

# **Chancery Offices of the Archdiocese of Kansas City in Kansas**

Financial Report  
June 30, 2022

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## **Independent Auditor's Report**

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

### **Opinion**

We have audited the financial statements of the Chancery Offices of the Archdiocese of Kansas City in Kansas (the Chancery), which comprise the statements of financial position as of June 30, 2022 and 2021, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Chancery Offices of the Archdiocese of Kansas City in Kansas as of June 30, 2022 and 2021, 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.

### **Basis for Opinion**

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Chancery and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

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

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

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

In performing an audit in accordance with GAAS, we:

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

*RSM US LLP*

Kansas City, Missouri  
October 7, 2022

Chancery Offices of the Archdiocese of Kansas City in Kansas

Statements of Financial Position  
June 30, 2022 and 2021

	2022	2021
<b>Assets</b>		
Cash and cash equivalents	\$ 36,213,758	\$ 36,145,796
Investments	20,826,460	12,320,305
Accrued interest receivable	52,278	1,479
Accounts receivable, net	4,091,708	4,419,481
Pledges receivable, net	6,631,281	12,827,568
Prepaid expenses	462,728	445,997
Interest in net assets of the Catholic Foundation of Northeast Kansas	8,629,260	10,296,819
Due from Deposit and Loan Fund	100,000	135,000
Land, buildings and equipment, net	12,020,764	12,238,667
<b>Total assets</b>	<b>\$ 89,028,237</b>	<b>\$ 88,831,112</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,519,704	\$ 1,821,865
Due to Lay and Priest Retirement Trust Fund	7,422	2,004
Accrued IBNR claims	1,750,000	1,750,000
Collections held for transmittal	150,024	54,340
Deferred revenue	561,188	540,688
<b>Total liabilities</b>	<b>3,988,338</b>	<b>4,168,897</b>
Net assets:		
Without donor restrictions:		
Undesignated	19,423,629	19,342,503
Undesignated—endowments	1,671	27,877
Designated	41,282,119	36,242,559
<b>Total net assets without donor restrictions</b>	<b>60,707,419</b>	<b>55,612,939</b>
With donor restrictions	24,332,480	29,049,276
<b>Total net assets</b>	<b>85,039,899</b>	<b>84,662,215</b>
<b>Total liabilities and net assets</b>	<b>\$ 89,028,237</b>	<b>\$ 88,831,112</b>

See notes to financial statements.

**Chancery Offices of the Archdiocese of Kansas City in Kansas**

**Statement of Activities  
Year Ended June 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues:</b>			
Archbishop's Call to Share	\$ 6,889,377	\$ -	\$ 6,889,377
One Faith Capital Campaign	-	1,062,649	1,062,649
Archdiocesan collections	-	2,068,000	2,068,000
Archdiocesan assessments	5,543,676	-	5,543,676
Health and dental plan premiums	25,291,011	-	25,291,011
Property and liability insurance	1,363,291	-	1,363,291
Contributions and bequests	906,242	869,774	1,776,016
Investment loss	(927,003)	-	(927,003)
Change in net assets of the Catholic Foundation of Northeast Kansas	(22,950)	(1,435,774)	(1,458,724)
<b>Other revenue:</b>			
Conversion	690,375	-	690,375
Evangelization	1,203,311	81,500	1,284,811
Education	1,785,368	-	1,785,368
Outreach	341,854	6,029,598	6,371,452
Stewardship	1,316,651	35,013	1,351,664
Administration	362,373	-	362,373
Gain on disposal of land, building and equipment	3,739,515	-	3,739,515
Net assets released from restrictions	13,427,556	(13,427,556)	-
<b>Total revenues</b>	<b>61,910,647</b>	<b>(4,716,796)</b>	<b>57,193,851</b>
<b>Expenses:</b>			
<b>Pastoral priorities:</b>			
Conversion	3,005,852	-	3,005,852
Evangelization	2,709,448	-	2,709,448
Education	6,403,033	-	6,403,033
Outreach	5,455,372	-	5,455,372
Stewardship	12,634,375	-	12,634,375
<b>Total ministry and program services</b>	<b>30,208,080</b>	<b>-</b>	<b>30,208,080</b>
<b>Supporting services:</b>			
Administrative	1,945,521	-	1,945,521
<b>Other:</b>			
Property and liability insurance	1,017,100	-	1,017,100
Special reserve fund	197,213	-	197,213
Health and dental care expense	23,448,253	-	23,448,253
<b>Total supporting services</b>	<b>26,608,087</b>	<b>-</b>	<b>26,608,087</b>
<b>Total expenses</b>	<b>56,816,167</b>	<b>-</b>	<b>56,816,167</b>
<b>Increase (decrease) in net assets</b>	<b>5,094,480</b>	<b>(4,716,796)</b>	<b>377,684</b>
Net assets, beginning of year	55,612,939	29,049,276	84,662,215
Net assets, end of year	\$ 60,707,419	\$ 24,332,480	\$ 85,039,899

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
<b>Revenues:</b>			
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
<b>Other revenue:</b>			
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)	-
<b>Total revenues</b>	<b>75,869,920</b>	<b>(17,021,955)</b>	<b>58,847,965</b>
<b>Expenses:</b>			
<b>Pastoral priorities:</b>			
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
<b>Total ministry and program services</b>	<b>37,373,980</b>	<b>-</b>	<b>37,373,980</b>
<b>Supporting services:</b>			
Administrative	1,941,637	-	1,941,637
<b>Other:</b>			
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
<b>Total supporting services</b>	<b>27,269,496</b>	<b>-</b>	<b>27,269,496</b>
<b>Total expenses</b>	<b>64,643,476</b>	<b>-</b>	<b>64,643,476</b>
<b>Increase (decrease) in net assets</b>	<b>11,226,444</b>	<b>(17,021,955)</b>	<b>(5,795,511)</b>
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

### Statements of Cash Flows Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 377,684	\$ (5,795,511)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	623,368	742,004
Change in allowance for accounts and pledges receivable	(245,387)	196,109
Increase (decrease) of pledge discount	19,828	(284,997)
Realized gain on sale of investments	(226,041)	(180,406)
Unrealized loss (gain) on investments	1,610,053	(570,030)
Gain on forgiveness of debt	-	(2,981,815)
Decrease (increase) in fair value of investments held at the Catholic Foundation of Northeast Kansas	1,435,427	(1,913,342)
Gain on sale of land, building and equipment	(3,739,515)	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	18,618	(65,687)
Pledges receivable, net	6,731,001	7,413,917
Accrued interest receivable	(50,799)	14,867
Prepaid expenses	(16,731)	(67,436)
Due from Deposit and Loan Fund	35,000	115,000
Increase (decrease) in:		
Accounts payable and accrued expenses	(302,161)	(51,610)
Due to Lay and Priest Retirement Trust Fund	5,418	4,183
Pledges payable	-	(16,666)
Collections held for transmittal	95,684	2,629
Deferred revenue	20,500	71,995
<b>Net cash provided by (used in) operating activities</b>	<b>6,391,947</b>	<b>(3,366,796)</b>
Cash flows from investing activities:		
Proceeds from sales of land, buildings and equipment	3,741,059	-
Purchases of land, buildings and equipment	(407,009)	(369,531)
Purchases of investments	(17,804,253)	(3,332,483)
Proceeds from sale of investments	7,914,086	7,129,447
Net withdrawals (contributions) in interest in Catholic Foundation of Northeast Kansas	232,132	(224,814)
<b>Net cash (used in) provided by investing activities</b>	<b>(6,323,985)</b>	<b>3,202,619</b>
Cash flows from financing activities:		
Proceeds from borrowings on long-term debt	-	1,556,115
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>1,556,115</b>
<b>Net increase in cash and cash equivalents</b>	<b>67,962</b>	<b>1,391,938</b>
Cash and cash equivalents:		
Beginning of year	36,145,796	34,753,858
End of year	<b>\$ 36,213,758</b>	<b>\$ 36,145,796</b>

See notes to financial statements.



## Chancery Offices of the Archdiocese of Kansas City in Kansas

### Notes to Financial Statements

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#### 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.

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. 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.

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

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#### 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, or at fair value if donated. 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 incurred but not reported (IBNR) claims:** The Chancery administers self-insured insurance plans for participating employers in the Archdiocese. Accrued insurance 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, 2022 and 2021.

## Chancery Offices of the Archdiocese of Kansas City in Kansas

### Notes to Financial Statements

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

**Fundraising costs:** The Chancery expenses fundraising costs as incurred. Total expense for fundraising for the years ended June 30, 2022 and 2021, was \$848,890 and \$1,211,388, respectively.

**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.

**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 within one year of the statement of financial position date:

	2022	2021
Financial assets	\$ 76,544,745	\$ 76,146,448
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions	24,332,480	29,049,276
Board designations:		
Quasi-endowment fund, primarily for long-term investing	15,355,380	12,991,660
Amounts set aside for reserve for health and dental	10,104,953	8,262,176
Archbishop's Call to Share	7,366,764	6,876,638
Special reserve fund	4,777,871	4,975,085
Other designations	3,677,151	3,137,000
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 10,930,146</u>	<u>\$ 10,854,613</u>

## Chancery Offices of the Archdiocese of Kansas City in Kansas

### Notes to Financial Statements

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#### **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) and the lowest priority to unobservable inputs (Level 3). 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.

## Chancery Offices of the Archdiocese of Kansas City in Kansas

### Notes to Financial Statements

#### Note 3. Fair Value Measurements (Continued)

**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:

**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 2; 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, 2022 and 2021, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	June 30, 2022			
	Total	Level 1	Level 2	Level 3
Investments:				
Fixed-income securities:				
US Treasuries	\$ 9,969,453	\$ 9,969,453	\$ -	\$ -
Equity securities, common stock:				
Consumer discretionary	2,920	2,920	-	-
Financial	830	830	-	-
Information technology	1,324	1,324	-	-
Telecommunications	5,061	5,061	-	-
Mutual funds:				
Fixed-income	9,412,509	9,412,509	-	-
	19,392,097	19,392,097	-	-
Investments measured at NAV:				
Fund of hedge fund limited partnerships	1,434,363			
Total investments	20,826,460			
Interest in net assets of CFNEK	8,629,260	-	-	8,629,260
	<u>\$ 29,455,720</u>	<u>\$ 19,392,097</u>	<u>\$ -</u>	<u>\$ 8,629,260</u>

## Chancery Offices of the Archdiocese of Kansas City in Kansas

### Notes to Financial Statements

#### Note 3. Fair Value Measurements (Continued)

	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	-
	<u>10,400,377</u>	<u>4,171,500</u>	<u>6,212,533</u>	<u>16,344</u>
Investments measured at NAV:				
Fund of hedge fund limited partnerships	<u>1,919,928</u>			
Total investments	<u>12,320,305</u>			
Interest in net assets of CFNEK	10,296,819	-	-	10,296,819
	<u>\$ 22,617,124</u>	<u>\$ 4,171,500</u>	<u>\$ 6,212,533</u>	<u>\$ 10,313,163</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, 2021	\$ 10,296,819	\$ 16,344
Additions	140,917	-
Unrealized losses	(1,792,065)	(13,344)
Realized gains	356,637	16,588
Withdrawals	(373,048)	(19,588)
Ending balance—June 30, 2022	<u>\$ 8,629,260</u>	<u>\$ -</u>
	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>

## 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, 2022 and 2021:

Investment	Fair Value at June 30		Unfunded Commitment	Redemption Frequency	Redemption Notice Period
	2022	2021			
Blackstone BREDS II (A)	\$ -	\$ 674	\$ -	Quarterly	None
Blackstone-Offshore BEPII (B)	688,366	717,943	-	Quarterly	None
Hamilton Lane (C)	235,625	293,590	-	7 years	None
HPC Millennium (D)	510,372	907,721	-	Quarterly	90 days
	<u>\$ 1,434,363</u>	<u>\$ 1,919,928</u>	<u>\$ -</u>		

- (A) 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.
- (B) 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.
- (C) 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.
- (D) 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.

The fair values estimates presented are based on pertinent information available to management as of June 30, 2022 and 2021. 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.

## Chancery Offices of the Archdiocese of Kansas City in Kansas

### Notes to Financial Statements

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#### Note 4. Pledges Receivable

Included in pledges receivable are the following unconditional promises to give at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Total pledges receivable	\$ 8,428,112	\$ 15,159,113
Less unamortized discount	484,246	464,418
Less allowance for uncollectible pledges	1,312,585	1,867,127
	<u>\$ 6,631,281</u>	<u>\$ 12,827,568</u>

Pledges receivable (less allowance for uncollectible pledges) at June 30, 2022, to be received in subsequent years are as follows:

Years ending June 30:		
2023		\$ 5,463,861
2024		2,102,808
2025		705,242
2026		144,186
2027		12,015
		<u>8,428,112</u>
Less:		
Discount		484,246
Allowance for uncollectible		1,312,585
Total pledges receivable		<u>\$ 6,631,281</u>

#### Note 5. Land, Buildings and Equipment

Land, buildings and equipment comprise the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Operating land and building	\$ 21,908,594	\$ 21,192,657
Possible future use sites	5,752,710	5,752,710
Furniture and equipment	3,511,457	3,891,530
	<u>31,172,761</u>	<u>30,836,897</u>
Less accumulated depreciation	19,151,997	18,598,230
	<u>\$ 12,020,764</u>	<u>\$ 12,238,667</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, 2022 and 2021:

	2022		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Government securities	\$ 10,102,550	\$ 9,969,453	\$ (133,097)
Mutual funds	9,180,312	9,412,509	232,197
Equity securities	120,306	10,135	(110,171)
Alternative investments	1,348,125	1,434,363	86,238
	<u>\$ 20,751,293</u>	<u>\$ 20,826,460</u>	<u>\$ 75,167</u>

  

	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>

The following summarizes the investment returns for the years ended June 30, 2022 and 2021:

	2022	2021
Interest and dividend income	\$ 457,009	\$ 224,457
Realized and unrealized gains on investments, net	(1,384,012)	750,436
	<u>\$ (927,003)</u>	<u>\$ 974,893</u>

Included in the interest income amounts above are \$647 and \$711 related to interest income on loans receivable for the years ended June 30, 2022 and 2021, respectively. Loans receivable are included within accounts receivable on the statements of financial position.

#### Note 7. Lines of Credit

The Chancery has an unsecured line of credit with a local bank for \$5,000,000. The line matures on December 1, 2022, and has an interest rate equal to the bank's prime rate of 3.25% less 1.50% (1.75% at June 30, 2022). There were no borrowings outstanding on this line as of June 30, 2022 and 2021.

## Chancery Offices of the Archdiocese of Kansas City in Kansas

### Notes to Financial Statements

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#### 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, 2022, is \$8,629,260 (2021—\$10,296,819). 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	
	2022	2021
Without donor restrictions	\$ 1,671	\$ 27,877
With donor restrictions:		
Poor and needy of the world	74,564	97,417
Education of priests and seminarians	6,378,983	7,648,354
Cultural outreach ministry	538,830	652,174
Youth religious camp scholarships	660,095	717,283
Archbishop Discretion Endowment	110,300	110,300
Archdiocesan Endowment	15,684	15,684
Lay ministry development	849,133	1,027,730
	<u>8,627,589</u>	<u>10,268,942</u>
Total	<u>\$ 8,629,260</u>	<u>\$ 10,296,819</u>

#### 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, and after, the carrier provides reinsurance on claims that exceed \$450,000. Plan premium income received for this plan for the year ended June 30, 2022, was \$23,418,767 (2021—\$24,206,402); expenses were \$21,555,717 (2021—\$22,655,397). Total plan assets as of June 30, 2022, were \$9,270,230 (2021—\$7,407,161), 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, 2022, was \$1,872,244 (2021—\$1,923,871); expenses were \$1,892,536 (2021—\$1,884,976). Total plan assets as of June 30, 2022, were \$834,723 (2021—\$855,015), 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, 2022, was \$1,300,000 (2021—\$1,300,000).

## Chancery Offices of the Archdiocese of Kansas City in Kansas

### Notes to Financial Statements

#### 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, 2021:

	Total Plan Net Assets	Present Value of Accumulated Plan Benefits	Total Contributions	Funded Status
July 1, 2021	\$ 9,567,842	\$ 11,121,272	\$ 1,241,288	More than 65% funded
July 1, 2020	8,009,218	12,426,709	1,229,696	Less than 65% funded

Contributions to this plan for the year ended June 30, 2022, from the Chancery were \$928,135 (2021—\$1,065,000).

**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 the 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, 2021:

	Total Plan Net Assets	Present Value of Accumulated Plan Benefits	Total Contributions	Funded Status
July 1, 2021	\$ 42,646,840	\$ 78,039,051	\$ 3,230,842	Less than 65% funded
July 1, 2020	39,593,857	75,009,642	3,186,189	Less than 65% funded

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

The recognized Archdiocesan organizations contributed 3.71% and 3.60% of total lay payroll dollars to the retirement plan for the years ended June 30, 2022 and 2021, respectively. Contributions to this plan for the year ended June 30, 2022, from the Chancery were \$196,114 (2021—\$185,531).

## Chancery Offices of the Archdiocese of Kansas City in Kansas

### Notes to Financial Statements

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#### Note 10. Retirement Funds (Continued)

**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 Internal Revenue Service (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, 2022 and 2021, from the Chancery were \$82,564 and \$79,265, 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, 2022 and 2021, were \$92,894 and \$89,704, respectively. All contributions (voluntary, match and discretionary) are sent to the plan's third-party administrator after each pay date for processing.

#### Note 11. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes or periods at June 30, 2022 and 2021:

	2022	2021
Restrictions as to use:		
Education of priests and seminarians	\$ 6,191,757	\$ 7,154,825
One Faith, One Family, One Future in Christ	9,623,116	16,106,347
Other restricted net assets	5,850,104	3,143,338
Restrictions as to time:		
Private appeal	13,853	13,853
Endowments restricted into perpetuity	2,653,650	2,630,913
Total donor-restricted net assets	<u>\$ 24,332,480</u>	<u>\$ 29,049,276</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.

## Chancery Offices of the Archdiocese of Kansas City in Kansas

### Notes to Financial Statements

#### Note 12. Endowments (Continued)

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.

**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, 2022 and 2021:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 27,877	\$ 10,268,942	\$ 10,296,819
Investment return:			
Investment income	1,493	105,181	106,674
Net depreciation (realized and unrealized)	(23,047)	(1,519,054)	(1,542,101)
Total endowment investment loss	(21,554)	(1,413,873)	(1,435,427)
Contributions	-	140,917	140,917
Appropriation of endowment assets for expenditure	(4,652)	(368,397)	(373,049)
Endowment net assets, end of year	\$ 1,671	\$ 8,627,589	\$ 8,629,260
	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	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

## Chancery Offices of the Archdiocese of Kansas City in Kansas

### Notes to Financial Statements

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#### 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 2022 and 2021.

	2022	2021
Time restrictions:		
Archbishop's Call to Share	\$ -	\$ 5,896,565
Private appeal	-	71
Purpose restrictions:		
One Faith, One Family, One Future in Christ	7,545,880	18,729,045
Catholic Charities	491,271	544,640
Education of priests and seminarians	1,726,227	1,961,179
Pro-Life	3,013,108	-
Contributions to various designated organizations	651,070	801,255
	<u>\$ 13,427,556</u>	<u>\$ 27,932,755</u>

#### Note 14. Board-Designated Net Assets Without Donor Restrictions

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

	2022	2021
Health and dental care plans	\$ 10,104,953	\$ 8,262,176
Cor Christi	15,355,380	12,991,660
Archbishop's Call to Share	7,366,764	6,876,638
Special reserve fund	4,777,871	4,975,085
Other designations	3,677,151	3,137,000
	<u>\$ 41,282,119</u>	<u>\$ 36,242,559</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, 2022 and 2021, as follows:

	June 30, 2022							
	Program Services					Supporting Services		Total
	Conversion	Evangelization	Education	Outreach	Stewardship	Administrative	Other	
Salaries and benefits	\$ 1,236,509	\$ 1,041,399	\$ 1,921,268	\$ 574,593	\$ 1,881,193	\$ 820,938	\$ 77,319	\$ 7,553,219
Professional fees and services	178,277	54,841	154,234	38,079	229,600	198,771	193,696	1,047,498
Occupancy	434,600	285,878	124,261	50,594	162,374	382,692	115,139	1,555,538
Technology	3,094	9,025	14,566	4,258	101,343	30,234	235,638	398,158
Ministry and other	608,723	992,659	2,347,128	729,722	666,325	419,856	15,676	5,780,089
Religious	6,514	2,600	-	248	-	1,878	-	11,240
Subsidies and contributions	511,622	304,674	1,831,663	4,054,587	9,055,825	62,595	-	15,820,966
Depreciation and amortization	16,273	18,372	10,434	3,291	537,715	28,557	8,726	623,368
Diocesan insurance	10,240	-	-	-	-	-	24,015,851	24,026,091
	<u>\$ 3,005,852</u>	<u>\$ 2,709,448</u>	<u>\$ 6,403,554</u>	<u>\$ 5,455,372</u>	<u>\$ 12,634,375</u>	<u>\$ 1,945,521</u>	<u>\$ 24,662,045</u>	<u>\$ 56,816,167</u>

  

	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>

## Chancery Offices of the Archdiocese of Kansas City in Kansas

### Notes to Financial Statements

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#### **Note 16. Paycheck Protection Program Loan**

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 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 was recognized as gain on debt forgiveness in the statement of activities for the year ended June 30, 2021.

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 was subject to forgiveness if certain conditions were 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 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 was recognized as gain on debt forgiveness in the statement of activities for the year ended June 30, 2021. On July 26, 2021, the lender forgave the loan and the Chancery was released as the primary obligor.

PPP loans are subject to an audit by the SBA for six years following the date of forgiveness, at which time a refund of all or a portion of the loan may be required.

#### **Note 17. Commitments and Contingencies**

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.

#### **Note 18. Subsequent Events**

Management has evaluated and disclosed subsequent events up to and including October 7, 2022, which is the date the financial statements were available to be issued.