

Catholic Diocese of Kansas City—St. Joseph Chancery Operations

Financial Report
June 30, 2019

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Independent Auditor's Report

Most Reverend Bishop James V. Johnston
Diocesan Finance Council
Catholic Diocese of Kansas City—St. Joseph
Chancery Operations

Report on the Financial Statements

We have audited the accompanying financial statements of the Catholic Diocese of Kansas City—St. Joseph Chancery Operations, which comprise the statements of financial position as of June 30, 2019 and 2018, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Catholic Diocese of Kansas City—St. Joseph Chancery Operations as of June 30, 2019 and 2018, 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.

Emphasis of Matter

As described in Note 1 to the financial statements, the Catholic Diocese of Kansas City—St. Joseph Chancery Operations adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, during the current year. The new standard changes presentation and disclosure requirements with the intention of helping nonprofits provide more relevant information about their resources to donors, grantors, creditors and other financial statement users. The adoption was retrospectively applied to June 30, 2018, the earliest year presented. Our opinion is not modified with respect to this matter.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The additional consolidating detail for the Catholic Diocese of Kansas City—St. Joseph Chancery Operations presented on the statements of financial position and the statements of activities is presented for the purposes of additional analysis rather than to present the financial position and the results of operations of the funds and is not a required part of the financial statements. This information has been subjected to auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Kansas City, Missouri
November 1, 2019

Catholic Diocese of Kansas City—St. Joseph Chancery Operations

**Statements of Financial Position
June 30, 2019 and 2018**

	Current	Plant	Custodian	Endowment	2019	2018
Assets						
Cash and cash equivalents	\$ 8,279,307	\$ 1,284,977	\$ 1,032,773	\$ 5,171,735	\$ 15,768,792	\$ 13,349,757
Loans and accounts receivable, net (Note 3)	4,011,785	-	16,520	1,230,113	5,258,418	6,831,529
Pledges receivable, net (Note 4)	105,961	-	-	-	105,961	148,276
Land, buildings and equipment, net (Notes 5)	1,023,794	9,192,216	-	-	10,216,010	10,404,534
Beneficial interest in others (Notes 6 and 15)	-	-	-	626,558	626,558	624,679
Investments (Notes 7 and 15)	-	-	-	2,951,716	2,951,716	3,065,855
Total assets	\$ 13,420,847	\$ 10,477,193	\$ 1,049,293	\$ 9,980,122	\$ 34,927,455	\$ 34,424,630
Liabilities and Net Assets						
Liabilities:						
Accounts payable	\$ 837,839	\$ -	\$ -	\$ -	\$ 837,839	\$ 420,509
Notes payable (Note 8)	-	4,372,712	-	-	4,372,712	4,499,952
Other short-term deposits	666,042	-	1,049,293	-	1,715,335	1,434,630
Annuities payable (Notes 9 and 15)	-	-	-	753,615	753,615	729,875
Long-term deposits payable:						
Diocesan insurance reserves	262,491	-	-	-	262,491	145,023
Retired priests benefit obligations (Note 10)	9,030,263	-	-	-	9,030,263	8,433,885
Deferred revenue	162,814	-	-	-	162,814	407,104
Total liabilities	10,959,449	4,372,712	1,049,293	753,615	17,135,069	16,070,978
Commitments and contingencies (Note 14)						
Net assets:						
Without donor restriction:						
Designated funds (Note 17)	1,362,347	1,284,977	-	2,189,180	4,836,504	4,688,638
Designated for annuities (Note 9)	-	-	-	(75,615)	(75,615)	174,847
Expended for plant	-	4,819,504	-	-	4,819,504	4,880,788
Undesignated reserve	687,326	-	-	-	687,326	1,421,476
Total net assets without donor restrictions	2,049,673	6,104,481	-	2,113,565	10,267,719	11,165,749
With donor restriction:						
Other (Note 11)	411,725	-	-	-	411,725	268,271
Endowments (Notes 11 and 16)	-	-	-	7,112,942	7,112,942	6,919,632
Total net assets with donor restrictions	411,725	-	-	7,112,942	7,524,667	7,187,903
Total net assets	2,461,398	6,104,481	-	9,226,507	17,792,386	18,353,652
Total liabilities and net assets	\$ 13,420,847	\$ 10,477,193	\$ 1,049,293	\$ 9,980,122	\$ 34,927,455	\$ 34,424,630

See notes to financial statements.

Catholic Diocese of Kansas City—St. Joseph Chancery Operations

**Statements of Activities
Years Ended June 30, 2019 and 2018**

	Current	Plant	Endowment	2019	2018
Changes in net assets without donor restrictions and designated net assets:					
Revenues and gains:					
Current contributions, Annual Catholic Appeal	\$ 1,849,652	\$ -	\$ -	\$ 1,849,652	\$ 2,115,236
Other revenues from operations:					
Other diocesan collections	302,679	-	-	302,679	333,168
Diocesan share in national collections	30,000	-	-	30,000	31,390
Diocesan assessments	6,871,426	-	-	6,871,426	6,709,639
Bequests	314,286	-	-	314,286	113,844
Contributions	1,753,997	-	-	1,753,997	1,720,633
Fees for service	602,453	-	-	602,453	732,900
Other revenues from operations, net	2,358,590	-	-	2,358,590	2,082,558
Lease revenue	117,510	126,535	-	244,045	282,536
Auxiliary service (insurance, publications)	18,029,720	-	-	18,029,720	18,006,795
Total income from operations	32,230,313	126,535	-	32,356,848	32,128,699
Released from restrictions, other (Note 12)	277,914	-	-	277,914	1,006,033
Investment income, realized (Note 7)	91,397	-	103,193	194,590	227,309
Unrealized gains (Note 7)	-	-	(463)	(463)	46,311
Allocation from deposit and loan fund	350,000	-	-	350,000	400,000
Change in value of split-interest agreements (Note 9)	-	-	(65,345)	(65,345)	(33,136)
Total revenues and gains	32,949,624	126,535	37,385	33,113,544	33,775,216
Operating expenses:					
Pastoral services	(4,035,579)	-	-	(4,035,579)	(4,229,270)
Religious personnel development	(2,030,010)	-	-	(2,030,010)	(2,538,814)
Education	(1,983,595)	-	-	(1,983,595)	(1,995,057)
Social services	(441,649)	-	-	(441,649)	(443,579)
Diocesan administration	(5,543,952)	-	-	(5,543,952)	(5,940,890)
Auxiliary service (insurance, publications)	(18,150,331)	-	-	(18,150,331)	(17,715,662)
Total expenses from operations	(32,185,116)	-	-	(32,185,116)	(32,863,272)
Depreciation	-	(425,723)	-	(425,723)	(435,498)
Without donor restriction endowment payments	-	-	(286,365)	(286,365)	(106,119)
Interest on debt	-	(199,677)	-	(199,677)	(185,624)
Interest on deposits	(318,315)	-	-	(318,315)	(247,970)
Total expenses	(32,503,431)	(625,400)	(286,365)	(33,415,196)	(33,838,483)
Transfers to/from other funds:					
(To) from plant fund	(616,318)	616,318	-	-	-
(To) from unrestricted endowments	35,195	-	(35,195)	-	-
Total transfers	(581,123)	616,318	(35,195)	-	-
Increase (decrease) in net assets without donor restrictions and designated net assets before changes in postemployment benefit plan liability	(134,930)	117,453	(284,175)	(301,652)	(63,267)
Changes in postemployment benefit plan liability (Note 10)	(596,378)	-	-	(596,378)	496,817
Increase (decrease) in net assets without donor restrictions and designated net assets	(731,308)	117,453	(284,175)	(898,030)	433,550

(Continued)

Catholic Diocese of Kansas City—St. Joseph Chancery Operations

**Statements of Activities (Continued)
Years Ended June 30, 2019 and 2018**

	Current	Plant	Endowment	2019	2018
Changes in net assets with donor restrictions:					
Revenues and gains:					
Restricted contributions	\$ 221,746	\$ -	\$ -	\$ 221,746	\$ 10,000
Endowment contributions and bequests	-	-	53,669	53,669	45,756
Endowment investment income, realized (Note 16)	-	-	333,006	333,006	315,800
Endowment unrealized gains (Note 16)	-	-	6,257	6,257	18,196
Restrictions satisfied:					
Other assets released from restriction (Note 12)	(78,292)	-	-	(78,292)	(228,134)
Restrictions satisfied—endowment payments to beneficiaries (Note 12)	-	-	(199,622)	(199,622)	(777,899)
Increase (decrease) in net assets with donor restrictions	143,454	-	193,310	336,764	(616,281)
Total change in net assets	(587,854)	117,453	(90,865)	(561,266)	(182,731)
Net assets, beginning of year	3,049,252	5,987,028	9,317,372	18,353,652	18,536,383
Net assets, end of year	\$ 2,461,398	\$ 6,104,481	\$ 9,226,507	\$ 17,792,386	\$ 18,353,652

See notes to financial statements.

Catholic Diocese of Kansas City—St. Joseph Chancery Operations

**Statements of Cash Flows
Years Ended June 30, 2019 and 2018**

	2019	2018
Cash flows from operating activities:		
Cash received from donors, parishes and schools	\$ 32,401,042	\$ 32,559,265
Cash paid to suppliers, employees and other	(32,365,415)	(31,979,584)
Interest received	56,282	137,977
Interest paid	(517,992)	(433,594)
Net cash provided by (used in) operating activities	(426,083)	284,064
Cash flows from investing activities:		
Proceeds from sale and maturities of investments	327,128	171,965
Purchases of investments	(300)	(37,941)
Purchases of land, buildings and equipment	(237,199)	(156,672)
Change in loans receivable, net	2,484,556	3,569,779
Net cash provided by investing activities	2,574,185	3,547,131
Cash flows from financing activities:		
Principal payments on notes payable	(127,240)	(237,344)
Change in deposits payable	398,173	(182,031)
Net cash provided by (used in) financing activities	270,933	(419,375)
Net increase in cash and cash equivalents	2,419,035	3,411,820
Cash and cash equivalents:		
Beginning	13,349,757	9,937,937
Ending	\$ 15,768,792	\$ 13,349,757
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Change in net assets	\$ (561,266)	\$ (182,731)
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities:		
Depreciation	425,723	435,498
Loss on sale of property	-	-
Unrealized gains on investments	(5,794)	(64,507)
Gain on sale of investments	(206,895)	(219,328)
Change in value of split-interest agreements	23,740	(2,412)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(911,445)	705,954
Pledges receivable	42,315	(26,879)
Beneficial interest in others	(1,879)	(45,749)
Increase (decrease) in:		
Accounts payable	417,330	43,728
Retired priests benefit obligations	596,378	(496,817)
Deferred revenue	(244,290)	137,307
Net cash provided by (used in) operating activities	\$ (426,083)	\$ 284,064

See notes to financial statements.

Catholic Diocese of Kansas City—St. Joseph Chancery Operations

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: The accompanying financial statements include all funds maintained by and directly under the control of the Catholic Diocese of Kansas City—St. Joseph Chancery Operations (the Organization). The statements do not include the accounts of some related entities of the Organization, such as parishes, schools, Catholic Charities, Catholic Cemeteries, self-insurance fund, Deposit and Loan Fund, and some other corporations; the Priests' Retirement Plan Trust or the Lay Retirement Plan Trust; or any institution owned and operated by religious orders of men or women. Each is a distinct operating entity, maintains separate accounts, carries on its own services and programs, and has separate governing bodies.

The following is a summary of the Organization's significant accounting policies:

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). In 2019, the Organization adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 985): Presentation of Financial Statements of Not-for-Profit Entities*. The new standard changes presentation and disclosure requirements with the intention of helping nonprofits provide more relevant information about their resources to donors, grantors, creditors and other financial statement users. This pronouncement decreases the number of net asset classes from three to two. The new classes are net assets without donor restrictions and net assets with donor restrictions. The changes in this standard have been reflected in the financial statements for all years presented.

Net assets without donor restrictions: Net assets without donor restriction are not subject to donor-imposed stipulations.

Net assets with donor restriction: Net assets with donor restriction are subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Net assets with and without donor restriction revenue and support: Unconditional contributions received are recorded as with donor restriction or without donor restriction, depending on the existence or nature of any donor restrictions. Conditional contributions received are not recorded until the event occurs to make the contribution unconditional.

Donor-restricted support is presented as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions. Donor-restricted support whose restrictions are satisfied in the same reporting period in which the contributions are received are classified as unrestricted donations.

Fund accounting: To ensure observance of limitations and restrictions placed on the use of resources available to the Organization, the accounts of the Organization are maintained in accordance with the principles of fund accounting. Resources are classified for accounting and reporting purposes into funds, according to the nature and use of such resources. Separate accounts are maintained for each fund.

The assets, liabilities and net assets of the Organization are reported as follows:

Current fund: Generally, current funds are those currently expendable for either undesignated, designated or restricted purposes. The majority of the unrestricted funds received by the Organization are either anticipated and allocated in advance, billed for certain auxiliary services, or designated by the Bishop upon receipt.

Catholic Diocese of Kansas City—St. Joseph Chancery Operations

Notes to Financial Statements

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

The designated and undesignated net assets are available for and used in the regular activities of the Organization.

Plant fund: The plant fund includes only land, buildings and equipment owned by the Organization used for current operations, held for future development, or available for sale. Properties of operating parishes are not included.

Custodian fund: These funds are universal church collections, Propagation of the Faith receipts, special collections temporarily deposited before being transmitted to designated agencies, and Bishop's Charity Funds.

Generally, these assets are entrusted to the Organization by persons who are not directly controlled by the Organization, solely for the purpose of receiving, holding and disbursing such funds upon the authority of the depositor.

Endowment fund: These are restricted funds invested for the purpose of producing income. They consist of (1) with donor restriction endowment funds, wherein the donors have stipulated that the principal be invested and maintained intact, with only the investment income available for expenditure or funds donated with provisions that the principal may be expended under the circumstances designated in the trust agreement and (2) without donor restriction funds designated as internal endowments by the Bishop to be used as he designates.

Split-interest agreements are recorded in the endowment fund. The assets are recorded at fair value, and the annuity payables are recorded at the estimated present value of estimated future payments plus any residual payments to outside beneficiaries.

Cash and cash equivalents: For purposes of reporting cash flows, the Organization considers all unrestricted highly liquid investments purchased with a maturity of three months or less to be cash equivalents. The Organization maintains cash balances and money market accounts in excess of insured amounts at several financial institutions, which are primarily located in Kansas City, Missouri. Management believes that the risk of loss is minimal due to the strength of the institutions. The Organization has not experienced any losses on such accounts.

Loans and accounts receivable: Loans and accounts receivable are obligations due from diocesan parishes and institutions. Loans receivable are stated at the amount of unpaid principal. The allowance on loans receivable is based on management's review of specific loans and current economic conditions that may affect the borrower's ability to repay. Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual parish and institution receivables and considering the parish and institution's financial condition and credit history, and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

An account receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 90 days. Interest is not charged on past-due accounts receivable.

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 are recognized when the conditions on which they depend are substantially met.

Catholic Diocese of Kansas City—St. Joseph Chancery Operations

Notes to Financial Statements

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

Investments: Investments are recorded at fair value. Unrealized gains and losses are recorded in the statements of activities. See Note 15 for fair value information.

Land, buildings and equipment: The Organization follows the practice of deducting equipment expenditures in the year of purchase unless the equipment is significant and expected to have a useful life that extends beyond the current period. Land, buildings and equipment are carried at historical cost or, if donated, fair value. 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. Assets held for sale are recorded at the lower of cost or fair value less costs to sell.

Buildings are depreciated over 40 years, and all building improvements are depreciated over the remaining life of the building. Furniture and fixtures are depreciated over eight years. Depreciation is provided on the straight-line method over the estimated useful lives of the assets.

Beneficial interest in others: The Organization has been named as a beneficiary in two trusts in which the Organization is not the trustee. When the Organization is notified of the existence of the trust, a beneficial interest (an asset) and contribution revenue are recorded at the present value of the estimated future cash receipts.

Long-term deposits payable: Long-term deposits payable consist of funds being held by the Organization on behalf of the Diocesan Insurance Office for property and casualty and long-term disability reserves.

Deferred revenue: The Organization receives grant and other monies on an advance basis. The deferred revenue reported by the Organization consists of monies received that have not been earned at year-end or where the service has not been performed.

Use of estimates: The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

Income taxes: The Organization is exempt from income taxes under provisions of section 501(c)(3) of the Internal Revenue Code. Uncertain tax provisions, if any, are recorded in accordance with *FASB Accounting Standards Codification (ASC) Topic 740, Income Taxes* (previously FIN 48). ASC 740 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. Starting in July 1, 2015, the Organization pays Unrelated Business Income Tax (UBIT) on the leased parking spaces and rental income. There is no liability for uncertain tax positions recorded at June 30, 2019 or 2018.

Donated or contributed services and materials: The Organization provides free use of land and buildings owned by the Catholic Diocese of Kansas City—St. Joseph to several of its schools and parishes. Management believes that the fair value of use of similar facility space under similar circumstances is not readily determinable. Therefore, neither a contribution nor rental income has been recorded for the use of the facilities. Had such amounts been recorded, rental income would have increased and contributions would have increased, but the net effect would not have changed net assets for the year and would have had no effect on the statements of financial position.

Catholic Diocese of Kansas City—St. Joseph Chancery Operations

Notes to Financial Statements

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

Fundraising: The Organization participates in various fundraising activities, which mainly consist of stewardship and development office activities. The expenses related to these activities are recorded on the statements of activities as diocesan administrative expenses and totaled \$513,144 and \$564,351 for the years ended June 30, 2019 and 2018, respectively.

Recent accounting pronouncements: Financial Accounting Standards Board (FASB) ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This guidance will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard permits the use of either the retrospective or cumulative effect transition method. In August 2015, the FASB issued ASU No. 2015-14, which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. Therefore, this ASU will be effective for the Organization's fiscal year beginning July 1, 2019. The Organization is evaluating the effect the standard will have on its financial statements and related disclosures. The Organization has not yet selected a transition method and has not determined the effect of the standard on ongoing financial reporting.

In February 2016, the FASB issued ASU No. 2016-02 *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in ASC Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal year 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) with the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for fiscal years beginning after December 15, 2018. Therefore, this ASU will be effective for the Organization's fiscal year ending July 1, 2019. Management is in the process of evaluating the impact of this new guidance.

Catholic Diocese of Kansas City—St. Joseph Chancery Operations

Notes to Financial Statements

Note 2. Liquidity and Availability of Resources

The Organization regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investments of its funds not required for annual operations. The table below represents the Organization's financial assets available to meet the annual operating needs of the upcoming fiscal year:

	2019	2018
Cash and cash equivalents	\$ 14,736,019	\$ 13,196,645
Accounts receivable, net	1,230,113	3,714,735
Pledges receivable—Annual Catholic appeal	105,961	148,276
Beneficial interest in others	626,558	624,679
Investments	2,951,716	3,065,855
	<u>19,650,367</u>	<u>20,750,190</u>
Less donor restricted funds	(7,524,667)	(7,187,903)
Financial assets available to meet cash needs	<u>\$ 12,125,700</u>	<u>\$ 13,562,287</u>

Note 3. Loans and Accounts Receivable

Loans and accounts receivable are composed of the following at June 30, 2019 and 2018:

	2019	2018
Diocesan entities	\$ 206,385	\$ 2,690,942
Diocesan high schools and other	5,252,033	4,340,587
	<u>5,458,418</u>	<u>7,031,529</u>
Less allowance for uncollectible accounts	(200,000)	(200,000)
	<u>\$ 5,258,418</u>	<u>\$ 6,831,529</u>

The Organization's loans receivable consist of funds disbursed to diocesan entities, high schools and other entities within the Catholic Diocese of Kansas City—St. Joseph. The Organization determined its allowance for estimated losses on these loans by analyzing financial results, factors and circumstances of individual accounts or loans. All loans have the same terms and therefore are considered to be in the same class of loan.

The aging of the receivables portfolio as of June 30, 2019 and 2018, is summarized below:

	Current	Past Due	Total
2019:			
Receivables	<u>\$ 2,535,021</u>	<u>\$ 2,923,397</u>	<u>\$ 5,458,418</u>
As a percentage of the total receivables portfolio	<u>46.44%</u>	<u>53.56%</u>	<u>100.00%</u>

Catholic Diocese of Kansas City—St. Joseph Chancery Operations

Notes to Financial Statements

Note 3. Loans and Accounts Receivable (Continued)

	Current	Past Due	Total
2018:			
Receivables	\$ 4,404,937	\$ 2,626,592	\$ 7,031,529
As a percentage of the total receivables portfolio	62.65%	37.35%	100.00%

Note 4. Pledges Receivable

Pledges receivable at June 30 are due as follows:

	2019	2018
Due in less than one year	\$ 105,961	\$ 148,276

Note 5. Land, Buildings and Equipment

Land, buildings and equipment comprise the following at June 30, 2019 and 2018:

	2019	2018
Operating properties	\$ 14,353,242	\$ 14,116,043
Land held for development	1,023,794	1,023,794
Assets held for sale	70,000	70,000
	15,447,036	15,209,837
Less accumulated depreciation	(5,231,026)	(4,805,303)
	\$ 10,216,010	\$ 10,404,534

Note 6. Beneficial Interest in Others

The Organization has been named as a beneficiary in trusts in which the Organization is not the trustee. When the Organization is notified of the existence of the trust, a beneficial interest receivable and contribution revenue are recorded at the present value of the estimated future cash receipts. Included in net assets with donor restriction is \$267,489 as of June 30, 2019 and 2018, of donor restricted endowed funds held by the Endowment Trust Fund for Catholic Education, with the income to be used for ministry formation. The balance of the beneficial interest in others on the statements of financial position is \$328,879 and \$325,393 as of June 30, 2019 and 2018, respectively.

The Organization has an interest in the Catholic Community Foundation, which has an interest in the Country Club Trust through donations the Organization had provided to the Catholic Community Foundation. The assets held at the Catholic Community Foundation are donor-directed, and the Organization has named itself as the sole beneficiary of the funds. The balance of the beneficial interest in others on the statements of financial position is \$297,680 and \$299,286 at June 30, 2019 and 2018, respectively, with the principal and income to be used for *The Catholic Key*, the Catholic Diocesan newspaper.

Catholic Diocese of Kansas City—St. Joseph Chancery Operations

Notes to Financial Statements

Note 7. Investments

The following schedules show life-to-date unrealized gains on different types of investments for the years ended June 30, 2019 and 2018:

	2019		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Mutual funds	\$ 1,838,436	\$ 2,908,679	\$ 1,070,243
Money market funds	4,168	4,168	-
U.S. government obligations	38,869	38,869	-
	<u>\$ 1,881,473</u>	<u>\$ 2,951,716</u>	<u>\$ 1,070,243</u>

	2018		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Mutual funds	\$ 2,002,552	\$ 3,018,293	\$ 1,015,741
Money market funds	8,304	8,304	-
U.S. government obligations	39,783	39,258	(525)
	<u>\$ 2,050,639</u>	<u>\$ 3,065,855</u>	<u>\$ 1,015,216</u>

Investments are stated at fair value as of June 30, 2019 and 2018. The following schedule summarizes the investment return and its classification in the statements of activities for the years ended June 30, 2019 and 2018:

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Interest income	\$ 91,397	\$ 229,304	\$ 320,701	\$ 141,797	\$ 181,984	\$ 323,781
Realized gains	103,193	103,702	206,895	85,512	133,816	219,328
Investment income	194,590	333,006	527,596	227,309	315,800	543,109
Unrealized gains on investments	(463)	6,257	5,794	46,311	18,196	64,507
	<u>\$ 194,127</u>	<u>\$ 339,263</u>	<u>\$ 533,390</u>	<u>\$ 273,620</u>	<u>\$ 333,996</u>	<u>\$ 607,616</u>

Included in the interest income amounts above are \$66,277 and \$188,041 related to interest income on loans receivable for the years ended June 30, 2019 and 2018, respectively.

Catholic Diocese of Kansas City—St. Joseph Chancery Operations

Notes to Financial Statements

Note 8. Notes Payable

The Organization has an outstanding note payable to a bank due in monthly payments of principal and interest of \$28,927 through June 15, 2023, and a final payment of the remaining balance due on July 15, 2023. The note bears interest at 4.62% and is collateralized by certain real estate. The outstanding balance of the note at June 30, 2019 and 2018, was \$4,372,712 and \$4,499,952, respectively.

Aggregate maturities required on long-term debt at June 30, 2019, are due in future years as follows:

Years ending June 30:	
2020	\$ 144,830
2021	169,179
2022	160,414
2023	3,898,289
Total	<u>\$ 4,372,712</u>

Note 9. Charitable Gift Annuities

The Organization has received numerous charitable gift annuities, and it has been named a beneficiary of several of them. The annuities payable are reported at their respective present values, based on the life expectancies of any live beneficiaries, and have been discounted using a risk-free rate that was effective at the time of the initial gift. Annuity investments are recorded at fair value based on the fair value of the underlying investment security.

Assets, liabilities and net assets associated with the charitable gift annuities reported in the endowment fund at June 30, 2019 and 2018, are as follows:

	2019	2018
Annuity investments	\$ 678,000	\$ 904,722
Annuities payable	(753,615)	(729,875)
Net assets without donor restrictions, designated for annuities	<u>\$ (75,615)</u>	<u>\$ 174,847</u>

The Organization received zero new charitable gift annuities during the year ended June 30, 2019. The Organization received one new charitable gift annuity during the year ended June 30, 2018.

Note 10. Postretirement Benefits Other Than Pensions

The Organization sponsors a defined benefit postretirement health care plan and a defined benefit postretirement long-term care plan that cover eligible priests. The plans are noncontributory, with no changes anticipated in the future. The Organization's funding policy is to contribute annually to each plan in order to cover any benefits that are recognized.

ASC Topic 715, Compensation—Retirement Benefits, requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or a liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through changes in net assets without donor restriction of a not-for-profit organization. The underfunded portion of the plans, \$9,030,263 and \$8,433,885 as of June 30, 2019 and 2018, respectively, is included as a liability on the statements of financial position.

Catholic Diocese of Kansas City—St. Joseph Chancery Operations

Notes to Financial Statements

Note 10. Postretirement Benefits Other Than Pensions (Continued)

The following sets forth the health care and long-term care plans' combined funded status reconciled with the amount shown in the Organization's statements of financial position at June 30, 2019 and 2018:

	2019	2018
Accumulated postretirement benefit obligation:		
Retirees	\$ 3,210,891	\$ 3,699,197
Fully eligible active plan participants	2,743,320	2,164,024
Other active plan participants	3,076,052	2,570,664
	<u>9,030,263</u>	<u>8,433,885</u>
Plan assets at fair value	-	-
	<u>\$ 9,030,263</u>	<u>\$ 8,433,885</u>
Accumulated postretirement benefit obligation in excess of plan assets (long-term disability reserves)	<u>\$ 9,030,263</u>	<u>\$ 8,433,885</u>
Amounts not yet reflected in net periodic benefit cost:		
Prior service credit	\$ 1,901,513	\$ 2,216,686
Accumulated loss	(4,383,760)	(3,934,160)
	<u>\$ (2,482,247)</u>	<u>\$ (1,717,474)</u>

Change in benefit obligation:

	Years Ended June 30	
	2019	2018
Benefit obligation, beginning of year	\$ 8,433,885	\$ 8,930,702
Service and interest costs	582,458	613,919
Benefits paid	(207,753)	(209,573)
Actuarial loss (gain)	221,673	(901,163)
Benefit obligation, end of year	<u>\$ 9,030,263</u>	<u>\$ 8,433,885</u>

For 2019, the weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 3.69% (4.29% for 2018). The plan assets are not subject to federal income taxes.

	2019	2018
Assumed health care cost trend rates at June 30:		
Health care cost trend rate assumed for next year	8.0%	8.5%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.0%	5.0%
Year that the rate reaches the ultimate trend rate	2026	2026

The Organization expects to contribute \$480,215 to its retirement plans for the year ending June 30, 2020.

Catholic Diocese of Kansas City—St. Joseph Chancery Operations

Notes to Financial Statements

Note 10. Postretirement Benefits Other Than Pensions (Continued)

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Years ending June 30:		
2020	\$	480,215
2021		479,247
2022		475,811
2023		481,076
2024		480,423
Years 2025–2029		2,343,810
	\$	<u>4,740,582</u>

Note 11. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes or periods at June 30, 2019 and 2018:

	2019	2018
Restrictions as to use:		
Education of priests	\$ 6,513,423	\$ 6,123,639
Education of children	106,748	99,909
Construction of facilities	1,199	505
Endowments and other	903,297	963,850
Total net assets with donor restrictions	<u>\$ 7,524,667</u>	<u>\$ 7,187,903</u>

Note 12. Net Assets Released From Restrictions

During 2019 and 2018, other assets were released from restrictions by incurring expenses satisfying the restricted purpose specified:

	2019	2018
Endowment payments to beneficiaries	\$ 199,622	\$ 777,899
Other	78,292	228,134
	<u>\$ 277,914</u>	<u>\$ 1,006,033</u>

Note 13. Support Our Seminarians

The Organization participates in a fundraising event called Greater Kansas City Support Our Seminarians Scholarship Endowment. The other event sponsors are the Archdiocese of Kansas City, Kansas, and Conception Abbey in Conception, Missouri. The purpose of the event is to provide aid to a student or students studying for the priesthood in the Roman Catholic Church from either diocese at Conception Seminary College.

Catholic Diocese of Kansas City—St. Joseph Chancery Operations

Notes to Financial Statements

Note 13. Support Our Seminarians (Continued)

Money raised was placed in an endowment account, with the principal of the endowment kept in perpetuity, and awards of aid by scholarships were made from endowment earnings. The Organization has had no collection, deposit or custodial responsibilities for the fund.

In 1996, the agreement was amended. Beginning in 1999, the proceeds from the fundraising event were to be divided among the three sponsoring entities equally. Each diocese would continue to deposit its share of fundraising proceeds into the endowment. After each diocese had attained a sum of \$250,000 in the fund, each diocese could allocate and spend the interest from its share of the endowment that exceeded \$250,000 to support seminarians in other seminaries. These earnings would be considered as net assets with donor restriction when received by each diocese for the purpose mentioned.

In 1998, the agreement was further amended. Beginning with the year 2000 Support Our Seminarians event, the one-third share of the proceeds from the event is to benefit any seminarian from the Archdiocese of Kansas City, Kansas (the Archdiocese) and the one-third share of the proceeds from the event is to benefit any seminarian from the Diocese of Kansas City—St. Joseph (the Diocese); the shares are to be paid out directly to the Archdiocese and the Diocese to manage with their other seminary funds. The one-third share of the proceeds that goes to Conception Seminary College will be used for the education of all seminarians at Conception Seminary College. During the years ended June 30, 2019 and 2018, the Organization received \$53,587 and \$45,695, respectively. As of June 30, 2019 and 2018, the Organization has \$1,095,590 and \$1,042,003, respectively, recorded as net assets with donor restrictions in the endowment fund relating to this agreement.

Note 14. Commitments and Contingencies

The Catholic Diocese of Kansas City—St. Joseph is a party to certain legal proceedings arising in the normal course of business. Management believes the ultimate outcome of pending legal matters will not be material to the financial condition and future operations. The Diocesan Insurance Office is responsible for the management of the claims process and any disbursement of monetary damages. Payments made to satisfy the loss contingency could have a material impact on the Diocese, the Chancery Operations and the Diocesan Insurance Office and, in the future, could impact the activities, programs and ministries of the Chancery Operations it provides for parishes and schools in the Diocese.

Note 15. Fair Value Measurements

ASC Topic 820 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. ASC 820 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 that 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, ASC 820 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date

Catholic Diocese of Kansas City—St. Joseph Chancery Operations

Notes to Financial Statements

Note 15. Fair Value Measurements (Continued)

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability

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

Investments: Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would include highly liquid government bonds and exchange-traded equities. If quoted market prices are not available, then fair values are estimated by 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.

Beneficial interest in others: Beneficial interest in others is valued at the value of the underlying investments held by the Greater Kansas City Community Foundation (GKCCF) and by the Endowment Trust Fund for Catholic Education (ETF), which consist of investments classified as Levels 1 and 2.

Annuities payable: Annuities payable are valued at respective present values, based upon the life expectancies of any live beneficiaries.

The following tables summarize the assets and liabilities measured at fair value on a recurring basis, segregated by the general classification of such instruments pursuant to the valuation hierarchy:

	June 30, 2019			
	Total	Level 1	Level 2	Level 3
Investments:				
Fixed-income securities:				
Municipal bonds	\$ 38,869	\$ -	\$ 38,869	\$ -
Money market funds	4,168	4,168	-	-
Equity securities:				
Equity mutual funds:				
Intermediate-term bonds	790,566	790,566	-	-
Large blend	2,092,400	2,092,400	-	-
Other various mutual funds	25,713	25,713	-	-
Beneficial interest in others	626,558	-	-	626,558
	<u>\$ 3,578,274</u>	<u>\$ 2,912,847</u>	<u>\$ 38,869</u>	<u>\$ 626,558</u>
Annuities payable	\$ 753,615	\$ -	\$ -	\$ 753,615

Catholic Diocese of Kansas City—St. Joseph Chancery Operations

Notes to Financial Statements

Note 15. Fair Value Measurements (Continued)

	June 30, 2018			
	Total	Level 1	Level 2	Level 3
Investments:				
Fixed-income securities:				
Municipal bonds	\$ 39,258	\$ -	\$ 39,258	\$ -
Money market funds	8,304	8,304	-	-
Equity securities:				
Equity mutual funds:				
Intermediate-term bonds	804,240	804,240	-	-
Large blend	2,184,741	2,184,741	-	-
Other various mutual funds	29,312	29,312	-	-
Beneficial interest in others	624,679	-	-	624,679
	<u>\$ 3,690,534</u>	<u>\$ 3,026,597</u>	<u>\$ 39,258</u>	<u>\$ 624,679</u>
Annuities payable	<u>\$ 729,875</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 729,875</u>

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

The fair value estimates presented are based on pertinent information available to management at June 30, 2019. Although management is not aware of any factors that would significantly affect the estimated fair value measurements, such amounts have been comprehensively revalued for purposes of the financial statements since that date, and therefore, current estimates of fair value may differ significantly from the amounts presented herein.

The following tables present additional information about assets measured at fair value on a recurring basis for which the Organization has utilized Level 3 inputs to determine fair value for the years ended June 30, 2019 and 2018:

	Beneficial Interest in Others	
	2019	2018
Beginning balance	\$ 624,679	\$ 578,930
Unrealized gains	1,879	45,749
Ending balance	<u>\$ 626,558</u>	<u>\$ 624,679</u>
	Annuities Payable	
	2019	2018
Beginning balance	\$ 729,875	\$ 732,287
Additions	-	16,430
Disbursements	(41,606)	(52,547)
Change in value of future obligations	65,346	33,705
Ending balance	<u>\$ 753,615</u>	<u>\$ 729,875</u>

Catholic Diocese of Kansas City—St. Joseph Chancery Operations

Notes to Financial Statements

Note 16. Endowments

In July 2006, the Uniform Law Commission approved the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as a modernized version of the Uniform Management of Institutional Funds Act of 1972 (UMIFA), the model act on which most states and the District of Columbia have based their primary laws governing the investment and management of donor-restricted endowment funds by nonprofit organizations.

Among its changes, UPMIFA prescribes new guidelines for expenditure of a donor-restricted endowment fund (in the absence of overriding, explicit donor stipulations). Its predecessor, UMIFA, focused on the prudent spending of the net appreciation of the fund. UPMIFA instead focuses on the entirety of a donor-restricted endowment fund, that is, both original gift amount(s) and net appreciation. UPMIFA eliminates UMIFA's historic-dollar-value threshold, an amount below which an organization could not spend from the fund, in favor of a more robust set of guidelines about what constitutes prudent spending, explicitly requiring consideration of the duration and preservation of the fund.

The Organization's endowment includes both donor-restricted endowment funds and funds designated by management to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by management to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of existing law: Management of the Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary (historical-dollar-value threshold). As a result of this interpretation, the Organization classifies as donor restricted net assets (a) the original value of gifts donated to the donor restricted endowment, (b) the original value of subsequent gifts to the donor restricted endowment and (c) accumulations to the donor restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The following information is related to the endowments under the direction of the Organization:

Return objectives and risk parameters: The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as management-designated funds. Under this policy, as approved by management, the endowment assets (exclusive of the Charitable Gift Annuity Fund and Seminarian Fund) are invested following the Organization's guidelines as determined by management in consultation with the Diocesan Finance Council. The endowments are paid a rate determined by management in consultation with the Diocesan Finance Council.

The endowment assets of the Charitable Gift Annuity Fund and the Seminarian Fund are invested in a manner intended to produce results that exceed the benchmark for the blended market indices for each fund.

Strategies employed for achieving objectives: To satisfy its long-term rate-of-return objectives of the endowments invested per the Organization's guidelines as determined by management, the Organization employs a return strategy of utilizing the internal earning rate as set by management based on market rates.

Catholic Diocese of Kansas City—St. Joseph Chancery Operations

Notes to Financial Statements

Note 16. Endowments (Continued)

To satisfy its long-term rate-of-return objectives of the Charitable Gift Annuity and Seminarian Funds, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term rate-of-return objectives with prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy: The Organization has a policy of appropriating for distribution the interest earned in the current year by the endowment funds (exclusive of the Charitable Gift Annuity Fund) as well as allowing for the distribution of the principal as per the stipulations of the donor as well as management-designated funds. This is consistent with the Organization's objectives to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

The Organization has a policy of distribution for the Charitable Gift Annuity Fund in accordance with the specific guidelines of the annuitant agreement.

From time to time, the fair value of assets associated with the endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. Such deficiencies would result from unfavorable market fluctuations that occur shortly after the investment of new restricted contributions. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restriction and net assets without donor restrictions. There were no deficiencies as of June 30, 2019 and 2018.

Changes in endowment net assets for the fiscal years ended June 30, 2019 and 2018, are as follows:

	2019		Total
	Without Donor Restrictions	With Donor Restrictions	
Endowment net assets, beginning of year	\$ 2,397,740	\$ 6,919,632	\$ 9,317,372
Net investment income	102,730	339,263	441,993
Change in value of split-interest agreements	(65,345)	-	(65,345)
Contributions	-	53,669	53,669
Transfers to affiliate trust	(35,195)	-	(35,195)
Appropriation of endowment assets for expenditure	(286,365)	(199,622)	(485,987)
Endowment net assets, end of year	\$ 2,113,565	\$ 7,112,942	\$ 9,226,507

Catholic Diocese of Kansas City—St. Joseph Chancery Operations

Notes to Financial Statements

Note 16. Endowments (Continued)

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 2,412,422	\$ 7,317,779	\$ 9,730,201
Net investment income	131,822	333,996	465,818
Change in value of split-interest agreements	(33,136)	-	(33,136)
Contributions	17,000	45,756	62,756
Transfers to affiliate trust	(24,250)	-	(24,250)
Appropriation of endowment assets for expenditure	(106,118)	(777,899)	(884,017)
Endowment net assets, end of year	<u>\$ 2,397,740</u>	<u>\$ 6,919,632</u>	<u>\$ 9,317,372</u>

Note 17. Designated Net Assets Without Donor Restrictions

Designated net assets without donor restrictions at June 30, 2019 and 2018, comprised the following:

	2019	2018
Designated as to use:		
Religious personnel development	\$ 1,680,785	\$ 1,671,037
Pastoral	626,301	629,369
Education	2,500	2,500
Social services	340,018	345,984
Maintenance and upkeep of property and plant	1,972,528	1,797,180
Other	214,372	242,568
	<u>\$ 4,836,504</u>	<u>\$ 4,688,638</u>

Catholic Diocese of Kansas City—St. Joseph Chancery Operations

Notes to Financial Statements

Note 18. Functional Expense Allocation

The Chancery office classified expenses functional for the year ended June 30, 2019 as follows:

	Personnel Costs	Occupancy Cost	Office Expense	Professional Services	Travel & Professional Development	Program	Grants & Other Assistance	Other	Total
Operating expenses:									
Pastoral services	\$ 1,482,950	\$ 292,328	\$ 170,287	\$ 6,158	\$ 43,818	\$ 646,191	\$ 143,000	\$ 1,250,847	\$ 4,035,579
Religious personnel development	631,597	41,852	43,777	31,255	35,419	1,010,031	31,250	204,829	2,030,010
Education	618,871	91,457	61,197	55,171	13,029	465,694	660,118	18,058	1,983,595
Social services	-	-	-	-	-	-	441,649	-	441,649
Diocesan administration	1,837,948	1,212,912	278,274	253,173	54,958	195,163	384,562	1,326,962	5,543,952
Auxiliary service (insurance, publications)	385,287	47,928	22,819	6,987	-	142,267	-	17,545,043	18,150,331
	<u>\$ 4,956,653</u>	<u>\$ 1,686,477</u>	<u>\$ 576,354</u>	<u>\$ 352,744</u>	<u>\$ 147,224</u>	<u>\$ 2,459,346</u>	<u>\$ 1,660,579</u>	<u>\$ 20,345,739</u>	<u>\$ 32,185,116</u>

Catholic Diocese of Kansas City—St. Joseph Chancery Operations

Notes to Financial Statements

Note 19. Retirement Funds

Priest retirement plan: The Organization has established a separate, self-administered retirement plan for priests of the Diocese. All recognized Diocesan organizations may participate in the plan. In accordance with plan documents, the Organization could be required to pay the benefits of a participating organization in the event that organization could not meet its obligation. The plan name is the Catholic Diocese of Kansas City—St. Joseph Priests' Pension Plan Trust, and the employee identification number of the plan is 43-1697301. The assets for the plan are held in a separate trust for the benefit of the participants. The fund provides a monthly pension benefit to retired priests. The cost of providing the benefits provided under the plan shall be paid annually, as determined by the Organization's management acting with the advice of the plan actuary. The parishes or agencies of the Diocese are assessed annually for the support of the retirement plan. The table below presents certain financial information about the plan from the most recent audit report and actuarial certification as of July 1, 2018 and 2017:

	Total Plan Net Assets	Present Value of Accumulated Plan Benefits	Total Contributions	Funded Status
July 1, 2018	\$ 19,278,766	\$ 11,862,452	\$ 671,582	Greater than 100% funded
July 1, 2017	18,485,826	11,659,812	559,163	Greater than 100% funded

Lay retirement plan: The Organization has established a separate, self-administered, noncontributory retirement plan for lay employees. All recognized Diocesan organizations may participate in the plan. In accordance with plan documents, the Organization could be required to pay the benefits of a participating organization in the event that organization could not meet its obligation. The plan name is the Catholic Diocese of Kansas City—St. Joseph Lay Pension Plan Trust, and the employee identification number of the plan is 43-1697299. The assets for the plan are held in a separate trust for the benefit of the participants. Employees become 100% vested after five 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 table below presents certain financial information about the plan from the most recent audit report and actuarial certification as of July 1, 2018 and 2017:

	Total Plan Net Assets	Present Value of Accumulated Plan Benefits	Total Contributions	Funded Status
July 1, 2018	\$ 89,054,253	\$ 85,975,070	\$ 2,377,487	Greater than 100% funded
July 1, 2017	85,522,941	82,143,904	2,356,006	Greater than 100% funded

Note 20. Subsequent Events

Management has evaluated and disclosed subsequent events up to and including November 1, 2019, which is the date the financial statements were available to be issued.

