general expenses, and fundraising based on estimates of time and effort.

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, 2024

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, 2024 and 2023, 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, 2024 and 2023. At various times during the years ended June 30, 2024 and 2023, the Cathedral and affiliates had cash balances in excess of the insured limits. From March 2023 to September 2024, 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.

Leases – The Cathedral and affiliates determine if an arrangement is a lease at inception. Operating leases are included in other assets and other liabilities on the statement of financial position. Finance leases are included in property and equipment and other liabilities on the statement of financial position.

Right-of-Use (“ROU”) assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Cathedral and affiliates’ leases do not provide an implicit rate, the Cathedral and affiliates uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Cathedral and affiliates will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

GRACE CATHEDRAL CORPORATION AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Cathedral and affiliates' lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Cathedral and affiliates have elected the short-term lease recognition exemption for all applicable classes of underlying assets. Leases with an initial term of 12 months or less, that do not include an option to purchase the underlying asset that the Cathedral and affiliates is reasonably certain to exercise, are not recorded on the balance sheet. In addition, the Cathedral and affiliates have adopted a threshold policy related to lease contracts and any contract with monthly payment lower than \$1,000 and future payments under \$30,000 will not be capitalized under ASC 842. During the years ended June 30, 2024, and 2023, the Cathedral and affiliates have a number of leases within this class of underlying assets that qualify for the exemption. The short-term lease cost recognized and disclosed for those leases in 2024 and 2023 is \$2,232 and \$7,182, respectively.

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, 2023, from which the summarized information was derived.

Reclassification – Certain amounts for the year ended June 30, 2023 in the accompanying consolidated statements of cashflow have been reclassified to conform to the year ended June 30, 2024 presentation with no effect on previously reported net assets and changes in net assets.

Adoption of Recent Accounting Pronouncements – In June 2016, the Financial Accounting Standards Board (“FASB”) issued guidance Accounting Standards Codification (“ASC”) 326, *Financial Instruments – Credit Losses*, which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Cathedral and affiliates that are subject to the guidance in FASB ASC 326 were contract receivables presented as other assets under the statements of financial positions.

The Cathedral and affiliates adopted the standard effective July 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

GRACE CATHEDRAL CORPORATION AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024

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. The Cathedral and affiliates' margin debt is payable at the discretion of the School through the sale of its investments and/or cash and cash equivalents or refinance the debt for a later due date.

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>2024</u>	<u>2023</u>
Cash and Cash Equivalents	\$ 1,532,295	\$ 2,177,574
Promises to Give, Net	1,656,381	3,546,531
Investments	54,120,921	51,600,702
Alternative Investment	1,875,434	1,900,000
Deferred Compensation Investments	660,361	519,638
	<u>59,845,392</u>	<u>59,744,445</u>
Less: Cash and Cash Equivalents, Restricted for Purpose	301,480	568,831
Promises to Give, With Donor Restrictions	1,006,381	2,980,355
Alternative Investment	1,875,434	1,900,000
Investments Restricted for Endowment	21,690,024	20,900,311
Investments Restricted for Purpose	17,368,797	13,967,098
Deferred Compensation Investments	660,361	519,638
Investments Restricted as Collateral for		
Margin Debt	2,213,824	3,950,059
Board Designations – Operating and Others	2,421,620	3,055,505
	<u>47,537,921</u>	<u>47,841,797</u>
Total Financial Assets Available to Meet Cash		
Needs for General Expenditures Within One Year	<u>\$ 12,307,471</u>	<u>\$ 11,902,648</u>

GRACE CATHEDRAL CORPORATION AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024

NOTE 4 – PROMISES TO GIVE, NET

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

	<u>2024</u>	<u>2023</u>
Without Donor Restrictions:		
Stewardship and General Support	\$ 650,000	\$ 566,176
With Donor Restrictions:		
Purpose and Time Restricted:		
Fulfilling the Strategic Vision		
Campaign - School Renovations	547,056	1,930,903
Stewardship and Operations	295,376	313,347
General and Community Support	161,382	41,391
Trustees	52,663	31,816
	<u>1,056,477</u>	<u>2,317,457</u>
Perpetual in Nature:		
Fulfilling the Strategic Vision		
Campaign – Teachers’ Salaries	42,340	756,337
Forbes Endowment	-	20,978
Choir and General Support	200,000	200,000
	<u>242,340</u>	<u>977,315</u>
Total Promises to Give with Donor Restrictions	1,298,817	3,294,772
Less: Discount to Net Present Value	(1,636)	(11,969)
Less: Allowance for Credit Losses from Promises to Give	(290,800)	(302,448)
Promises to Give, With Donor Restrictions, Net	<u>1,006,381</u>	<u>2,980,355</u>
Total Promises to Give, Net	<u>\$ 1,656,381</u>	<u>\$ 3,546,531</u>

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

	<u>2024</u>	<u>2023</u>
Receivable in Less Than One Year	\$ 1,539,608	\$ 3,256,106
Receivable in One to Five Years	116,773	290,425
	<u>\$ 1,656,381</u>	<u>\$ 3,546,531</u>

GRACE CATHEDRAL CORPORATION AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024

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. From the period from May 2, 2023 to June 30, 2023, only interest was receivable or payable. Starting July 1, 2023, principal and interest receivable are due quarterly through June 30, 2053. As of June 30, 2024 and 2023, alternative investment and loan payable to the endowment fund amounted to \$1,875,434 and \$1,900,000, respectively. For the years ended June 30, 2024 and 2023, total interest incurred and earned from notes receivable or expensed from the loan payable amounted to \$108,727 and \$18,208, respectively. The unrestricted funds' five (5) year and thereafter future minimum principal repayments are as follows: 2025 (\$26,009), 2026 (\$27,537), 2027 (\$29,155), 2028 (\$30,868), 2029 (\$32,682) and thereafter (\$1,729,183).

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:

	2024		
	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gains (Losses)</u>
Mutual Funds:			
Bond Funds	\$ 10,562,643	\$ 11,767,151	\$ (1,204,508)
Emerging Market Funds	1,741,734	1,738,247	3,487
International Equity Funds	4,395,473	3,534,142	861,331
Real Estate Funds	2,004,069	1,713,048	291,021
U.S. Equity Funds	<u>10,799,790</u>	<u>3,854,085</u>	<u>6,945,705</u>
	29,503,709	22,606,673	6,897,036
Equity Securities	20,731,737	15,430,982	5,300,755
Money Market	2,797,034	2,797,034	-
Other Securities	<u>1,088,441</u>	<u>579,575</u>	<u>508,866</u>
	<u>\$ 54,120,921</u>	<u>\$ 41,414,264</u>	<u>\$ 12,706,657</u>

GRACE CATHEDRAL CORPORATION AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024

NOTE 6 – INVESTMENTS (Continued)

	2023		
	Fair Value	Cost	Unrealized Gains (Losses)
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	10,333,960	4,561,257	5,772,703
	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	1,115,107	579,575	535,532
	<u>\$ 51,600,702</u>	<u>\$ 43,264,150</u>	<u>\$ 8,336,552</u>

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

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Dividends and Interest (Net of Expenses of \$121,242 and \$129,965 in 2024 and 2023, Respectively)	\$ 34,724	1,270,929	\$ 1,305,653	\$ 1,183,760
Net Realized and Unrealized Gains	1,025,043	4,805,711	5,830,754	4,039,240
	1,059,767	6,076,640	7,136,407	5,223,000
Less: Investment Return Designated for Current Operations	(1,105,014)	(1,077,078)	(2,182,092)	(2,026,597)
Investment Return (Loss) in Excess of Amounts (Reduced by the Portion of Cumulative Net Appreciation) Designated for Current Operations	<u>\$ (45,247)</u>	<u>\$ 4,999,562</u>	<u>\$ 4,954,315</u>	<u>\$ 3,196,403</u>

GRACE CATHEDRAL CORPORATION AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024

NOTE 7 – PROPERTY AND EQUIPMENT

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

	<u>2024</u>	<u>2023</u>
Cathedral Building and Carillon	\$ 43,386,830	\$ 43,386,830
School Building and Improvements	35,131,958	34,730,529
Dean and Headmaster Residences	9,220,916	9,213,410
Furnishings, Equipment and Vehicles	6,392,515	6,063,033
Land	2,252,788	2,252,788
Technology and Computer Equipment	898,019	785,677
Icons	529,216	523,459
Construction-in-Progress	933,902	218,411
Library Books	60,734	60,734
	<hr/>	<hr/>
Total Property and Equipment	98,806,878	97,234,871
Less: Accumulated Depreciation and Amortization	<u>(14,367,519)</u>	<u>(12,717,497)</u>
	<hr/> <u>\$ 84,439,359</u>	<hr/> <u>\$ 84,517,374</u>

In the accompanying consolidated financial statements, significant property and equipment acquisitions or improvements of the Cathedral and affiliates, 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 donated land, on which the Cathedral and affiliates' facilities are located, was recorded at a nominal value of one dollar on the date of donation in 1907.

The School's depreciation and amortization expense for the years ended June 30, 2024 and 2023 amounted to \$1,650,022 and \$1,818,771, respectively.

NOTE 8 – LINE OF CREDIT

The Cathedral and affiliates had a revolving unsecured line of credit of \$2,000,000, bearing interest at the Secured Overnight Financing Rate ("SOFR") plus 0.50% per annum (5.83% at June 29, 2024). The line of credit had a maturity date of June 29, 2024 and was not renewed. On June 3, 2024, the Cathedral and affiliates opened a new priority credit line with a maximum borrowing amount equal to 60% of the underlying eligible stocks, ETFs, and mutual fund holdings of the underlying collateral. This line of credit bears interest at SOFR plus 1.50% per annum (6.83% at June 30, 2024). The Cathedral and affiliates had \$830,092 in outstanding borrowings as of June 30, 2024. The Cathedral and affiliates had no outstanding borrowings as of June 30, 2023. For the year ended June 30, 2024 and 2023, total interest incurred and expensed from the lines of credit amounted to \$2,156 and \$49,477, respectively.

GRACE CATHEDRAL CORPORATION AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024

NOTE 9 – MARGIN DEBT

The School has a margin account with their investment broker for approximately \$2,214,000 and \$3,950,000, as of June 30, 2024 and 2023, respectively. The margin account is used to finance the purchase of the headmaster residence (see Note 10) 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 6.00% to 6.25% 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, 2024 and 2023, total interest incurred from the margin account amounted to \$170,615 and \$276,448, respectively. Interest capitalized to construction in progress for the year ended June 30, 2023 was \$181,390. For the year ended June 30, 2024, the margin debt related to the headmaster residence was fully paid off.

NOTE 10 – NOTES PAYABLE

At June 30, notes payable consists of the following:

	<u>2024</u>	<u>2023</u>
Secured note payable to Wells Fargo Bank, collateralized by securities held with the financial institution, SOFR plus 1.50% per annum (6.81% at June 24, 2024). monthly interest payments, principal payment due in full in June 2024.	\$ -	\$ 825,000
Secured note payable to Chase Bank 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>\$ 2,756,812</u>	<u>\$ 3,581,812</u>

For the year ended June 30, 2024, total interest incurred on notes payable amounted to \$247,401. 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.

The future minimum payments on notes payables are \$2,756,812 and will be due from September 2031 to August 2051.

On June 24, 2024, the secured note payable to Wells Fargo Bank was transferred to the new priority credit line account. The note payable was deemed paid off and the balance in the new priority credit line can be held indefinitely with interest accruing each month.

GRACE CATHEDRAL CORPORATION AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024

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:

	2024			
	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	\$ 20,731,737	\$ -	\$ -	\$ 20,731,737
Mutual Funds	29,503,709	-	-	29,503,709
Money Market	2,797,034	-	-	2,797,034
Other Securities	-	-	1,088,441	1,088,441
	53,032,480	-	1,088,441	54,120,921
Beneficial Interest in Charitable Trusts	-	393,030	948,592	1,341,622
Deferred Compensation Investments:				
Mutual Funds	660,361	-	-	660,361
	<u>\$ 53,692,841</u>	<u>\$ 393,030</u>	<u>\$ 2,037,033</u>	<u>\$ 56,122,904</u>

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GRACE CATHEDRAL CORPORATION AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024

NOTE 11 – FAIR VALUE MEASUREMENT (Continued)

	2023			
	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	\$ 18,650,609	\$ -	\$ -	\$ 18,650,609
Mutual Funds	28,438,877	-	-	28,438,877
Money Market	3,396,109	-	-	3,396,109
Other Securities	-	-	1,115,107	1,115,107
	<u>50,485,595</u>	<u>-</u>	<u>1,115,107</u>	<u>51,600,702</u>
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>

The changes in beneficial interest in charitable trusts and other securities classified as Level 3 for the years ended June 30, 2024 and 2023 are as follows:

	Beneficial Interest In Charitable Trusts	Other Securities	Total
Balance July 1, 2022	\$ 150,763	\$ 1,310,697	\$ 1,461,460
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	126,975	1,115,107	1,242,082
Contribution	815,969	-	815,969
Realized and Unrealized Gains (Losses) Included in Earnings	<u>5,648</u>	<u>(26,666)</u>	<u>(21,018)</u>
Balance June 30, 2024	<u>\$ 948,592</u>	<u>\$ 1,088,441</u>	<u>\$ 2,037,033</u>
Changes in Unrealized Gains (Losses) Included in Earnings Still Held on June 30, 2024	<u>\$ 5,648</u>	<u>\$ (26,666)</u>	<u>\$ (21,018)</u>

GRACE CATHEDRAL CORPORATION AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024

NOTE 11 – FAIR VALUE MEASUREMENT (Continued)

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.

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 4.75% 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>2024</u>	<u>2023</u>
Operations	\$ 2,390,793	\$ 3,003,215
Personnel, Sabbatical and Miscellaneous Designations	<u>30,827</u>	<u>52,290</u>
	<u>\$ 2,421,620</u>	<u>\$ 3,055,505</u>

GRACE CATHEDRAL CORPORATION AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024

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>2024</u>	<u>2023</u>
Donor Restricted – Perpetual in Nature:		
Centennial Campaign	\$ 8,468,166	\$ 8,468,166
Unappropriated Accumulated Endowment		
Earnings Subject to Spending Policy	6,595,428	6,593,868
Fulfilling the Strategic Vision	3,582,608	3,573,895
Scholarships	2,994,388	2,983,856
Forbes Endowment	1,521,601	1,519,901
Beneficial Interest in Charitable Trusts	127,275	127,275
Others	583,146	583,146
	<u>\$ 23,872,612</u>	<u>\$ 23,850,107</u>

	<u>2024</u>	<u>2023</u>
Donor Restricted – Purpose and Time Restrictions:		
Unappropriated Accumulated Endowment		
Earnings Subject to Spending Policy	\$ 10,343,449	\$ 8,535,466
Scholarships	3,558,945	2,892,836
Office of the Dean	1,582,054	799,194
Ministry, Liturgies and Others	1,493,220	2,000,077
Acquisitions, Improvements and		
Repairs of Property and Equipment	1,194,294	2,173,040
Michael Ferroboeuf Fund	739,662	-
Building Improvements (Endowing the Future)	417,911	125,585
Stewardship and Operations	389,591	427,773
	<u>\$ 19,719,126</u>	<u>\$ 16,953,971</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.

GRACE CATHEDRAL CORPORATION AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024

NOTE 14 – ENDOWMENT NET ASSETS AND POLICIES (Continued)

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.

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.

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GRACE CATHEDRAL CORPORATION AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024

NOTE 14 – ENDOWMENT NET ASSETS AND POLICIES (Continued)

Spending Policies

School's Spending Policy

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

Cathedral and Foundation's Spending Policy

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

Endowment net assets at June 30 are as follows:

	<u>2024</u>			<u>2023</u>	
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		<u>Total</u>	<u>Total</u>
		<u>Purpose Restrictions</u>	<u>Endowment</u>		
Donor-Restricted Endowment Funds	<u>\$ -</u>	<u>\$ 10,343,449</u>	<u>\$ 23,872,612</u>	<u>\$ 34,216,061</u>	<u>\$ 32,385,573</u>

GRACE CATHEDRAL CORPORATION AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024

NOTE 14 – ENDOWMENT NET ASSETS AND POLICIES (Continued)

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

	<u>With Donor Restrictions</u>			<u>Total</u>
	<u>Without Donor Restrictions</u>	<u>Purpose Restricted</u>	<u>Endowment</u>	
Endowment Net Assets, July 1, 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	-	8,535,466	23,850,107	32,385,573
Contributions	-	-	22,505	22,505
Investment Return, Net	2,424,233	1,813,746	-	4,237,979
Appropriation of Endowment Assets Pursuant to Spending Rate Policy	<u>(2,424,233)</u>	<u>(5,763)</u>	<u>-</u>	<u>(2,429,996)</u>
Endowment Net Assets, June 30, 2024	<u>\$ -</u>	<u>\$ 10,343,449</u>	<u>\$ 23,872,612</u>	<u>\$ 34,216,061</u>

GRACE CATHEDRAL CORPORATION AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024

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>2024</u>	<u>2023</u>
Donor Restricted – Purpose and Time Restrictions:		
Stewardship and Operations	\$ 4,264,760	\$ 4,314,913
Unappropriated Accumulated Endowment		
Earnings Subject to Spending Policy	2,429,996	1,476,581
Acquisitions, Improvements and		
Repairs of Property and Equipment	981,846	555,340
Ministry, Liturgies and Others	423,419	380,580
Building Improvements – Endowing the Future	129,314	891,950
Fulfilling the Strategic Vision	-	4,018,874
Others	359,771	299,461
	<u>\$ 8,589,106</u>	<u>\$ 11,937,699</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 \$309,000 and \$296,000 for the years ended June 30, 2024 and 2023, respectively.

The Cathedral also provides pension benefits for clergy through a separate national plan. The Cathedral's contributions totaled approximately \$146,000 and \$144,000 for the years ended June 30, 2024 and 2023, 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 \$632,000 and \$568,000 for the years ended June 30, 2024 and 2023, respectively.

GRACE CATHEDRAL CORPORATION AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024

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 \$71,000 and \$66,000 for the years ended June 30, 2024 and 2023, respectively. As of June 30, 2024 and 2023, the fair value of the 457(f) plan assets and liabilities amounted to approximately \$660,000 and \$520,000, 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, 2024 and 2023, the Cathedral and affiliates paid the Diocese of California approximately \$1,088,000 and \$1,062,000, respectively, for certain operating expenses, including employee benefits.

The Cathedral and affiliates have 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, 2024 and 2023, a significant portion of the Cathedral and affiliates’ promises to give is due from one and three donors who have promised to give approximately \$500,000 and \$1,667,000, 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, 2024

NOTE 20 – SUBSEQUENT EVENTS

On September 16, 2024, the Cathedral sold the Dean's residence for proceeds amounting to approximately \$1,200,000.

The Cathedral and affiliates have evaluated subsequent events through November 20, 2024, 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, 2024

(With Summarized Comparative Totals For 2023)

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>ASSETS</u>				
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 57,812	\$ 261,480	\$ 319,292	\$ 1,085,086
Promises to Give, Net	650,000	318,040	968,040	881,339
Prepaid Expenses and Other Assets	770,630	8,000	778,630	609,728
Investments	6,150,453	22,437,824	28,588,277	27,965,969
Alternative Investment	-	1,875,434	1,875,434	1,900,000
Beneficial Interest in Charitable Trusts	-	1,341,622	1,341,622	487,483
Due from Related Party	2,756,812	-	2,756,812	2,756,812
Property and Equipment, Net	54,093,622	-	54,093,622	53,175,100
TOTAL ASSETS	\$ 64,479,329	\$ 26,242,400	\$ 90,721,729	\$ 88,861,517
<u>LIABILITIES AND NET ASSETS</u>				
<u>LIABILITIES</u>				
Line of Credit	\$ 830,092	\$ -	\$ 830,092	\$ -
Accounts Payable and Accrued Expenses	668,423	-	668,423	569,844
Other Liabilities	83,924	-	83,924	103,110
Notes Payable	2,756,812	-	2,756,812	3,581,812
Loan Payable to Endowment Fund	1,875,434	-	1,875,434	1,900,000
TOTAL LIABILITIES	6,214,685	-	6,214,685	6,154,766
<u>NET ASSETS</u>				
Without Donor Restrictions:				
Unrestricted	57,873,851	-	57,873,851	56,636,119
Board Designated	390,793	-	390,793	1,003,215
Total Without Donor Restrictions	58,264,644	-	58,264,644	57,639,334
With Donor Restrictions:				
Perpetual in Nature	-	15,190,869	15,190,869	15,189,309
Purpose and Time Restrictions	-	11,051,531	11,051,531	9,878,108
Total With Donor Restrictions	-	26,242,400	26,242,400	25,067,417
TOTAL NET ASSETS	58,264,644	26,242,400	84,507,044	82,706,751
<u>TOTAL LIABILITIES AND NET ASSETS</u>	\$ 64,479,329	\$ 26,242,400	\$ 90,721,729	\$ 88,861,517

GRACE CATHEDRAL CORPORATION AND AFFILIATES

SUPPLEMENTARY INFORMATION

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

Year Ended June 30, 2024
(With Summarized Comparative Totals For 2023)

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>REVENUES, GAINS AND</u>				
<u>OTHER SUPPORT</u>				
Congregation, Community and Trustee Giving	\$ 3,488,584	\$ 2,498,308	\$ 5,986,892	\$ 4,929,563
Tuition and Fees	81,700	-	81,700	71,177
Service Fees and Revenues:				
Space Use Rentals	440,382	-	440,382	492,833
Special Events (Net of direct costs of \$295,314 and \$165,778 in 2024 and 2023, respectively)	613,966	-	613,966	669,408
Cultural Membership & Admissions	323,928	-	323,928	448,754
Weddings, Memorials, and Mind Body Spirit Income	497,791	-	497,791	426,533
Other Income	109,261	80	109,341	162,612
Investment Return Designated for Current Operations	1,049,139	-	1,049,139	1,053,251
Net Assets Released from Restrictions	3,819,082	(3,819,082)	-	-
<u>TOTAL REVENUES, GAINS AND OTHER SUPPORT</u>	10,423,833	(1,320,694)	9,103,139	8,254,131
<u>EXPENSES</u>				
Program Services	6,555,332	-	6,555,332	6,316,655
Supporting Services:				
Management and General	1,432,896	-	1,432,896	1,219,224
Fundraising	1,700,063	-	1,700,063	2,006,896
<u>TOTAL EXPENSES</u>	9,688,291	-	9,688,291	9,542,775
<u>CHANGES IN NET ASSETS BEFORE OTHER CHANGES</u>	735,542	(1,320,694)	(585,152)	(1,288,644)
<u>OTHER CHANGES</u>				
Investment Return (Loss) in Excess of Amounts (Reduced by the Portion of Cumulative Net Appreciation) Designated for Current Operations	(110,232)	2,495,677	2,385,445	1,421,222
<u>CHANGES IN NET ASSETS</u>	625,310	1,174,983	1,800,293	132,578
<u>NET ASSETS AT BEGINNING OF YEAR</u>	57,639,334	25,067,417	82,706,751	82,574,173
<u>NET ASSETS AT END OF YEAR</u>	\$ 58,264,644	\$ 26,242,400	\$ 84,507,044	\$ 82,706,751

GRACE CATHEDRAL CORPORATION AND AFFILIATES

SUPPLEMENTARY INFORMATION

UNCONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES – GRACE CATHEDRAL

Year Ended June 30, 2024
(With Summarized Comparative Totals For 2023)

	2024			2023	
	Church and Ministry	Supporting Services		Total	Total
		Management and General	Fundraising		
Salaries and Benefits	\$ 4,479,672	\$ 759,654	\$ 1,009,552	\$ 6,248,878	\$ 6,059,336
Temporary Help	201,383	225	291,076	492,684	543,352
Bad Debts	-	54,767	(15,500)	39,267	34,374
Insurance	212,833	128,073	-	340,906	302,808
Advertising and Promotion	34,939	-	21,842	56,781	75,730
Auto and Travel	20,216	70	136	20,422	300,593
Bank Fees	29,417	16,844	27,114	73,375	64,648
Church Retreat	59,135	-	126	59,261	44,851
Diocesan Assessments	212,746	-	-	212,746	173,569
Dues and Subscriptions	39,579	7,459	2,565	49,603	33,951
Grants and Outreach	199,199	3,007	159,985	362,191	365,846
Hospitality	74,218	449	12,395	87,062	92,810
Instructional Expenses	7,260	-	-	7,260	12,721
Interest Expense	55,972	113,754	-	169,726	117,352
Maintenance and Repairs	126,616	105,299	-	231,915	186,828
Miscellaneous	78,012	204	-	78,216	9,987
Office Expenses	100,794	36,715	87,542	225,051	232,084
Parking	12,714	4,251	760	17,725	17,900
Printing and Publication	5,826	30,471	28,698	64,995	69,255
Professional Services	199,411	104,275	8,276	311,962	314,562
Scholarships	500	36,000	-	36,500	330
School Lunch Meals	36,751	-	-	36,751	38,405
Security	120,190	-	64,578	184,768	162,580
Staff Development	4,810	11,147	509	16,466	17,682
Telephone and Internet	17,175	20,232	409	37,816	43,388
Utilities	225,964	-	-	225,964	227,833
	<u>\$ 6,555,332</u>	<u>\$ 1,432,896</u>	<u>\$ 1,700,063</u>	<u>\$ 9,688,291</u>	<u>\$ 9,542,775</u>

GRACE CATHEDRAL CORPORATION AND AFFILIATES

SUPPLEMENTARY INFORMATION

UNCONSOLIDATED STATEMENTS OF FINANCIAL POSITION – THE GIBERTI FOUNDATION

June 30, 2024

(With Summarized Comparative Totals For 2023)

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
	<u>ASSETS</u>			
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 195,453	\$ 40,000	\$ 235,453	\$ 191,029
Prepaid Expenses and Other Current Assets	16,731	-	16,731	75,215
<u>TOTAL ASSETS</u>	<u>\$ 212,184</u>	<u>\$ 40,000</u>	<u>\$ 252,184</u>	<u>\$ 266,244</u>
	<u>LIABILITIES AND NET ASSETS</u>			
<u>LIABILITIES</u>				
Accounts Payable and Accrued Expenses	\$ 60,006	\$ -	\$ 60,006	\$ 60,335
<u>NET ASSETS</u>				
Without Donor Restrictions:				
Undesignated	152,178	-	152,178	99,851
With Donor Restrictions:				
Purpose and Time Restrictions	-	40,000	40,000	106,058
<u>TOTAL NET ASSETS</u>	<u>152,178</u>	<u>40,000</u>	<u>192,178</u>	<u>205,909</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 212,184</u>	<u>\$ 40,000</u>	<u>\$ 252,184</u>	<u>\$ 266,244</u>

GRACE CATHEDRAL CORPORATION AND AFFILIATES

SUPPLEMENTARY INFORMATION

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

Year Ended June 30, 2024
(With Summarized Comparative Totals For 2023)

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>REVENUES, GAINS AND OTHER SUPPORT</u>				
Contributions	\$ 277,308	\$ 40,000	\$ 317,308	\$ 280,229
Service Fees and Revenues:				
Community Events (Net of direct costs of \$0 and \$1,966 in 2024 and 2023, respectively)	736,512	-	736,512	384,061
Other Income (Loss)	(38)	-	(38)	(156)
Net Assets Released from Restrictions	106,058	(106,058)	-	-
<u>TOTAL REVENUES, GAINS AND OTHER SUPPORT</u>	<u>1,119,840</u>	<u>(66,058)</u>	<u>1,053,782</u>	<u>664,134</u>
<u>EXPENSES</u>				
Program Services	998,407	-	998,407	623,199
Management and General	69,106	-	69,106	57,425
<u>TOTAL EXPENSES</u>	<u>1,067,513</u>	<u>-</u>	<u>1,067,513</u>	<u>680,624</u>
<u>CHANGES IN NET ASSETS</u>	<u>52,327</u>	<u>(66,058)</u>	<u>(13,731)</u>	<u>(16,490)</u>
<u>NET ASSETS AT BEGINNING OF YEAR</u>	<u>99,851</u>	<u>106,058</u>	<u>205,909</u>	<u>222,399</u>
<u>NET ASSETS AT END OF YEAR</u>	<u>\$ 152,178</u>	<u>\$ 40,000</u>	<u>\$ 192,178</u>	<u>\$ 205,909</u>

GRACE CATHEDRAL AND AFFILIATES

SUPPLEMENTARY INFORMATION

UNCONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES – THE GIBERTI FOUNDATION

Year Ended June 30, 2024
(With Summarized Comparative Totals for 2023)

	2024			2023	
	Church and Ministry	Supporting Services		Total	Total
		Management and General	Fundraising		
Salaries and Benefits	\$ 183,438	\$ 61,146	\$ -	\$ 244,584	\$ 217,561
Temporary Help	54,868	-	-	54,868	39,514
Professional Services	176,642	7,959	-	184,601	134,759
Grants and Outreach	509,180	-	-	509,180	147,598
Advertising and Promotion	15,108	-	-	15,108	19,876
Auto and Travel	816	-	-	816	18,500
Bank Fees	20,494	-	-	20,494	17,004
Gifts	-	-	-	-	27
Hospitality	8,151	-	-	8,151	16,980
Office Expenses	3,619	-	-	3,619	28,426
Miscellaneous	3,705	-	-	3,705	13,320
Parking	5,862	-	-	5,862	4,135
Printing and Publications	16,525	-	-	16,525	22,924
	<u>\$ 998,408</u>	<u>\$ 69,105</u>	<u>\$ -</u>	<u>\$ 1,067,513</u>	<u>\$ 680,624</u>

GRACE CATHEDRAL CORPORATION AND AFFILIATES

SUPPLEMENTARY INFORMATION

UNCONSOLIDATED BALANCE SHEETS – CATHEDRAL GARAGE, LLC

	June 30	
	<u>2024</u>	<u>2023</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 26,159	\$ 29,585
Property and Equipment	<u>29,173</u>	<u>29,173</u>
<u>TOTAL ASSETS</u>	<u>\$ 55,332</u>	<u>\$ 58,758</u>
<u>TOTAL LIABILITIES</u>	<u>\$ -</u>	<u>\$ -</u>
<u>MEMBER'S EQUITY</u>	<u>55,332</u>	<u>58,758</u>
<u>TOTAL LIABILITIES</u>		
<u>AND MEMBER'S EQUITY</u>	<u>\$ 55,332</u>	<u>\$ 58,758</u>

GRACE CATHEDRAL CORPORATION AND AFFILIATES

SUPPLEMENTARY INFORMATION

UNCONSOLIDATED STATEMENTS OF OPERATIONS
– CATHEDRAL GARAGE, LLC

Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<u>OPERATING REVENUES</u>		
Parking Garage	\$ <u> -</u>	\$ <u> -</u>
<u>OPERATING EXPENSES</u>		
Professional Services	2,531	-
Miscellaneous	<u> 895</u>	<u> 4,071</u>
<u>TOTAL OPERATING EXPENSES</u>	<u> 3,426</u>	<u> 4,071</u>
<u>NET LOSS</u>	<u> \$ (3,426)</u>	<u> \$ (4,071)</u>

GRACE CATHEDRAL CORPORATION AND AFFILIATES

SUPPLEMENTARY INFORMATION

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

Years Ended June 30, 2024 and 2023

Balance, June 30, 2022	\$	168,894
Member's Contribution		73,965
Member's Distribution		(175,000)
Net Gain		<u>(9,101)</u>
Balance, June 30, 2023		58,758
Member's In-kind Contribution		-
Member's Distribution		-
Net Loss		<u>(3,426)</u>
Balance, June 30, 2024	\$	<u><u>55,332</u></u>

GRACE CATHEDRAL CORPORATION AND AFFILIATES

SUPPLEMENTARY INFORMATION

UNCONSOLIDATED STATEMENTS OF FINANCIAL POSITION – CATHEDRAL SCHOOL FOR BOYS

June 30, 2024

(With Summarized Comparative Totals For 2023)

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>ASSETS</u>				
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 951,391	\$ -	\$ 951,391	\$ 871,874
Promises to Give, Net	120,299	568,043	688,342	2,665,192
Prepaid Expenses and Other Current Assets	290,120	-	290,120	259,248
Investments	8,846,680	16,741,296	25,587,976	23,693,490
Deferred Compensation Investments	660,361	-	660,361	519,638
Property and Equipment, Net	30,316,564	-	30,316,564	31,313,102
<u>TOTAL ASSETS</u>	<u>\$ 41,185,415</u>	<u>\$ 17,309,339</u>	<u>\$ 58,494,754</u>	<u>\$ 59,322,544</u>
<u>LIABILITIES AND NET ASSETS</u>				
<u>LIABILITIES</u>				
Margin Debt	\$ 2,213,824	\$ -	\$ 2,213,824	\$ 3,950,059
Accounts Payable and Accrued Expenses	1,081,073	-	1,081,073	1,114,896
Contract Liabilities	1,372,963	-	1,372,963	1,179,708
Deferred Compensation	660,361	-	660,361	519,638
Other Liabilities	66,554	-	66,554	132,184
Note Payable - Related Party	2,756,812	-	2,756,812	2,756,812
<u>TOTAL LIABILITIES</u>	<u>8,151,587</u>	<u>-</u>	<u>8,151,587</u>	<u>9,653,297</u>
<u>NET ASSETS</u>				
Without Donor Restrictions:				
Undesignated	31,003,001	-	31,003,001	31,986,354
Board Designated	2,030,827	-	2,030,827	2,052,290
Total Without Donor Restrictions	33,033,828	-	33,033,828	34,038,644
With Donor Restrictions:				
Perpetual in Nature	-	8,681,743	8,681,743	8,660,798
Purpose and Time Restrictions	-	8,627,596	8,627,596	6,969,805
Total With Donor Restrictions	-	17,309,339	17,309,339	15,630,603
<u>TOTAL NET ASSETS</u>	<u>33,033,828</u>	<u>17,309,339</u>	<u>50,343,167</u>	<u>49,669,247</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 41,185,415</u>	<u>\$ 17,309,339</u>	<u>\$ 58,494,754</u>	<u>\$ 59,322,544</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, 2024
(With Summarized Comparative Totals For 2023)

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>REVENUES, GAINS AND OTHER SUPPORT</u>				
Tuition and Fees	\$ 11,446,501	\$ -	\$ 11,446,501	\$ 11,016,004
Contributions	2,454,446	29,985	2,484,431	2,534,690
Other Income	67,714	-	67,714	466,798
Investment Return Designated for Current Operations	55,875	1,077,078	1,132,953	973,346
Net Assets Released from Restrictions	1,932,212	(1,932,212)	-	-
<u>TOTAL REVENUES, GAINS AND OTHER SUPPORT</u>	<u>15,956,748</u>	<u>(825,149)</u>	<u>15,131,599</u>	<u>14,990,838</u>
<u>EXPENSES</u>				
Program Services:				
Tuition and Instructional Expenses	12,347,419	-	12,347,419	11,214,684
Supporting Services:				
Management and General	3,274,710	-	3,274,710	3,619,369
Fundraising	1,404,420	-	1,404,420	1,222,581
<u>TOTAL EXPENSES</u>	<u>17,026,549</u>	<u>-</u>	<u>17,026,549</u>	<u>16,056,634</u>
<u>CHANGES IN NET ASSETS BEFORE OTHER CHANGES</u>	<u>(1,069,801)</u>	<u>(825,149)</u>	<u>(1,894,950)</u>	<u>(1,065,796)</u>
<u>OTHER CHANGES</u>				
Investment Return (Loss) In Excess of Amounts (Reduced by the Portion of Cumulative Net Appreciation) Designated for Current Operations	64,985	2,503,885	2,568,870	1,775,182
<u>CHANGES IN NET ASSETS</u>	<u>(1,004,816)</u>	<u>1,678,736</u>	<u>673,920</u>	<u>709,386</u>
<u>NET ASSETS AT BEGINNING OF YEAR</u>	<u>34,038,644</u>	<u>15,630,603</u>	<u>49,669,247</u>	<u>48,959,861</u>
<u>NET ASSETS AT END OF YEAR</u>	<u>\$ 33,033,828</u>	<u>\$ 17,309,339</u>	<u>\$ 50,343,167</u>	<u>\$ 49,669,247</u>

GRACE CATHEDRAL CORPORATION AND AFFILIATES

SUPPLEMENTARY INFORMATION

UNCONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES – CATHEDRAL SCHOOL FOR BOYS

Year Ended June 30, 2024
(With Summarized Comparative Totals For 2023)

	2024			2023	
	Tuition and Instructional Expenses	Supporting Services		Total	Total
		Management and General	Fundraising		
Salaries and Benefits	\$ 6,295,355	\$ 2,587,591	\$ 680,171	\$ 9,563,117	\$ 8,788,264
Scholarship Grants	2,224,321	-	-	2,224,321	1,878,201
Depreciation and Amortization	1,485,020	82,501	82,501	1,650,022	1,818,771
School Lunch Meals	599,008	-	-	599,008	582,299
Bad Debts	-	-	55,178	55,178	-
Campus Security	103,886	-	-	103,886	86,819
Continuing Education	45,974	38,203	1,587	85,764	116,987
Development	-	11,634	272,416	284,050	303,933
Health and Safety, COVID-19	1,990	111	111	2,212	86,867
Instructional Expenses:					
Classroom Supplies and Textbooks	253,588	-	-	253,588	237,410
Other	396,411	-	-	396,411	432,633
Insurance	194,417	34,309	-	228,726	190,375
Interest Expense	-	126,596	155,103	281,699	133,995
Maintenance and Repairs	228,574	-	-	228,574	212,946
Merchandise and Other Expenses					
- Parent's Association	-	-	44,610	44,610	20,703
Miscellaneous	4,132	163,394	-	167,526	253,478
Occupancy	90,831	5,860	977	97,668	87,989
Office Supplies and Postage	14,097	30,857	1,774	46,728	34,023
Professional Services	163,472	60,902	65,083	289,457	381,712
School Association Dues	28,107	46,949	28,904	103,960	83,965
Technology Support	197,500	10,972	10,972	219,444	193,116
Telephone	16,357	3,775	5,033	25,166	31,417
Travel and Parking	4,379	71,056	-	75,435	100,731
	<u>\$ 12,347,419</u>	<u>\$ 3,274,710</u>	<u>\$ 1,404,420</u>	<u>\$ 17,026,550</u>	<u>\$ 16,056,634</u>