

Chancery Offices of the Archdiocese of Kansas City in Kansas

Financial Report
June 30, 2024

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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, 2024 and 2023, 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, 2024 and 2023, 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's 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's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Chancery's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

RSM US LLP

Kansas City, Missouri
November 21, 2024

Chancery Offices of the Archdiocese of Kansas City in Kansas

**Statements of Financial Position
June 30, 2024 and 2023**

	2024	2023
Assets		
Cash and cash equivalents	\$ 17,996,916	\$ 26,349,052
Investments	47,668,169	35,536,197
Accrued interest receivable	343,722	173,175
Accounts receivable, net	4,153,409	4,058,122
Pledges receivable, net	962,255	2,265,796
Prepaid expenses	575,119	799,284
Interest in net assets of the Catholic Foundation of Northeast Kansas	10,286,331	9,245,089
Due from Deposit and Loan Fund	200,000	141,425
Due from Lay and Priest Retirement Fund	7,317	-
Land, buildings and equipment, net	13,406,259	12,399,868
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Total assets	\$ 95,599,497	\$ 90,968,008
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 2,622,525	\$ 1,865,136
Due to Lay and Priest Retirement Trust Fund	-	6,433
Accrued IBNR claims	1,850,000	1,750,000
Collections held for transmittal	224,522	126,004
Deferred revenue	353,619	588,692
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Total liabilities	5,050,666	4,336,265
Net assets:		
Without donor restrictions:		
Undesignated	24,152,658	21,096,172
Undesignated—endowments	25,265	10,586
Designated	46,752,933	44,841,620
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Total net assets without donor restrictions	70,930,856	65,948,378
With donor restrictions	19,617,975	20,683,365
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Total net assets	90,548,831	86,631,743
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Total liabilities and net assets	\$ 95,599,497	\$ 90,968,008

See notes to financial statements.

Chancery Offices of the Archdiocese of Kansas City in Kansas

**Statement of Activities
Year Ended June 30, 2024**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Archbishop's Call to Share	\$ 6,992,487	\$ -	\$ 6,992,487
One Faith Capital Campaign	-	53,957	53,957
Archdiocesan collections	-	1,541,499	1,541,499
Archdiocesan assessments	5,944,602	-	5,944,602
Health and dental plan premiums	26,762,955	-	26,762,955
Property and liability insurance	1,529,452	-	1,529,452
Contributions and bequests	819,541	893,118	1,712,659
Investment income	3,451,070	-	3,451,070
Change in net assets of the Catholic Foundation of Northeast Kansas	18,569	1,271,398	1,289,967
Other revenue:			
Conversion	949,307	-	949,307
Evangelization	1,683,716	625,831	2,309,547
Education	1,966,168	5,400	1,971,568
Outreach	439,529	552,846	992,375
Stewardship	1,675,163	-	1,675,163
Administration	396,784	-	396,784
Gain on disposal of land, buildings and equipment	59,888	-	59,888
Net assets released from restrictions	6,009,439	(6,009,439)	-
Total revenues	58,698,670	(1,065,390)	57,633,280
Expenses:			
Pastoral priorities:			
Conversion	3,256,241	-	3,256,241
Evangelization	3,685,487	-	3,685,487
Education	8,013,756	-	8,013,756
Outreach	3,385,697	-	3,385,697
Stewardship	6,664,200	-	6,664,200
Total ministry and program services	25,005,381	-	25,005,381
Supporting services:			
Administrative	2,139,773	-	2,139,773
Other:			
Property and liability insurance	1,273,542	-	1,273,542
Special reserve fund	979,100	-	979,100
Health and dental care expense	24,318,396	-	24,318,396
Total supporting services	28,710,811	-	28,710,811
Total expenses	53,716,192	-	53,716,192
Increase (decrease) in net assets	4,982,478	(1,065,390)	3,917,088
Net assets, beginning of year	65,948,378	20,683,365	86,631,743
Net assets, end of year	\$ 70,930,856	\$ 19,617,975	\$ 90,548,831

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

Statements of Cash Flows Years Ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Increase in net assets	\$ 3,917,088	\$ 1,591,844
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	694,606	631,327
Change in allowance for accounts and pledges receivable	(498,635)	932,409
Decrease of pledge discount	(252,577)	(157,416)
Realized (gain) loss on sale of investments	(262,324)	331,246
Unrealized loss on investments	1,081,391	151,272
Increase in fair value of investments held at the Catholic Foundation of Northeast Kansas	(1,309,010)	(914,894)
Gain on sale of land, buildings and equipment	(59,888)	(199,531)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(212,225)	74,231
Pledges receivable, net	2,171,691	3,549,847
Accrued interest receivable	(170,547)	(120,897)
Prepaid expenses	224,165	(336,556)
Due from Deposit and Loan Fund	(58,575)	(41,425)
Increase (decrease) in:		
Accounts payable and accrued expenses	757,389	291,462
Due to Lay and Priest Retirement Trust Fund	(13,750)	(989)
Accrued IBNR claims	100,000	-
Collections held for transmittal	98,518	(24,020)
Deferred revenue	(235,073)	27,504
Right of use asset for operating leases	12,714	-
Net cash provided by operating activities	5,984,958	5,785,414
Cash flows from investing activities:		
Proceeds from sales of land, buildings and equipment	60,480	329,198
Purchases of land, buildings and equipment	(1,714,303)	(1,086,128)
Purchases of investments	(12,500,000)	(37,048,353)
Proceeds from sale of investments	(451,039)	21,856,098
Net withdrawals in interest in Catholic Foundation of Northeast Kansas	267,768	299,065
Net cash used in investing activities	(14,337,094)	(15,650,120)
Net decrease in cash and cash equivalents	(8,352,136)	(9,864,706)
Cash and cash equivalents:		
Beginning of year	26,349,052	36,213,758
End of year	\$ 17,996,916	\$ 26,349,052
Supplemental disclosure of cash flow information:		
Cash paid during the year for operating lease liabilities	\$ 15,035	\$ 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.

Chancery Offices of the Archdiocese of Kansas City in Kansas

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

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

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

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

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

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

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

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

Donor-restricted support is reported as an increase in net assets with donor restrictions. These net assets are either time-restricted or purpose-restricted.

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

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

Investments: Investments are recorded at fair value. Fair value of publicly traded debt, certificates of deposit 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, 2024 and 2023 is \$3,395,564 and \$3,278,626, 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. The capitalization threshold for land, buildings, and equipment is \$1,000.

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: The Chancery recognizes youth camp program revenue when the camps have occurred. If participants pay in advance, revenue is recorded as deferred revenue on the statement of activities. The Chancery recognizes fees for the Savior Pastoral Center event space when the event occurs. Deposits to rent the space out are recorded as deferred revenue on the statement of activities. The beginning contract asset and liability as of July 1, 2022, June 30, 2023, and June 30, 2024 is \$561,188, \$588,692, and \$353,619, respectively.

Chancery Offices of the Archdiocese of Kansas City in Kansas

Notes to Financial Statements

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

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.

Leases: 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.

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, 2024, that required reassessment or remeasurement. In addition, there were no impairment indicators identified during the year ended June 30, 2024, 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, 2024 and 2023.

Fundraising costs: The Chancery expenses fundraising costs as incurred. Total expense for fundraising for the years ended June 30, 2024 and 2023, was \$875,482 and \$842,472, 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.

Chancery Offices of the Archdiocese of Kansas City in Kansas

Notes to Financial Statements

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

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:

	2024	2023
Financial assets	\$ 81,618,119	\$ 77,768,856
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions	19,617,975	20,683,365
Board designations:		
Quasi-endowment fund, primarily for long-term investing	16,805,460	16,054,190
Amounts set aside for reserve for health and dental	15,473,491	13,028,934
Archbishop's Call to Share	6,454,175	7,122,782
Special reserve fund	3,359,394	4,252,243
Other designations	4,660,413	4,383,471
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 15,247,211</u>	<u>\$ 12,243,871</u>

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).

Chancery Offices of the Archdiocese of Kansas City in Kansas

Notes to Financial Statements

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, 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.

Chancery Offices of the Archdiocese of Kansas City in Kansas

Notes to Financial Statements

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, 2024 and 2023, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	June 30, 2024			
	Total	Level 1	Level 2	Level 3
Investments:				
Fixed-income securities:				
US treasuries	\$ 33,243,892	\$ 33,243,892	\$ -	\$ -
Certificates of deposit	2,216,263	2,216,263	-	-
Equity securities, common stock:				
Consumer discretionary	50,870	50,870	-	-
Financial	33,225	33,225	-	-
Industrials	4,978	4,978	-	-
Information technology	19,900	19,900	-	-
Mutual funds:				
Fixed-income	11,257,005	11,257,005	-	-
	46,826,133	46,826,133	-	-
Investments measured at NAV:				
Fund of hedge fund limited partnerships	842,036			
Total investments	47,668,169			
Interest in net assets of CFNEK	10,286,331	-	-	10,286,331
	<u>\$ 57,954,500</u>	<u>\$ 46,826,133</u>	<u>\$ -</u>	<u>\$ 10,286,331</u>
	June 30, 2023			
	Total	Level 1	Level 2	Level 3
Investments:				
Fixed-income securities:				
US treasuries	\$ 23,368,125	\$ 23,368,125	\$ -	\$ -
Certificates of deposit	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
	<u>\$ 44,781,286</u>	<u>\$ 34,542,499</u>	<u>\$ -</u>	<u>\$ 9,245,089</u>

Chancery Offices of the Archdiocese of Kansas City in Kansas

Notes to Financial Statements

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
	<u> </u>
Beginning balance—July 1, 2023	\$ 9,245,089
Additions	114,382
Unrealized gains	922,982
Realized gains	386,028
Withdrawals	(382,150)
Ending balance—June 30, 2024	<u><u>\$ 10,286,331</u></u>

	Interest in Net Assets of CFNEK	Privately Held Company
	<u> </u>	<u> </u>
Beginning balance—July 1, 2022	\$ 8,629,260	\$ 16,344
Additions	77,963	-
Unrealized gains	829,357	(13,344)
Realized gains	85,537	16,588
Withdrawals	(377,028)	(19,588)
Ending balance—June 30, 2023	<u><u>\$ 9,245,089</u></u>	<u><u>\$ -</u></u>

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, 2024 and 2023:

Investment	Fair Value at June 30		Unfunded Commitment	Redemption Frequency	Redemption Notice Period
	2024	2023			
Blackstone-Offshore BEPII (A)	\$ 631,124	\$ 749,935	\$ -	Quarterly	None
Hamilton Lane (B)	210,912	243,763	-	7 years	None
	<u><u>\$ 842,036</u></u>	<u><u>\$ 993,698</u></u>	<u><u>\$ -</u></u>		

(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.

Chancery Offices of the Archdiocese of Kansas City in Kansas

Notes to Financial Statements

Note 3. Fair Value Measurements (Continued)

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, 2024 and 2023. 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, 2024 and 2023:

	2024	2023
Total pledges receivable	\$ 2,706,574	\$ 4,878,264
Less unamortized discount	74,253	326,830
Less allowance for uncollectible pledges	1,670,066	2,285,638
	<u>\$ 962,255</u>	<u>\$ 2,265,796</u>

Pledges receivable (less allowance for uncollectible pledges) at June 30, 2024, to be received in subsequent years are as follows:

Years ending June 30:	
2025	\$ 2,564,095
2026	134,499
2027	7,980
	<u>2,706,574</u>
Less	
Discount	74,253
Allowance for uncollectible	1,670,066
Total pledges receivable	<u>\$ 962,255</u>

Discount rate is 4.71% at June 30, 2024.

Chancery Offices of the Archdiocese of Kansas City in Kansas

Notes to Financial Statements

Note 5. Land, Buildings and Equipment

Land, buildings and equipment comprise the following at June 30, 2024 and 2023:

	2024	2023
Operating land and building	\$ 22,449,597	\$ 21,447,582
Possible future use sites	5,752,710	5,752,710
Furniture and equipment	4,249,844	3,907,119
Construction in Progress	375,912	15,600
ROU assets—operating leases	30,315	42,598
	<u>32,858,378</u>	<u>31,165,609</u>
Less accumulated depreciation	19,452,119	18,765,741
	<u>\$ 13,406,259</u>	<u>\$ 12,399,868</u>

Note 6. Investments

Investments comprise the following at June 30, 2024 and 2023:

	2024		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Government securities	\$ 33,475,557	\$ 33,243,892	\$ (231,665)
Mutual funds	9,671,758	11,257,005	1,585,247
Equity securities	211,393	108,973	(102,600)
Alternative investments	745,766	842,036	96,271
Certificates of deposit	2,250,000	2,216,263	(33,738)
	<u>\$ 46,354,474</u>	<u>\$ 47,668,169</u>	<u>\$ 1,313,515</u>
	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
Certificates of deposit	1,000,000	956,375	(43,625)
	<u>\$ 35,309,758</u>	<u>\$ 35,536,197</u>	<u>\$ 226,439</u>

Chancery Offices of the Archdiocese of Kansas City in Kansas

Notes to Financial Statements

Note 6. Investments (Continued)

The following summarizes the investment returns for the years ended June 30, 2024 and 2023:

	2024	2023
Interest and dividend income	\$ 2,632,003	\$ 1,569,811
Realized and unrealized gains (losses) on investments, net	819,067	482,518
	<u>\$ 3,451,070</u>	<u>\$ 2,052,329</u>

Included in the interest income amounts above are \$4,439 and \$1,683 related to interest income on loans receivable for the years ended June 30, 2024 and 2023, 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, 2024, and has an interest rate equal to the bank's prime rate less 1.50% (7.00% at June 30, 2024). There were no borrowings outstanding on this line as of June 30, 2024 and 2023.

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, 2024, is \$10,286,331 (2023—\$9,245,089). 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	
	2024	2023
Without donor restrictions	\$ 25,265	\$ 10,586
With donor restrictions:		
Poor and needy of the world	94,679	82,650
Education of priests and seminarians	7,553,298	6,796,954
Cultural outreach ministry	629,651	572,506
Youth religious and scholarships	865,197	754,207
Archbishop Discretion Endowment	110,300	110,300
Archdiocesan Endowment	15,684	15,684
Lay ministry development	992,257	902,202
	<u>10,261,066</u>	<u>9,234,503</u>
Total	<u>\$ 10,286,331</u>	<u>\$ 9,245,089</u>

Chancery Offices of the Archdiocese of Kansas City in Kansas

Notes to Financial Statements

Note 9. Health and Dental Care Plans

The Chancery has a self-insured health care plan, which is administered by a third-party administrator. This plan provides for payments of hospitalization and medical benefits for lay employees and priests of the Archdiocese, with excess claims funded by an insurance carrier. 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, 2024, was \$24,651,119 (2023—\$24,049,188); expenses were \$22,181,931 (2023—\$21,058,487). Total plan assets as of June 30, 2024, were \$14,730,095 (2023—\$12,260,931), 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, 2024, was \$2,111,836 (2023—\$1,938,747); expenses were \$2,136,465 (2023—\$2,005,445). Total plan assets as of June 30, 2024, were \$743,396 (2023—\$768,025), 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, 2024, was \$1,400,000 (2023—\$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, 2023 and 2022:

	Total Plan Net Assets	Present Value of Accumulated Plan Benefits	Total Contributions	Funded Status
July 1, 2023	\$ 16,124,429	\$ 11,829,343	\$ 1,254,848	More than 125% funded
July 1, 2022	\$ 14,197,377	\$ 11,953,963	\$ 6,631,702	More than 100% funded

Contributions to this plan for the year ended June 30, 2024, from the Chancery were \$52,500 (2023—\$617,869).

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 for each active priest employee for the years ended June 30, 2024 and 2023, respectively. Contributions to this plan for the years ended June 30, 2024 and 2023, from the Chancery were \$39,300 and \$50,850, respectively. All contributions are sent to the plan's third-party administrator after each pay date for processing.

Chancery Offices of the Archdiocese of Kansas City in Kansas

Notes to Financial Statements

Note 10. Retirement Funds (Continued)

Lay and deacon employees' retirement plan: The Archdiocese has a separate noncontributory retirement plan for lay employees. All recognized Archdiocesan organizations may participate in the plan. In accordance with plan documents, the Chancery could be required to pay the benefits of a participating organization in the event that 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.

The table below presents certain financial information about the plan from the most recent audit report and actuarial certification as of July 1, 2023 and 2022:

	Total Plan Net Assets	Present Value of Accumulated Plan Benefits	Total Contributions	Funded Status
July 1, 2023	\$ 37,540,728	\$ 75,479,941	\$ 3,879,688	Less than 65% funded
July 1, 2022	\$ 36,591,814	\$ 76,730,933	\$ 3,476,598	Less than 65% funded

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

The recognized Archdiocesan organizations contributed 4.50% and 3.71% of total lay payroll dollars to the retirement plan for the years ended June 30, 2024 and 2023. Contributions to this plan for the year ended June 30, 2024, from the Chancery were \$ 292,813 (2023—\$213,112).

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 made matching contributions of up to 50% of eligible employee contributions up to 4% of pay (2% maximum) through March 31, 2024. After April 1, 2024, each eligible employee received a 100% match for contributions of up to 4% of pay (4% maximum). Matching contributions to this plan for the years ended June 30, 2024 and 2023, from the Chancery were \$119,979 and \$80,099, respectively. All eligible employees receive a discretionary 2.0% contribution through March 31, 2024, regardless of whether they make contributions to the plan or not. After April 1, 2024, no discretionary contributions were made. The discretionary contributions as of June 30, 2024 and 2023, were \$81,087 and \$94,606, respectively. All contributions (voluntary, match and discretionary) are sent to the plan's third-party administrator after each pay date for processing.

Chancery Offices of the Archdiocese of Kansas City in Kansas

Notes to Financial Statements

Note 11. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes or periods at June 30, 2024 and 2023:

	2024	2023
Restrictions as to use:		
Education of priests and seminarians	\$ 7,502,502	\$ 6,786,023
One Faith, One Family, One Future in Christ	3,505,448	5,890,835
Other restricted net assets	5,943,387	5,347,557
Restrictions as to time:		
Endowments restricted into perpetuity	2,666,638	2,658,950
Total donor-restricted net assets	<u>\$ 19,617,975</u>	<u>\$ 20,683,365</u>

Note 12. Endowments

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

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

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

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

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.

Chancery Offices of the Archdiocese of Kansas City in Kansas

Notes to Financial Statements

Note 12. Endowments (Continued)

The following is activity related to endowment net assets for the years ended June 30, 2024 and 2023:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 10,586	\$ 9,234,503	\$ 9,245,089
Investment return:			
Investment income	2,001	138,345	140,346
Net depreciation (realized and unrealized)	17,346	1,151,318	1,168,664
Total endowment investment loss	19,347	1,289,663	1,309,010
Contributions	-	114,382	114,382
Appropriation of endowment assets for expenditure	(4,668)	(377,482)	(382,150)
Endowment net assets, end of year	\$ 25,265	\$ 10,261,066	\$ 10,286,331

	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 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 2024 and 2023.

	2024	2023
Purpose restrictions:		
One Faith, One Family, One Future in Christ	\$ 2,439,346	\$ 3,857,871
Catholic Charities	483,347	493,727
Education of priests and seminarians	1,611,361	1,849,854
Pro-Life	558,162	1,161,579
Contributions to various designated organizations	917,223	823,446
	\$ 6,009,439	\$ 8,186,477

Chancery Offices of the Archdiocese of Kansas City in Kansas

Notes to Financial Statements

Note 14. Board-Designated Net Assets Without Donor Restrictions

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

	<u>2024</u>	<u>2023</u>
Health and dental care plans	\$ 15,473,491	\$ 13,028,934
Cor Christi	16,805,460	16,054,190
Archbishop’s Call to Share	6,454,175	7,122,782
Special reserve fund	3,359,394	4,252,243
Other designations	4,660,413	4,383,471
	<u>\$ 46,752,933</u>	<u>\$ 44,841,620</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, 2024 and 2023, as follows:

	June 30, 2024							
	Program Services					Supporting Services		Total
	Conversion	Evangelization	Education	Outreach	Stewardship	Administrative	Other	
Salaries and benefits	\$ 1,178,838	\$ 1,160,803	\$ 2,383,730	\$ 729,016	\$ 2,101,392	\$ 969,017	\$ 116,192	\$ 8,638,988
Professional fees and services	100,970	67,486	151,551	41,804	249,918	121,421	270,660	1,003,810
Occupancy	601,889	298,586	103,844	55,947	140,706	464,294	124,568	1,789,834
Technology	4,657	6,762	44,808	2,639	145,403	54,030	276,200	534,499
Ministry and other	773,048	1,914,846	3,762,751	399,299	(197,987)	435,506	882,745	7,970,208
Religious	20,029	910	-	-	-	1,547	-	22,486
Subsidies and contributions	545,182	214,154	1,546,909	2,151,752	3,640,107	71,710	-	8,169,814
Depreciation and amortization	31,628	21,940	20,163	5,240	584,661	22,248	8,726	694,606
Diocesan insurance	-	-	-	-	-	-	24,891,947	24,891,947
	<u>\$ 3,256,241</u>	<u>\$ 3,685,487</u>	<u>\$ 8,013,756</u>	<u>\$ 3,385,697</u>	<u>\$ 6,664,200</u>	<u>\$ 2,139,773</u>	<u>\$ 26,571,038</u>	<u>\$ 53,716,192</u>
	June 30, 2023							
	Program Services					Supporting Services		Total
	Conversion	Evangelization	Education	Outreach	Stewardship	Administrative	Other	
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	683,449	1,026,388	3,037,688	314,806	1,671,431	439,006	349,227	7,521,995
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
	<u>\$ 3,180,094</u>	<u>\$ 2,991,194</u>	<u>\$ 7,323,487</u>	<u>\$ 3,912,875</u>	<u>\$ 8,228,527</u>	<u>\$ 1,969,490</u>	<u>\$ 24,739,332</u>	<u>\$ 52,344,999</u>

Chancery Offices of the Archdiocese of Kansas City in Kansas

Notes to Financial Statements

Note 16. Commitments and Contingencies

The Chancery has approximately 6.11% 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 59 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 years ended June 30, 2024 and 2023:

	2024	2023
Operating lease cost	\$ 13,123	\$ 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, 2024:

Years ending June 30:		
2025		\$ 13,123
2026		13,123
2027		4,279
2028		866
Total lease payments		31,391
Less imputed interest		(1,076)
Total present value of lease obligations		\$ 30,315

Note 18. Subsequent Events

Management has evaluated and disclosed subsequent events up to and including November 21, 2024, which is the date the financial statements were available to be issued.