

Chancery Offices of the Archdiocese of Kansas City in Kansas

Financial Report
June 30, 2021

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Independent Auditor's Report

RSM US LLP

Audit Committee
Chancery Offices of the Archdiocese of Kansas City in Kansas

Report on the Financial Statements

We have audited the accompanying financial statements of the Chancery Offices of the Archdiocese of Kansas City in Kansas, which comprise the statements of financial position as of June 30, 2021 and 2020, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Chancery Offices of the Archdiocese of Kansas City in Kansas as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Kansas City, Missouri
October 27, 2021

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Chancery Offices of the Archdiocese of Kansas City in Kansas

**Statements of Financial Position
June 30, 2021 and 2020**

	2021	2020
Assets		
Cash and cash equivalents	\$ 36,145,796	\$ 34,753,858
Investments	12,320,305	15,366,833
Accrued interest receivable	1,479	16,346
Accounts receivable, net	4,419,481	4,662,909
Pledges receivable, net	12,827,568	19,843,482
Due from Lay and Priest Retirement Trust Fund	-	2,179
Prepaid expenses	445,997	378,561
Interest in net assets of the Catholic Foundation of Northeast Kansas	10,296,819	8,158,663
Due from Deposit and Loan Fund	135,000	250,000
Land, buildings and equipment, net	12,238,667	12,611,140
Total assets	\$ 88,831,112	\$ 96,043,971
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,821,865	\$ 1,873,475
Due to Lay and Priest Retirement Trust Fund	2,004	-
Pledges payable	-	16,666
Accrued IBNR claims	1,750,000	1,750,000
Collections held for transmittal	54,340	51,711
Long-term debt	-	1,425,700
Deferred revenue	540,688	468,693
Total liabilities	4,168,897	5,586,245
Net assets:		
Without donor restrictions:		
Undesignated	19,342,503	16,190,270
Undesignated—endowments	27,877	53,166
Designated	36,242,559	28,143,059
Total net assets without donor restrictions	55,612,939	44,386,495
With donor restrictions	29,049,276	46,071,231
Total net assets	84,662,215	90,457,726
Total liabilities and net assets	\$ 88,831,112	\$ 96,043,971

See notes to financial statements.

Chancery Offices of the Archdiocese of Kansas City in Kansas

Statement of Activities
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Archbishop's Call to Share	\$ 5,740,261	\$ -	\$ 5,740,261
One Faith Capital Campaign	-	5,296,467	5,296,467
Archdiocesan collections	-	2,248,001	2,248,001
Archdiocesan assessments	5,504,043	-	5,504,043
Health and dental plan premiums	26,130,273	-	26,130,273
Property and liability insurance	1,301,471	-	1,301,471
Contributions and bequests	718,250	1,231,753	1,950,003
Investment income	974,893	-	974,893
Change in net assets of the Catholic Foundation of Northeast Kansas	(31,282)	1,920,608	1,889,326
Other revenue:			
Conversion	458,126	-	458,126
Evangelization	712,810	125,100	837,910
Education	1,613,590	-	1,613,590
Outreach	43,340	67,208	110,548
Stewardship	1,282,969	21,663	1,304,632
Administration	506,606	-	506,606
Gain on forgiveness of debt	2,981,815	-	2,981,815
Net assets released from restrictions	27,932,755	(27,932,755)	-
Total revenues	75,869,920	(17,021,955)	58,847,965
Expenses:			
Pastoral priorities:			
Conversion	2,603,371	-	2,603,371
Evangelization	2,118,182	-	2,118,182
Education	6,285,433	-	6,285,433
Outreach	2,617,187	-	2,617,187
Stewardship	23,749,807	-	23,749,807
Total ministry and program services	37,373,980	-	37,373,980
Supporting services:			
Administrative	1,941,637	-	1,941,637
Other:			
Property and liability insurance	762,571	-	762,571
Special reserve fund	24,915	-	24,915
Health and dental care expense	24,540,373	-	24,540,373
Total supporting services	27,269,496	-	27,269,496
Total expenses	64,643,476	-	64,643,476
Increase (decrease) in net assets	11,226,444	(17,021,955)	(5,795,511)
Net assets, beginning of year	44,386,495	46,071,231	90,457,726
Net assets, end of year	\$ 55,612,939	\$ 29,049,276	\$ 84,662,215

See notes to financial statements.

Chancery Offices of the Archdiocese of Kansas City in Kansas

Statement of Activities Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Archbishop's Call to Share	\$ 22,364	\$ 5,898,477	\$ 5,920,841
One Faith Capital Campaign	-	16,628,999	16,628,999
Private Appeal campaign	-	28,500	28,500
Archdiocesan collections	-	2,278,291	2,278,291
Archdiocesan assessments	5,351,983	-	5,351,983
Health and dental plan premiums	26,194,067	-	26,194,067
Property and liability insurance	1,339,151	-	1,339,151
Contributions and bequests	1,164,005	772,532	1,936,537
Investment income	816,655	-	816,655
Change in net assets of the Catholic Foundation of Northeast Kansas	(92,664)	415,244	322,580
Other revenue:			
Conversion	681,311	-	681,311
Evangelization	1,397,265	44,548	1,441,813
Education	1,677,102	15,875	1,692,977
Outreach	45,240	20,375	65,615
Stewardship	1,319,804	-	1,319,804
Administration	441,864	-	441,864
Gain on disposal of land, building and equipment	244,852	-	244,852
Net assets released from restrictions	14,413,535	(14,413,535)	-
Total revenues	55,016,534	11,689,306	66,705,840
Expenses:			
Pastoral priorities:			
Conversion	2,955,803	-	2,955,803
Evangelization	2,783,637	-	2,783,637
Education	6,508,788	-	6,508,788
Outreach	2,398,741	-	2,398,741
Stewardship	10,490,161	539,444	11,029,605
Total ministry and program services	25,137,130	539,444	25,676,574
Supporting services:			
Administrative	2,007,411	-	2,007,411
Other:			
Property and liability insurance	1,178,663	-	1,178,663
Health and dental care expense	23,681,871	-	23,681,871
Total supporting services	26,867,945	-	26,867,945
Total expenses	52,005,075	539,444	52,544,519
Increase in net assets	3,011,459	11,149,852	14,161,321
Net assets, beginning of year	41,375,036	34,921,369	76,296,405
Net assets, end of year	\$ 44,386,495	\$ 46,071,231	\$ 90,457,726

See notes to financial statements.

Chancery Offices of the Archdiocese of Kansas City in Kansas

Statements of Cash Flows Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (5,795,511)	\$ 14,161,321
Adjustments to reconcile increase (decrease) in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	742,004	819,736
Change in allowance for accounts and pledges receivable	196,109	434,354
(Decrease) increase of pledge discount	(284,997)	64,664
Realized (gain) loss on sale of investments	(180,406)	125,592
Unrealized gain on investments	(570,030)	(390,005)
Gain on forgiveness of debt	(2,981,815)	-
Increase in fair value of investments held at the Catholic Foundation of Northeast Kansas	(1,913,342)	(194,155)
Gain on sale of land, building and equipment	-	(244,852)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(65,687)	(191,918)
Pledges receivable, net	7,413,917	(4,569,073)
Accrued interest receivable	14,867	(9,373)
Prepaid expenses	(67,436)	120,356
Due to/from Deposit and Loan Fund	115,000	(551,192)
Increase (decrease) in:		
Accounts payable and accrued expenses	(51,610)	527,268
Due to/from Lay and Priest Retirement Trust Fund	4,183	(8,966)
Pledges payable	(16,666)	(16,667)
Accrued IBNR claims	-	50,000
Collections held for transmittal	2,629	(78,686)
Deferred revenue	71,995	(109,342)
Net cash (used in) provided by operating activities	(3,366,796)	9,939,062
Cash flows from investing activities:		
Proceeds from sales of land, buildings and equipment	-	1,024,987
Purchases of land, buildings and equipment	(369,531)	(614,929)
Purchases of investments	(3,332,483)	(17,091,848)
Proceeds from sale of investments	7,129,447	17,686,814
Net (contributions) withdrawals in interest in Catholic Foundation of Northeast Kansas	(224,814)	86,981
Net cash provided by investing activities	3,202,619	1,092,005
Cash flows from financing activities:		
Proceeds from borrowings on long-term debt	1,556,115	1,425,700
Net cash provided by financing activities	1,556,115	1,425,700
Net increase in cash and cash equivalents	1,391,938	12,456,767
Cash and cash equivalents:		
Beginning of year	34,753,858	22,297,091
End of year	\$ 36,145,796	\$ 34,753,858

See notes to financial statements.

Chancery Offices of the Archdiocese of Kansas City in Kansas

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: The accompanying financial statements of the Chancery Offices of the Archdiocese of Kansas City in Kansas (the Chancery) include the assets, liabilities, net assets and financial activities of chancery offices that are fiscally responsible to the Archbishop of the Archdiocese of Kansas City in Kansas (the Archdiocese). The Archdiocese consists of 21 counties in northeastern Kansas.

The accompanying financial statements exclude the accounting of other activities of the Archdiocese, such as the following: parishes, schools, cemeteries, homes, campus centers, Catholic Charities, foundations, retirement plans, regional offices, etc., or assets, liabilities and guarantees of organizations for which the Archbishop is responsible. These activities may or may not be separately incorporated under civil law; however, each is a distinct operating entity and maintains separate accounting records on its services and programs.

The following is a summary of the significant accounting policies of the Chancery:

Basis of presentation: The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Chancery presents its financial statements based on Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, Presentation of Financial Statements.

The net assets without donor restrictions of the Chancery include undesignated net assets, which are available for any purpose, and designated net assets, which have been designated by the Archbishop for specific purposes. The net assets with donor restrictions are those that are stipulated by donors for specific operating purposes or time periods or are those whose use by the Chancery is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Chancery.

Net assets without and with donor-restricted revenue and support: Contributions are recognized when the donor makes a promise to give to the Chancery that is, in substance, unconditional.

Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Donor-restricted support is reported as an increase in net assets with donor restrictions. These net assets are either time-restricted or purpose-restricted. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Chancery reports the support as without donor restrictions.

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

The Chancery generates revenue from other sources of support, primarily health and dental plan premium income and archdiocesan assessments. The health and dental plan premiums and archdiocesan assessments are billed monthly to the various parishes, schools, cemeteries, and other organizations for which the Archbishop is responsible and recognized at a point in time as the services are provided.

Cash and cash equivalents: For purposes of reporting cash flows, the Chancery considers all unrestricted highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Chancery Offices of the Archdiocese of Kansas City in Kansas

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Investments: Investments are recorded at fair value. Fair value of publicly traded debt and equity securities is determined by quoted market prices. Fair value of mutual funds is determined by quoted market prices or the value of the underlying assets within the fund. Fair value of alternative investments is estimated using net asset value (NAV) per share. See Note 3 for a discussion of fair value measurements.

Accounts receivable: The Chancery has elected to use the reserve method in accounting for bad debts. Under this method, all uncollectible accounts are charged to the allowance account and the bad debt expense is determined by adjusting the balance in the allowance account to a reserve considered reasonable by management based upon factors and circumstances of individual accounts.

Interest is not charged on past-due accounts receivable. Accounts are past due after 365 days. Accounts that are considered uncollectible are charged off to bad debt expense.

Pledges receivable: Unconditional promises to give, less a present value discount and an allowance for uncollectible amounts, are recognized as revenues or gains in the period received and as assets, decreases of liabilities or expenses, depending on the form of the benefits received. Conditional promises to give with a measurable performance barrier or other barrier and right of return or release of funds are recognized as revenue when the donor's conditions are substantially met.

Land, buildings and equipment: Land, buildings and equipment, including capitalized software, are carried at cost. Major renewals and betterments are capitalized, and maintenance and repairs that do not improve or extend the life of the respective assets are charged against earnings in the current period.

Depreciation includes amortization related to capitalized software and is provided on the straight-line method over the estimated useful lives of the assets.

Interest in net assets of the Catholic Foundation of Northeast Kansas: The Chancery has assets that are held as endowments with the Catholic Foundation of Northeast Kansas (CFNEK). These are recorded at the fair value of the underlying assets in the endowments.

Deferred revenue: Subscriptions for *The Leaven* renew annually on the first of October. The deferred revenue from *The Leaven* is that portion of subscription income attributable to the July, August and September issues that has not been earned as of the fiscal year-end.

Accrued health and dental care claims: The Chancery administers a self-insured health care plan for participating employers in the Archdiocese. Accrued health and dental care claims consist of reported claims and incurred but not reported claims. The accrual consists of any probable losses and losses that can be reasonably estimated based upon statistical and historical experiences.

Income taxes: The Chancery is exempt from federal income tax under provisions of section 501(c)(3) of the Internal Revenue Code; accordingly, no provision for income taxes has been made in the accompanying financial statements. In addition, the Chancery qualifies for the charitable contribution deduction under section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under section 509(a)(2).

Uncertain tax provisions, if any, are recorded in accordance with ASC Topic 740, Income Taxes, which requires the recognition of a liability for tax positions taken that do not meet the more-likely-than-not standard that the position will be sustained upon examination by the taxing authorities. There is no liability for uncertain tax positions recorded at June 30, 2021 and 2020.

Fundraising costs: The Chancery expenses fundraising costs as incurred. Total expense for fundraising for the years ended June 30, 2021 and 2020, was \$1,211,388 and \$2,611,637, respectively.

Chancery Offices of the Archdiocese of Kansas City in Kansas

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Use of estimates: The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional allocation of expenses: The Chancery's expenses have been summarized on a functional basis in the statements of activities. Costs are directly allocated to functional categories where a clear relationship exists. Other costs incurred at the Chancery are allocated among specific programs, administrative and other categories, directly where such relationship is clear and indirectly based on time studies and other ratable allocation methods.

Reclassifications: For the year ended June 30, 2020, certain amounts on the statement of cash flows were reclassified with no impact on the total change in cash and cash equivalents to be consistent with current-year presentation.

Recent accounting pronouncement: In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in ASC Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal year 2023. The Chancery is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

Note 2. Liquidity and Availability of Resources

The Chancery strives to maintain liquidity at a level necessary to fund grant commitments and ongoing operational needs. Excess liquidity is generally invested in short-term, low-risk investments to maximize return while maintaining the shorter duration needed for flexibility to meet both planned and unplanned needs. The table below represents the Chancery's financial assets (total assets less prepaid expenses and land, buildings and equipment, net) available to meet the annual operating needs of the 2022 and 2021 fiscal years:

	2021	2020
Financial assets	\$ 76,146,448	\$ 83,054,270
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restrictions by donor with time or purpose restrictions	24,799,183	43,454,226
Donor restricted endowments	4,250,093	2,617,005
Board designations:		
Quasi-endowment fund, primarily for long-term investing	12,991,660	16,079,818
Amounts set aside for reserve for health and dental	8,262,176	7,672,296
Archbishop's Call to Share	6,876,638	1,610,902
Special reserve fund	4,975,085	-
Other designations	3,137,000	2,780,043
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 10,854,613</u>	<u>\$ 8,839,980</u>

Chancery Offices of the Archdiocese of Kansas City in Kansas

Notes to Financial Statements

Note 2. Liquidity and Availability of Resources (Continued)

The Chancery has various sources of liquidity at its disposal, including cash and cash equivalents, investments, accounts and pledges receivable, other current assets and line of credit. See Note 7 for information about the Chancery's line of credit.

Note 3. Fair Value Measurements

The Fair Value Measurements and Disclosures topic of the ASC defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants and requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Inputs to valuation techniques refer to the assumptions market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, the topic establishes fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the topic are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the entity has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation of other means

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair market value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Assets recorded at fair value on a recurring basis: A description of the valuation methodologies used for assets on a recurring basis is set forth below:

Chancery Offices of the Archdiocese of Kansas City in Kansas

Notes to Financial Statements

Note 3. Fair Value Measurements (Continued)

Investments: Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would include highly liquid government bonds and exchange traded equities. If quoted market prices are not available, then fair values are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flow. Level 2 securities would include U.S. agency securities, mortgage-backed agency securities, obligations of states and political subdivisions, and certain corporate, asset-backed and other securities. In certain cases where there is limited activity or transparency around inputs to the valuation including alternative investments, securities are classified with the Level 3 of the valuation hierarchy.

Alternative investments: The Chancery reports the fair value of alternative investments using the practical expedient. The practical expedient allows for the use of NAV, either as reported by the investee fund or as adjusted by the Chancery based on various factors. Annually, the NAV from the respective funds' audited financial statements as of December 31 is adjusted to the Chancery's year-end of June 30 for capital calls, proceeds from distributions, and gains and losses that are included in earnings and recorded on the Chancery's statements of activities.

Interest in net assets of the Catholic Foundation of Northeast Kansas: The Chancery has assets that are held as endowments with CFNEK. CFNEK's investments are classified as Levels 1 and 3; therefore, since the Chancery's investment is in CFNEK, not individual investments, all of the Chancery's investment in CFNEK is classified as Level 3.

The following tables summarize assets and liabilities measured at fair value on a recurring basis as of June 30, 2021 and 2020, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	June 30, 2021			
	Total	Level 1	Level 2	Level 3
Investments:				
Fixed-income securities:				
Certificates of deposit	\$ 1,007,285	\$ -	\$ 1,007,285	\$ -
Equity securities, common stock:				
Consumer discretionary	5,668	5,668	-	-
Financial	2,944	2,944	-	-
Information technology	31,264	31,264	-	-
Privately held company	16,344	-	-	16,344
Mutual funds:				
Fixed-income	9,336,872	4,131,624	5,205,248	-
	10,400,377	4,171,500	6,212,533	16,344
Investments measured at net asset value:				
Fund of hedge fund limited partnerships	1,919,928			
Total investments	12,320,305			
Interest in net assets of CFNEK	10,296,819	-	-	10,296,819
	\$ 22,617,124	\$ 4,171,500	\$ 6,212,533	\$ 10,313,163

Chancery Offices of the Archdiocese of Kansas City in Kansas

Notes to Financial Statements

Note 3. Fair Value Measurements (Continued)

	June 30, 2020			
	Total	Level 1	Level 2	Level 3
Investments:				
Fixed-income securities:				
Certificates of deposit	\$ 4,000,000	\$ -	\$ 4,000,000	\$ -
Equity securities, common stock:				
Financial	5,686	5,686	-	-
Privately held company	15,760	-	-	15,760
Mutual funds:				
Fixed-income	8,506,429	4,637,902	3,868,527	-
	<u>12,527,875</u>	<u>4,643,588</u>	<u>7,868,527</u>	<u>15,760</u>
Investments measured at net asset value:				
Managed futures limited partnerships	749,855			
Fund of hedge fund limited partnerships	<u>2,089,103</u>			
Total investments	15,366,833			
Interest in net assets of CFNEK	8,158,663	-	-	8,158,663
	<u>\$ 23,525,496</u>	<u>\$ 4,643,588</u>	<u>\$ 7,868,527</u>	<u>\$ 8,174,423</u>

The following tables present additional information about assets measured at fair value on a recurring basis for which the Chancery has utilized Level 3 inputs to determine fair value:

	Interest in Net Assets of CFNEK	Privately Held Company
Beginning balance—July 1, 2020	\$ 8,158,663	\$ 15,760
Additions	542,906	-
Unrealized gains	1,597,278	584
Realized gains	316,064	-
Withdrawals	(318,092)	-
Ending balance—June 30, 2021	<u>\$ 10,296,819</u>	<u>\$ 16,344</u>
	Interest in Net Assets of CFNEK	Privately Held Company
Beginning balance—July 1, 2019	\$ 8,051,489	\$ 14,747
Additions	201,987	-
Unrealized gains	182,366	1,013
Realized gains	11,789	-
Withdrawals	(288,968)	-
Ending balance—June 30, 2020	<u>\$ 8,158,663</u>	<u>\$ 15,760</u>

Chancery Offices of the Archdiocese of Kansas City in Kansas

Notes to Financial Statements

Note 3. Fair Value Measurements (Continued)

The following table sets forth additional disclosures of the Chancery investments whose fair value is estimated using NAV per share (or its equivalent) as of June 30, 2021 and 2020:

Investment	Fair Value at June 30		Unfunded Commitment	Redemption Frequency	Redemption Notice Period
	2021	2020			
ACL Alternative Fund (A)	\$ -	\$ 749,855	\$ -	Quarterly	60 days
Blackstone BREDS II (B)	674	9,121	-	Quarterly	None
Blackstone-Offshore BEPII (C)	717,943	972,306	-	Quarterly	None
Hamilton Lane (D)	293,590	244,547	-	7 years	None
HPC Millennium (E)	907,721	863,129	-	Quarterly	90 days
	<u>\$ 1,919,928</u>	<u>\$ 2,838,958</u>	<u>\$ -</u>		

- (A) This fund invests in a range of trading styles, including long-term trend following, short-term systematic, value, discretionary macro and specialist forex (FX) strategies. Market exposure is diversified in global currency, financial and commodity markets.
- (B) This fund focuses on high-yield lending and purchases of legacy loans from banks and insurance companies and invests up to 30% of its capital outside of the United States, primarily in Europe.
- (C) This fund seeks to invest primarily in privately negotiated investments involving the acquisition of principally controlling or control oriented interests in the energy and natural resources sectors broadly, including those companies and projects within the following target sectors: (i) oil and gas exploration and production, (ii) midstream, (iii) energy services/equipment, (iv) petroleum refining and marketing, (v) power generation (fossil and renewable), (vi) metals, (vii) minerals/mining (including coal), (viii) timber and (ix) other sectors within the energy and natural resources industries.
- (D) This is a private credit fund, which invests in middle market leveraged loans where there is an increased need for private financing. Relative to large liquid loans, the middle market loans have higher spreads.
- (E) This is a multistrategy global and highly diversified hedge fund with a focus on investment strategies that exploit market inefficiencies to produce absolute return with low correlation to global capital markets. The underlying manager seeks to deliver absolute returns with relatively low volatility by focusing on high-level diversification, tight control of directional market exposures and a risk management framework that can result in high level of liquidity and systematic movement of capital based on real-time trading profit and losses. The manager believes that alpha is best achieved by trading professionals that are narrowly focused to maximize expertise and combined on a platform that provides trading and operational economies of scale.

The Chancery does not have assets and liabilities recorded at fair value on a nonrecurring basis.

ASC Topic 825, Financial Instruments, requires disclosure of the fair value of financial assets and financial liabilities, including those financial assets and financial liabilities that are not measured and reported at fair value on a recurring or nonrecurring basis. Financial instruments are described as cash or contractual obligations or rights to pay or to receive cash. The methodologies for estimating fair value of financial assets and financial liabilities that are measured at fair value on a recurring or nonrecurring basis are discussed above. The fair value approximates carrying value for cash and cash equivalents, receivables, accounts payable, accrued liabilities and other current liabilities due to the short-term maturity of these instruments.

Chancery Offices of the Archdiocese of Kansas City in Kansas

Notes to Financial Statements

Note 3. Fair Value Measurements (Continued)

The fair values estimates presented are based on pertinent information available to management as of June 30, 2021 and 2020. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of the financial statements since that date; therefore, current estimates of fair value may differ significantly from the amounts presented herein.

Note 4. Pledges Receivable

Included in pledges receivable are the following unconditional promises to give at June 30, 2021 and 2020:

	2021	2020
Total pledges receivable	\$ 15,159,113	\$ 22,573,030
Less unamortized discount	464,418	749,415
Less allowance for uncollectible pledges	1,867,127	1,980,133
	<u>\$ 12,827,568</u>	<u>\$ 19,843,482</u>

Pledges receivable (less allowance for uncollectible pledges) at June 30, 2021, to be received in subsequent years are as follows:

Years ending June 30:		
2022		\$ 7,802,320
2023		4,221,028
2024		2,236,178
2025		744,229
2026		145,213
Thereafter		10,145
		<u>15,159,113</u>
Less:		
Discount		464,418
Allowance for uncollectible		1,867,127
Total pledges receivable		<u>\$ 12,827,568</u>

Note 5. Land, Buildings and Equipment

Land, buildings and equipment comprise the following at June 30, 2021 and 2020:

	2021	2020
Operating land and building	\$ 21,192,657	\$ 21,113,024
Possible future use sites	5,752,710	5,756,160
Furniture and equipment	3,891,530	3,627,902
	<u>30,836,897</u>	<u>30,497,086</u>
Less accumulated depreciation	18,598,230	17,885,946
	<u>\$ 12,238,667</u>	<u>\$ 12,611,140</u>

Chancery Offices of the Archdiocese of Kansas City in Kansas

Notes to Financial Statements

Note 6. Investments

Investments comprise the following at June 30, 2021 and 2020:

	2021		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Certificates of deposit	\$ 1,000,000	\$ 1,007,285	\$ 7,285
Mutual funds	7,708,938	9,336,872	1,627,934
Equity securities	150,932	56,220	(94,712)
Alternative investments	1,775,213	1,919,928	144,715
	<u>\$ 10,635,083</u>	<u>\$ 12,320,305</u>	<u>\$ 1,685,222</u>

	2020		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Certificates of deposit	\$ 4,000,000	\$ 4,000,000	\$ -
Mutual funds	7,476,072	8,506,429	1,030,357
Equity securities	115,478	21,446	(94,032)
Alternative investments	2,660,091	2,838,958	178,867
	<u>\$ 14,251,641</u>	<u>\$ 15,366,833</u>	<u>\$ 1,115,192</u>

The following summarizes the investment returns for the years ended June 30, 2021 and 2020:

	2021	2020
Interest and dividend income	\$ 224,457	\$ 552,242
Realized and unrealized gains on investments, net	750,436	264,413
	<u>\$ 974,893</u>	<u>\$ 816,655</u>

Included in the interest income amounts above are \$711 and \$1,185 related to interest income on loans receivable for the years ended June 30, 2021 and 2020, respectively. Loans receivable are included within accounts receivable on the statements of financial position.

Chancery Offices of the Archdiocese of Kansas City in Kansas

Notes to Financial Statements

Note 7. Lines of Credit and Long-term Debt

The Chancery has an unsecured line of credit with a local bank for \$5,000,000. The line matures on December 1, 2021, and has an interest rate equal to the bank's prime rate of 3.25% less 1.50% (1.75% at June 30, 2021). There were no borrowings outstanding on this line as of June 30, 2021 and 2020.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law and is meant to address the economic fallout from the COVID-19 pandemic. In connection with the CARES Act, the Chancery received the first round of a Small Business Administration (SBA) Paycheck Protection Program (PPP) loan for \$1,425,700 on April 9, 2020. The Chancery determined it qualified for the PPP loan because the Chancery had less than 500 employees. The Chancery elected to account for the first-round PPP loan as a financial liability as of June 30, 2020, in accordance with ASC Topic 470, Debt. On February 17, 2021, the lender forgave the loan and the Chancery was released as the primary obligor. Therefore, the full amount of the loan of \$1,425,700 has been recognized as gain on debt forgiveness in the statement of activities for the year ended June 30, 2021.

Note 8. Interest in Net Assets of the Catholic Foundation of Northeast Kansas

The Chancery has assets invested in CFNEK that are held as endowments. The aggregate amount, recognized in the statements of financial position as an interest in the net assets of CFNEK, at June 30, 2021, is \$10,296,819 (2020—\$8,158,663). The following details the purpose restrictions of the interest in the net assets of CFNEK.

The amounts listed as with donor restrictions are donor-restricted and the earnings on these funds are restricted for the purpose stated below.

The permanently endowed funds are to be held in perpetuity. With the exception of the Archbishop Discretion Endowment and the Archdiocesan Endowment, the earnings on the endowments are restricted for the purpose stated below. The earnings on the Archbishop Discretion Endowment are without donor restrictions.

	June 30	
	2021	2020
Without donor restrictions	\$ 27,877	\$ 53,166
With donor restrictions:		
Poor and needy of the world	97,417	95,684
Education of priests and seminarians	7,648,354	5,845,076
Cultural outreach ministry	652,174	606,217
Youth religious camp scholarships	717,283	549,765
Archbishop Discretion Endowment	110,300	110,300
Archdiocesan Endowment	15,684	15,684
Lay ministry development	1,027,730	882,771
	<u>10,268,942</u>	<u>8,105,497</u>
Total	<u>\$ 10,296,819</u>	<u>\$ 8,158,663</u>

Chancery Offices of the Archdiocese of Kansas City in Kansas

Notes to Financial Statements

Note 9. Health and Dental Care Plans

The Chancery has a self-insured health care plan, which is administered by a third-party administrator. This plan provides for payments of hospitalization and medical benefits for lay employees and priests of the Archdiocese, with excess claims funded by an insurance carrier. The carrier provided reinsurance on claims that exceed \$400,000 for the policy year ended December 31, 2020. For the policy year beginning January 1, 2021, the carrier provides reinsurance on claims that exceed \$450,000. Plan premium income received for this plan for the year ended June 30, 2021, was \$24,206,402 (2020—\$24,253,537); expenses were \$22,655,397 (2020—\$21,905,969). Total plan assets as of June 30, 2021, were \$7,407,161 (2020—\$6,856,176), which have been reflected as unrestricted designated net assets on the statements of financial position.

The Chancery also has a self-insured dental plan for lay employees and priests, which is administered by a third-party administrator. Plan premium income received for this plan for the year ended June 30, 2021, was \$1,923,871 (2020—\$1,940,530); expenses were \$1,884,976 (2020—\$1,775,902). Total plan assets as of June 30, 2021, were \$855,015 (2020—\$816,120), which have been reflected as unrestricted designated net assets on the statements of financial position.

Incurred but not reported health and dental care claims accrued as of June 30, 2021, was \$1,300,000 (2020—\$1,300,000).

Note 10. Retirement Funds

Priest retirement plan and other benefits: The Archdiocese has a separate retirement and disability plan for priests of the Archdiocese. The plan name is the Retirement Plan for Priests of the Archdiocese of Kansas City in Kansas and the employer identification number of the plan is 48-1205425. The assets for the plan are held in a separate trust for the benefit of the participants. The fund provides a monthly pension benefit and certain health and dental insurance premiums to retired priests and is also used to provide support for priests with disabilities. The cost of providing the benefits provided under the plan shall be paid annually, as determined by the Retirement Committee acting with the advice of the plan actuary. The parishes or agencies of the Archdiocese are assessed annually for the support of the retirement plan, with additional funding provided through the annual Archbishop's Call to Share. The table below presents certain financial information about the plan from the most recent audit report and actuarial certification as of July 1, 2020:

	Total Plan Net Assets	Present Value of Accumulated Plan Benefits	Total Contributions	Funded Status
July 1, 2020	\$ 8,009,218	\$ 12,426,709	\$ 1,229,696	Less than 65% funded
July 1, 2019	7,402,257	12,477,209	1,218,711	Less than 65% funded

Contributions to this plan for the year ended June 30, 2021, from the Chancery were \$1,065,000 (2020—\$1,050,000).

Chancery Offices of the Archdiocese of Kansas City in Kansas

Notes to Financial Statements

Note 10. Retirement Funds (Continued)

Lay and deacon employees' retirement plan: The Archdiocese has a separate noncontributory retirement plan for lay employees. All recognized Archdiocesan organizations may participate in the plan. In accordance with plan documents, the Chancery could be required to pay the benefits of a participating organization in the event that organization could not meet its obligation. The plan name is the Retirement Plan for Lay and Deacon Employees of Archdiocese of Kansas City in Kansas (the Lay) and the employer identification number of the plan is 48-1205425. The assets for the plan are held in a separate trust for the benefit of the participants. Employees become partially vested at three years of service and 100% vested after seven years of service. At age 65, normal retirement age, the employee is entitled to monthly pension benefits based on the highest five years' average compensation and on years of service. The death benefit for active vested employees is the accrued benefit the employee earned to date of death. The table below presents certain financial information about the plan from the most recent audit report and actuarial certification as of July 1, 2020:

	Total Plan Net Assets	Present Value of Accumulated Plan Benefits	Total Contributions	Funded Status
July 1, 2020	\$ 39,593,857	\$ 75,009,642	\$ 3,186,189	Less than 65% funded
July 1, 2019	39,910,921	75,750,834	3,132,166	Less than 65% funded

The Archdiocese approved the freezing of the Lay employees retirement plan effective January 1, 2014.

The recognized Archdiocesan organizations contributed 3.6% of total lay payroll dollars to the retirement plan for both of the years ended June 30, 2021 and 2020. Contributions to this plan for the year ended June 30, 2021, from the Chancery were \$185,531 (2020—\$195,526).

Archdiocese of Kansas City in Kansas 401(k) plan for deacons and lay employees: The Archdiocese's 401(k) plan covers deacons and lay employees. The plan allows employees to make contributions of up to 100% of their compensation, subject to IRS annual limits. The Archdiocesan employers make matching contributions of up to 50% of eligible employee contributions up to 4% of pay (2% maximum). Matching contributions to this plan for the years ended June 30, 2021 and 2020, from the Chancery were \$79,265 and \$74,516, respectively. All eligible employees receive a discretionary 2.0% contribution regardless of whether they make contributions to the plan or not. The discretionary contributions as of June 30, 2021 and 2020, were \$89,704 and \$92,045, respectively. All contributions (voluntary, match and discretionary) are sent to the plan's third-party administrator after each pay date for processing.

Chancery Offices of the Archdiocese of Kansas City in Kansas

Notes to Financial Statements

Note 11. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes or periods at June 30, 2021 and 2020:

	2021	2020
Restrictions as to use:		
Education of priests and seminarians	\$ 7,154,825	\$ 5,160,930
Other restricted net assets	3,143,338	2,843,882
One Faith, One Family, One Future in Christ	16,106,347	29,538,924
Restrictions as to time:		
Private appeal	13,853	13,924
Archbishop's Call to Share	-	5,896,566
Endowments restricted into perpetuity	2,630,913	2,617,005
Total donor-restricted net assets	<u>\$ 29,049,276</u>	<u>\$ 46,071,231</u>

Note 12. Endowments

The Chancery has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted by the state of Kansas applies to the Chancery and, in accordance with UPMIFA, the Chancery considers the following factors in determining whether to expend or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of the Archdiocese and the donor restricted endowment fund
3. General economic conditions
4. The possible effect of inflation or deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Archdiocese
7. The investment policies of the Chancery

Spending policy: The Chancery receives a distribution from the donor-restricted endowment funds based on the language of the funds' governing documents in CFNEK. CFNEK's definition of income is determined to be 4% of the average of the previous three year-end market values. The distributions received are shown as net assets with donor restrictions for the intended purpose as stated in the endowment.

The Chancery also receives distributions from quasi-endowments held by CFNEK. The distributions from the CFNEK quasi-endowments, for the education of priests and seminarians and cultural outreach, are 4% of the average of the previous three year-end market values. This allows for a predictable stream of funding to the programs supported by the endowment. The fund for the poor and needy of the world is governed by the specific agreement with CFNEK, which allows the Archbishop to distribute the original principal for the intended purpose.

Chancery Offices of the Archdiocese of Kansas City in Kansas

Notes to Financial Statements

Note 12. Endowments (Continued)

Investment return objectives, risk parameters and strategies: The Chancery has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 4% while growing the funds, if possible. Actual returns in any given year may vary from this amount. Asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

The following is activity related to endowment net assets for the years ended June 30, 2021 and 2020:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 53,166	\$ 8,105,497	\$ 8,158,663
Investment return:			
Investment income (loss)	2,040	131,523	133,563
Net appreciation (depreciation) (realized and unrealized)	(22,933)	1,802,712	1,779,779
Total endowment investment income (loss)	(20,893)	1,934,235	1,913,342
Contributions	-	542,906	542,906
Appropriation of endowment assets for expenditure	(4,396)	(313,696)	(318,092)
Endowment net assets, end of year	\$ 27,877	\$ 10,268,942	\$ 10,296,819
	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 150,626	\$ 7,900,863	\$ 8,051,489
Investment return:			
Investment income	122,467	1,786	124,253
Net depreciation (realized and unrealized)	69,041	861	69,902
Total endowment investment income	191,508	2,647	194,155
Contributions	-	201,987	201,987
Appropriation of endowment assets for expenditure	(288,968)	-	(288,968)
Endowment net assets, end of year	\$ 53,166	\$ 8,105,497	\$ 8,158,663

Chancery Offices of the Archdiocese of Kansas City in Kansas

Notes to Financial Statements

Note 13. Net Assets Released From Restrictions

Net assets were released from restrictions by incurring expenses satisfying the restricted purpose specified or by the occurrence of other events during 2021 and 2020.

	2021	2020
Time restrictions:		
Archbishop's Call to Share	\$ 5,896,565	\$ 6,067,022
Private appeal	71	91,839
Purpose restrictions:		
One Faith, One Family, One Future in Christ	18,729,045	5,711,268
Catholic Charities	544,640	417,918
Education of priests and seminarians	1,961,179	1,797,331
Contributions to various designated organizations	801,255	328,157
	<u>\$ 27,932,755</u>	<u>\$ 14,413,535</u>

Note 14. Board-Designated Net Assets Without Donor Restrictions

Board-designated net assets without donor restrictions at June 30 comprised the following:

	2021	2020
Health and dental care plans	\$ 8,262,176	\$ 7,672,296
Cor Christi	12,991,660	16,079,818
Archbishop's Call to Share	6,876,638	1,610,902
Special reserve fund	4,975,085	-
Other designations	3,137,000	2,780,043
	<u>\$ 36,242,559</u>	<u>\$ 28,143,059</u>

Chancery Offices of the Archdiocese of Kansas City in Kansas

Notes to Financial Statements

Note 15. Functional Expense Allocation

The Chancery office classified expenses functional for the years ended June 30, 2021 and 2020, as follows:

	June 30, 2021							
	Program Services					Supporting Services		Total
	Conversion	Evangelization	Education	Outreach	Stewardship	Administrative	Other	
Salaries and benefits	\$ 1,092,444	\$ 918,493	\$ 1,836,862	\$ 510,850	\$ 1,930,514	\$ 792,469	\$ 24,915	\$ 7,106,547
Professional fees and services	100,587	30,397	148,480	39,493	472,853	160,317	-	952,127
Occupancy	418,750	239,134	131,960	53,149	190,924	418,309	80,397	1,532,623
Technology	2,701	13,180	5,706	1,918	74,840	31,872	228,460	358,677
Ministry and other	419,403	659,148	2,268,479	250,124	1,227,780	364,471	23,115	5,212,520
Religious	23,057	374	28	600	-	1,264	-	25,323
Subsidies and contributions	526,149	241,040	1,881,412	1,758,828	19,224,999	117,338	-	23,749,766
Depreciation and amortization	18,637	16,416	12,506	2,225	627,897	55,597	8,726	742,004
Diocesan insurance	1,643	-	-	-	-	-	24,962,246	24,963,889
	<u>\$ 2,603,371</u>	<u>\$ 2,118,182</u>	<u>\$ 6,285,433</u>	<u>\$ 2,617,187</u>	<u>\$ 23,749,807</u>	<u>\$ 1,941,637</u>	<u>\$ 25,327,859</u>	<u>\$ 64,643,476</u>
	June 30, 2020							
	Program Services					Supporting Services		Total
	Conversion	Evangelization	Education	Outreach	Stewardship	Administrative	Other	
Salaries and benefits	\$ 1,175,598	\$ 931,000	\$ 1,849,563	\$ 650,129	\$ 2,176,987	\$ 788,240	\$ -	\$ 7,571,517
Professional fees and services	159,688	53,232	252,704	53,835	1,632,852	411,623	-	2,563,934
Occupancy	425,719	192,971	127,195	62,079	154,472	403,568	-	1,366,004
Technology	1,795	402	37,262	4,313	59,569	23,833	-	127,174
Ministry and other	587,238	1,519,223	1,095,870	238,527	964,245	305,922	-	4,711,025
Religious	31,913	387	1,858	20	-	1,511	-	35,689
Subsidies and contributions	552,953	67,429	3,127,034	1,387,683	5,353,779	4,392	-	10,493,270
Depreciation and amortization	20,899	18,993	17,302	2,155	687,701	68,322	4,364	819,736
Diocesan insurance	-	-	-	-	-	-	24,856,170	24,856,170
	<u>\$ 2,955,803</u>	<u>\$ 2,783,637</u>	<u>\$ 6,508,788</u>	<u>\$ 2,398,741</u>	<u>\$ 11,029,605</u>	<u>\$ 2,007,411</u>	<u>\$ 24,860,534</u>	<u>\$ 52,544,519</u>

Chancery Offices of the Archdiocese of Kansas City in Kansas

Notes to Financial Statements

Note 16. Paycheck Protection Program Loan

In connection with the CARES Act, the Chancery applied for and received a second PPP loan totaling \$1,556,115 in February 2021. Under the provision of the CARES Act, this loan will be forgiven if certain conditions are met related to the use of the proceeds and maintenance of employment with Chancery employees. The Chancery applied for forgiveness in June 2021. The Chancery has elected to account for the funds as a conditional contribution in accordance with ASC Subtopic 958-605, Revenue Recognition—Contributions. As all the conditions for forgiveness had been substantially met as of June 30, 2021, the full amount has been included on the statement of activities for the year ended June 30, 2021. Subsequent to year-end, on July 26, 2021, the lender forgave the loan and the Chancery was released as the primary obligor.

Note 17. Commitments and Contingencies

In April 1998, Villa St. Francis, Inc. entered into a 25-year lease agreement for a nursing home facility in Olathe, Kansas. The lease agreement calls for \$41,667 payments each month during the 25-year term of the lease. The Chancery has given a guarantee limited to 12 months' worth of obligations under the lease.

The Chancery has not been named as a defendant in any significant lawsuits.

The Chancery has approximately 6.3% participation interest in Catholic Umbrella Pool II (the Pool), a separate and distinct fund within The Catholic Mutual Relief Society of America, Administrator for the Pool. This entirely separate and distinct fund is a self-insurance fund providing excess liability coverage for its membership, which consists of 57 small- to medium-sized dioceses. Effective January 1, 2013, the Pool is responsible for 20% of individual casualty claims of its members, which exceeds \$500,000 to a limit of \$10,000,000. Participating dioceses are liable (in proportion to their participation interest) for any losses beyond the Pool's ability to fund such losses. The Chancery has not experienced such losses.

The spread of COVID-19, a novel strain of coronavirus, is altering the behavior of businesses and people throughout the United States. Further, financial markets have recently experienced significant volatility attributed to COVID-19 concerns. The continued spread of COVID-19 may adversely impact the local, regional and national economies. The extent to which COVID-19 impacts the Chancery's results will depend on future developments, which are highly uncertain and cannot be predicted. The impact is highly dependent on the breadth and duration of the outbreak, and could be affected by other factors that cannot currently be predicted. Accordingly, management cannot presently estimate the overall operational and financial impact to the Chancery, but such an impact could have a material adverse effect on the financial condition of the Chancery.

Note 18. Subsequent Events

Management has evaluated and disclosed subsequent events up to and including October 27, 2021, which is the date the financial statements were available to be issued. See Note 16.