Chancery Offices of the Archdiocese of Kansas City in Kansas

Financial Report
June 30, 2023

Contents

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Independent Auditor's Report

RSM US LLP

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, 2023 and 2022, 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 as of June 30, 2023 and 2022, 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.

Emphasis of Matter
As discussed in Note 1 of the financial statements, the Chancery adopted Accounting Standards Codification Topic 842, Leases, on July 1, 2022, using a modified retrospective approach. Our opinion is not modified with respect to this matter.

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' 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' 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' 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
September 12, 2023

Chancery Offices of the Archdiocese of Kansas City in Kansas

Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	$ 26,349,052	$ 36,213,758
Investments	35,536,197	20,826,460
Accrued interest receivable	173,175	52,278
Accounts receivable, net	4,058,122	4,091,708
Pledges receivable, net	2,265,796	6,631,281
Prepaid expenses	799,284	462,728
Interest in net assets of the Catholic Foundation of Northeast Kansas	9,245,089	8,629,260
Due from Deposit and Loan Fund	141,425	100,000
Land, buildings and equipment, net	12,399,868	12,020,764
Total assets	$ 90,968,008	$ 89,028,237
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 1,865,136	$ 1,519,704
Due to Lay and Priest Retirement Trust Fund	6,433	7,422
Accrued IBNR claims	1,750,000	1,750,000
Collections held for transmittal	126,004	150,024
Deferred revenue	588,692	561,188
Total liabilities	4,336,265	3,988,338
Net assets:		
Without donor restrictions:		
Undesignated	21,096,172	19,423,629
Undesignated—endowments	10,586	1,671
Designated	44,841,620	41,282,119
Total net assets without donor restrictions	65,948,378	60,707,419
With donor restrictions	20,683,365	24,332,480
Total net assets	86,631,743	85,039,899
Total liabilities and net assets	$ 90,968,008	$ 89,028,237

See notes to financial statements.

Chancery Offices of the Archdiocese of Kansas City in Kansas

Statement of Activities
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Archbishop's Call to Share	$ 6,651,573	$ -	$ 6,651,573
One Faith Capital Campaign	-	125,590	125,590
Archdiocesan collections	-	2,018,000	2,018,000
Archdiocesan assessments	5,666,598	-	5,666,598
Health and dental plan premiums	25,987,935	-	25,987,935
Property and liability insurance	1,483,226	-	1,483,226
Contributions and bequests	1,291,089	893,744	2,184,833
Investment income	2,052,329	-	2,052,329
Change in net assets of the Catholic Foundation of Northeast Kansas	12,166	877,729	889,895
Other revenue:			
Conversion	962,616	-	962,616
Evangelization	1,086,246	116,764	1,203,010
Education	1,892,141	13,495	1,905,636
Outreach	254,850	492,040	746,890
Stewardship	1,445,161	-	1,445,161
Administration	414,020	-	414,020
Gain on disposal of land, buildings and equipment	199,531	-	199,531
Net assets released from restrictions	8,186,477	(8,186,477)	-
Total revenues	57,585,958	(3,649,115)	53,936,843
Expenses:			
Pastoral priorities:			
Conversion	3,180,094	-	3,180,094
Evangelization	2,991,194	-	2,991,194
Education	7,323,487	-	7,323,487
Outreach	3,912,875	-	3,912,875
Stewardship	8,228,527	-	8,228,527
Total ministry and program services	25,636,177	-	25,636,177
Supporting services:			
Administrative	1,969,490	-	1,969,490
Other:			
Property and liability insurance	1,149,773	-	1,149,773
Special reserve fund	525,627	-	525,627
Health and dental care expense	23,063,932	-	23,063,932
Total supporting services	26,708,822	-	26,708,822
Total expenses	52,344,999	-	52,344,999
Increase (decrease) in net assets	5,240,959	(3,649,115)	1,591,844
Net assets, beginning of year	60,707,419	24,332,480	85,039,899
Net assets, end of year	$ 65,948,378	$ 20,683,365	$ 86,631,743

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
Revenues:			
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)
Other revenue:			
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 forgiveness of debt	-	-	-
Gain on disposal of land, buildings and equipment	3,739,515	-	3,739,515
Net assets released from restrictions	13,427,556	(13,427,556)	-
Total revenues	61,910,647	(4,716,796)	57,193,851
Expenses:			
Pastoral priorities:			
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
Total ministry and program services	30,208,080	-	30,208,080
Supporting services:			
Administrative	1,945,521	-	1,945,521
Other:			
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
Total supporting services	26,608,087	-	26,608,087
Total expenses	56,816,167	-	56,816,167
Increase (decrease) in net assets	5,094,480	(4,716,796)	377,684
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

Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Increase in net assets	**$ 1,591,844**	$ 377,684
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	**631,327**	623,368
Change in allowance for accounts and pledges receivable	**932,409**	(245,387)
(Decrease) increase of pledge discount	**(157,416)**	19,828
Realized loss (gain) on sale of investments	**331,246**	(226,041)
Unrealized loss on investments	**151,272**	1,610,053
(Increase) decrease in fair value of investments held at the Catholic Foundation of Northeast Kansas	**(914,894)**	1,435,427
Gain on sale of land, buildings and equipment	**(199,531)**	(3,739,515)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	**74,231**	18,618
Pledges receivable, net	**3,549,847**	6,731,001
Accrued interest receivable	**(120,897)**	(50,799)
Prepaid expenses	**(336,556)**	(16,731)
Due from Deposit and Loan Fund	**(41,425)**	35,000
Increase (decrease) in:		
Accounts payable and accrued expenses	**291,462**	(302,161)
Due to Lay and Priest Retirement Trust Fund	**(989)**	5,418
Collections held for transmittal	**(24,020)**	95,684
Deferred revenue	**27,504**	20,500
Net cash provided by operating activities	**5,785,414**	6,391,947
Cash flows from investing activities:		
Proceeds from sales of land, buildings and equipment	**329,198**	3,741,059
Purchases of land, buildings and equipment	**(1,086,128)**	(407,009)
Purchases of investments	**(37,048,353)**	(17,804,253)
Proceeds from sale of investments	**21,856,098**	7,914,086
Net withdrawals in interest in Catholic Foundation of Northeast Kansas	**299,065**	232,132
Net cash used in investing activities	**(15,650,120)**	(6,323,985)
Net (decrease) increase in cash and cash equivalents	**(9,864,706)**	67,962
Cash and cash equivalents:		
Beginning of year	**36,213,758**	36,145,796
End of year	**$ 26,349,052**	$ 36,213,758
Supplemental disclosure of cash flow information:		
Cash paid during the year for operating lease liabilities	**$ 14,008**	$ -
Supplemental schedule of noncash financing and investing activities:		
Record assets and liabilities for adoption of ASC 842:		
Right-of-use assets - operating included in land, buildings and equipment	**$ 53,970**	$ -
Operating lease liabilities included in accounts payable and accrued expenses	**$ 53,970**	$ -

See 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.

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.

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

Investments: Investments are recorded at fair value. Fair value of publicly traded debt, certificate of deposits 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. Allowance for bad debt for the years ending June 30, 2023 and 2022 is $3,278,626 and $3,319,271, respectively.

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.

Land improvements	3-30 years
Building and building improvements	7-40 years
Furniture and equipment	3-20 years
Computer equipment	3 years
Software	3-7 years
Leasehold improvements	20 years

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: Prior to September 30, 2022, subscriptions for *The Leaven* renewed annually on the first of October. The deferred revenue from *The Leaven* was that portion of subscription income attributable to the July, August and September issues that had not been earned as of the fiscal year-end. As of October 1, 2022, subscriptions for *The Leaven* renew annually on the first of July.

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.

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

Leases: In February 2016, the FASB issued ASC Topic 842, Leases, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statements of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, Leases) and operating leases, with classification affecting the pattern of expense recognition in the statement of activities. The Chancery adopted Topic 842 on July 1, 2022, using the optional transition method of a modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Chancery has applied Topic 842 to reporting periods beginning on July 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Chancery's historical accounting treatment under ASC Topic 840, Leases.

The Chancery elected the package of practical expedients under the transition guidance within Topic 842, in which the Organization does not reassess: (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Chancery has not elected to adopt the hindsight practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on July 1, 2022.

The Chancery determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Chancery obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Chancery also considers whether its service arrangements include the right to control the use of an asset.

The Chancery made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or July 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Chancery, as a non-public entity, has elected to use a risk-free rate for a period comparable to the lease term.

The Chancery has not elected to combine non-lease and lease components, and as such any maintenance costs related to a lease agreement are accounted for separate from the lease.

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

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

The adoption of Topic 842 resulted in the recording of ROU assets and lease liabilities related to the Chancery's operating leases of $53,970 at July 1, 2022. ROU assets are recorded within the land, buildings and equipment line on the statements of financial position. Operating lease liabilities are recorded within the accounts payable and accrued expenses line item of the statements of financial position. The adoption of the new lease standard did not materially impact change in net assets or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

ASC Topic 842 includes a number of reassessment and remeasurement requirements for leases based on triggering events or conditions. The Chancery reviewed the reassessment and remeasurement requirements and did not identify any events or conditions during the year ended June 30, 2023, that required reassessment or remeasurement. In addition, there were no impairment indicators identified during the year ended June 30, 2023, that required an impairment test for the Chancery's ROU assets.

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, 2023 and 2022.

Fundraising costs: The Chancery expenses fundraising costs as incurred. Total expense for fundraising for the years ended June 30, 2023 and 2022, was $842,472 and $848,890, 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.

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:

	2023	2022
Financial assets	$ 77,768,856	$ 76,544,745
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions	20,683,365	24,332,480
Board designations:		
Quasi-endowment fund, primarily for long-term investing	16,054,190	15,355,380
Amounts set aside for reserve for health and dental	13,028,934	10,104,953
Archbishop's Call to Share	7,122,782	7,366,764
Special reserve fund	4,252,243	4,777,871
Other designations	4,383,471	3,677,151
Financial assets available to meet cash needs for general expenditures within one year	$ 12,243,871	$ 10,930,146

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).

Note 3. Fair Value Measurements (Continued)

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:

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 fixed-income securities, equity securities and mutual funds. 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.

Note 3. Fair Value Measurements (Continued)

The following tables summarize assets and liabilities measured at fair value on a recurring basis as of June 30, 2023 and 2022, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	June 30, 2023			
	Total	Level 1	Level 2	Level 3
Investments:				
Fixed-income securities:				
US treasuries	$ 23,368,125	$ 23,368,125	$ -	$ -
Certificates of deposits	956,375	956,375	-	-
Equity securities, common stock:				
Financial	847	847	-	-
Mutual funds:				
Fixed-income	10,217,152	10,217,152	-	-
	34,542,499	34,542,499	-	-
Investments measured at NAV:				
Fund of hedge fund limited partnerships	993,698			
Total investments	35,536,197			
Interest in net assets of CFNEK	9,245,089	-	-	9,245,089
	$ 44,781,286	$ 34,542,499	$ -	$ 9,245,089

	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
	$ 29,455,720	$ 19,392,097	$ -	$ 8,629,260

Note 3. Fair Value Measurements (Continued)

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
Beginning balance—July 1, 2022	$ 8,629,260
Additions	77,963
Unrealized gains	829,357
Realized gains	85,537
Withdrawals	(377,028)
Ending balance—June 30, 2023	$ 9,245,089

	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	$ 8,629,260	$ -

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, 2023 and 2022:

	Fair Value at June 30		Unfunded	Redemption	Redemption
Investment	2023	2022	Commitment	Frequency	Notice Period
Blackstone-Offshore BEPII (A)	$ 749,935	$ 688,366	$ -	Quarterly	None
Hamilton Lane (B)	243,763	235,625	-	7 years	None
HPC Millennium (C)	-	510,372	-	Quarterly	90 days
	$ 993,698	$ 1,434,363	$ -		

(A) 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.

(B) 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.

Note 3. Fair Value Measurements (Continued)

(C) 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 value estimates presented are based on pertinent information available to management as of June 30, 2023 and 2022. 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, 2023 and 2022:

	2023	2022
Total pledges receivable	$ 4,878,264	$ 8,428,112
Less unamortized discount	326,830	484,246
Less allowance for uncollectible pledges	2,285,638	1,312,585
	$ 2,265,796	$ 6,631,281

Note 4. Pledge Receivable (Continued)

Pledges receivable (less allowance for uncollectible pledges) at June 30, 2023, to be received in subsequent years are as follows:

Years ending June 30:	
2024	$ 4,078,364
2025	662,054
2026	132,841
2027	-
2028	5,005
	4,878,264
Less:	
Discount	326,830
Allowance for uncollectible	2,285,638
Total pledges receivable	$ 2,265,796

Discount rate is 4.87% at June 30, 2023.

Note 5. Land, Buildings and Equipment

Land, buildings and equipment comprise the following at June 30, 2023 and 2022:

	2023	2022
Operating land and building	$ 21,447,582	$ 21,908,594
Possible future use sites	5,752,710	5,752,710
Furniture and equipment	3,922,719	3,511,457
ROU assets - operating leases	42,598	-
	31,165,609	31,172,761
Less accumulated depreciation	18,765,741	19,151,997
	$ 12,399,868	$ 12,020,764

Note 6. Investments

Investments comprise the following at June 30, 2023 and 2022:

	2023		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Government securities	$ 23,744,185	$ 23,368,125	$ (376,060)
Mutual funds	9,586,119	10,217,152	631,033
Equity securities	111,000	847	(110,153)
Alternative investments	868,454	993,698	125,244
Certificate of deposits	1,000,000	956,375	(43,625)
	$ 35,309,758	$ 35,536,197	$ 226,439

Note 6. Investments (Continued)

	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
	$ 20,751,293	$ 20,826,460	$ 75,167

The following summarizes the investment returns for the years ended June 30, 2023 and 2022:

	2023	2022
Interest and dividend income	$ 1,569,811	$ 457,009
Realized and unrealized gains (losses) on investments, net	482,518	(1,384,012)
	$ 2,052,329	$ (927,003)

Included in the interest income amounts above are $1,683 and $647 related to interest income on loans receivable for the years ended June 30, 2023 and 2022, respectively. Loans receivable are included within accounts receivable on the statements of financial position.

Note 7. Line of Credit

The Chancery has an unsecured line of credit with a local bank for $5,000,000. The line matures on December 1, 2023, and has an interest rate equal to the bank's prime rate less 1.50% (6.75% at June 30, 2023). There were no borrowings outstanding on this line as of June 30, 2023 and 2022.

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, 2023, is $9,245,089 (2022—$8,629,260). 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.

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

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	
	2023	2022
Without donor restrictions	$ 10,586	$ 1,671
With donor restrictions:		
Poor and needy of the world	82,650	74,564
Education of priests and seminarians	6,796,954	6,378,983
Cultural outreach ministry	572,506	538,830
Youth religious camp scholarships	754,207	660,095
Archbishop Discretion Endowment	110,300	110,300
Archdiocesan Endowment	15,684	15,684
Lay ministry development	902,202	849,133
	9,234,503	8,627,589
Total	$ 9,245,089	$ 8,629,260

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, 2023, was $24,049,188 (2022—$23,418,767); expenses were $21,058,487 (2022—$21,555,717). Total plan assets as of June 30, 2023, were $12,260,931 (2022—$9,270,230), 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, 2023, was $1,938,747 (2022—$1,872,244); expenses were $2,005,445 (2022—$1,892,536). Total plan assets as of June 30, 2023, were $768,025 (2022—$834,723), 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, 2023, was $1,300,000 (2022—$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, 2022 and 2021:

	Total Plan Net Assets	Present Value of Accumulated Plan Benefits	Total Contributions	Funded Status
July 1, 2022	$ 14,197,377	$ 11,953,963	$ 6,631,702	More than 100% funded
July 1, 2021	$ 9,567,842	$ 11,121,272	$ 1,241,288	More than 65% funded

Contributions to this plan for the year ended June 30, 2023, from the Chancery were $617,869 (2022—$6,316,316).

Archdiocese of Kansas City in Kansas 403(b) plan for priest employees: The Archdiocese's 403(b) plan covers priest employees. The Archdiocesan employers make contributions of $300 per month and $250 per month for each active priest employee for the years ended June 30, 2023 and 2022, respectively. Contributions to this plan for the years ended June 30, 2023 and 2022, from the Chancery were $50,850 and $54,000, respectively. All contributions are sent to the plan's third-party administrator after each pay date for processing.

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 the 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.

Note 10. Retirement Funds (Continued)

The table below presents certain financial information about the plan from the most recent audit report and actuarial certification as of July 1, 2022 and 2021:

	Total Plan Net Assets	Present Value of Accumulated Plan Benefits	Total Contributions	Funded Status
July 1, 2022	$ 36,591,814	$ 76,730,933	$ 3,476,598	Less than 65% funded
July 1, 2021	$ 42,646,840	$ 78,039,051	$ 3,230,842	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% of total lay payroll dollars to the retirement plan for the years ended June 30, 2023 and 2022. Contributions to this plan for the year ended June 30, 2023, from the Chancery were $213,112 (2022—$196,114).

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, 2023 and 2022, from the Chancery were $80,099 and $82,564, 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, 2023 and 2022, were $94,606 and $92,894, 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, 2023 and 2022:

	2023	2022
Restrictions as to use:		
Education of priests and seminarians	$ 6,786,023	$ 6,191,757
One Faith, One Family, One Future in Christ	5,890,835	9,623,116
Other restricted net assets	5,347,557	5,850,104
Restrictions as to time:		
Private appeal	-	13,853
Endowments restricted into perpetuity	2,658,950	2,653,650
Total donor-restricted net assets	$ 20,683,365	$ 24,332,480

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.

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, 2023 and 2022:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 1,671	$ 8,627,589	$ 8,629,260
Investment return:			
Investment income	1,471	101,964	103,435
Net depreciation (realized and unrealized)	12,047	799,411	811,458
Total endowment investment loss	13,518	901,375	914,893
Contributions	-	77,962	77,962
Appropriation of endowment assets for expenditure	(4,603)	(372,423)	(377,026)
Endowment net assets, end of year	$ 10,586	$ 9,234,503	$ 9,245,089

Note 12. Endowments (Continued)

	2022 Without Donor Restrictions	2022 With Donor Restrictions	2022 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

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 2023 and 2022.

	2023	2022
Purpose restrictions:		
One Faith, One Family, One Future in Christ	$ 3,857,871	$ 7,545,880
Catholic Charities	493,727	491,271
Education of priests and seminarians	1,849,854	1,726,227
Pro-Life	1,161,579	3,013,108
Contributions to various designated organizations	823,446	651,070
	$ 8,186,477	$ 13,427,556

Note 14. Board-Designated Net Assets Without Donor Restrictions

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

	2023	2022
Health and dental care plans	$ 13,028,934	$ 10,104,953
Cor Christi	16,054,190	15,355,380
Archbishop’s Call to Share	7,122,782	7,366,764
Special reserve fund	4,252,243	4,777,871
Other designations	4,383,471	3,677,151
	$ 44,841,620	$ 41,282,119

Note 15. Functional Expense Allocation

The Chancery office classified expenses functional for the years ended June 30, 2023 and 2022, as follows:

	June 30, 2023							
	Program Services					Supporting Services		
	Conversion	Evangelization	Education	Outreach	Stewardship	Administrative	Other	Total
Salaries and benefits	$ 1,195,085	$ 1,117,813	$ 2,087,822	$ 617,482	$ 2,025,897	$ 861,249	$ 108,483	$ 8,013,831
Professional fees and services	196,026	64,945	131,542	40,903	217,088	102,567	169,884	922,955
Occupancy	495,551	299,215	129,914	57,502	175,520	430,986	129,883	1,718,571
Technology	1,073	3,631	28,766	2,746	127,285	38,110	228,455	430,066
Ministry and other	683,349	1,026,388	3,037,688	314,806	1,671,431	439,006	349,227	7,521,895
Religious	5,381	1,554	-	436	-	1,008	-	8,379
Subsidies and contributions	583,067	454,391	1,897,138	2,874,581	3,472,367	71,656	-	9,353,200
Depreciation and amortization	20,462	23,257	10,617	4,419	538,939	24,908	8,725	631,327
Diocesan insurance	-	-	-	-	-	-	23,744,675	23,744,675
	$ 3,179,994	$ 2,991,194	$ 7,323,487	$ 3,912,875	$ 8,228,527	$ 1,969,490	$ 24,739,332	$ 52,344,899

	June 30, 2022							
	Program Services					Supporting Services		
	Conversion	Evangelization	Education	Outreach	Stewardship	Administrative	Other	Total
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	16,197	5,780,610
Religious	6,514	2,600	-	248	-	1,878	-	11,240
Subsidies and contributions	511,622	304,674	1,831,142	4,054,587	9,055,825	62,595	-	15,820,445
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
	$ 3,005,852	$ 2,709,448	$ 6,403,033	$ 5,455,372	$ 12,634,375	$ 1,945,521	$ 24,662,566	$ 56,816,167

Note 16. Commitments and Contingencies

The Chancery has approximately 6.19% 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 61 small- to medium-sized dioceses. The Catholic Umbrella Pools program is responsible for reinsurance participation at varying percentages for various layers. 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 17. Leases

The Chancery leases equipment under operating lease agreements with terms ranging from four to five years. The Chancery's operating leases generally do not contain any material restrictive covenants or residual value guarantees.

Operating lease cost is recognized on a straight-line basis over the lease term. The components of lease expense are as follows for the year ended June 30, 2023:

Operating lease cost	$ 12,690

Future undiscounted cash flows for each of the next five years and thereafter and a reconciliation to the lease obligations recognized on the statement of financial position within accounts payable and accrued expenses are as follows as of June 30, 2023:

Years ending June 30:	
2024	$ 13,123
2025	13,123
2026	13,123
2027	4,279
2028	1,083
Total lease payments	44,731
Less imputed interest	(2,133)
Total present value of lease obligations	$ 42,598

Note 18. Subsequent Events

Management has evaluated and disclosed subsequent events up to and including September 12, 2023, which is the date the financial statements were available to be issued.