

Catholic Diocese of Kansas City—St. Joseph Chancery Operations

Financial Report
June 30, 2021

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RSM US LLP

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, 2021 and 2020, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

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 8, 2021

Catholic Diocese of Kansas City—St. Joseph Chancery Operations

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

| | Current | Plant | Custodian | Endowment | 2021 | 2020 |
|--|----------------------|----------------------|---------------------|----------------------|----------------------|----------------------|
| Assets | | | | | | |
| Cash and cash equivalents | \$ 13,572,407 | \$ 1,520,454 | \$ 1,220,559 | \$ 6,447,583 | \$ 22,761,003 | \$ 18,239,214 |
| Loans and accounts receivable, net (Note 3) | 5,797,851 | - | 28,059 | - | 5,825,910 | 5,783,450 |
| Pledges receivable, net (Note 4) | 118,588 | - | - | - | 118,588 | 114,751 |
| Land, buildings and equipment, net (Note 5) | 1,023,794 | 8,641,144 | - | - | 9,664,938 | 9,998,635 |
| Beneficial interest in others (Notes 6 and 15) | - | - | - | 778,436 | 778,436 | 610,698 |
| Investments (Notes 7 and 15) | - | - | - | 3,834,646 | 3,834,646 | 3,010,496 |
| Total assets | \$ 20,512,640 | \$ 10,161,598 | \$ 1,248,618 | \$ 11,060,665 | \$ 42,983,521 | \$ 37,757,244 |
| Liabilities and Net Assets | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ 762,793 | \$ - | \$ - | \$ - | \$ 762,793 | \$ 782,032 |
| Notes payable (Note 8) | - | 4,027,191 | - | - | 4,027,191 | 4,218,304 |
| Other short-term deposits | 399,178 | - | 1,248,618 | - | 1,647,796 | 1,570,580 |
| Annuities payable (Note 9) | - | - | - | 827,547 | 827,547 | 727,516 |
| Long-term deposits payable: | | | | | | |
| Diocesan insurance reserves | 5,963,455 | - | - | - | 5,963,455 | 2,343,063 |
| Retired priests benefit obligations (Note 10) | 9,248,672 | - | - | - | 9,248,672 | 9,926,384 |
| Deferred revenue | 311,733 | - | - | - | 311,733 | 61,463 |
| Total liabilities | 16,685,831 | 4,027,191 | 1,248,618 | 827,547 | 22,789,187 | 19,629,342 |
| Commitments and contingencies | | | | | | |
| Net assets: | | | | | | |
| Without donor restrictions: | | | | | | |
| Designated funds (Note 17) | 1,266,444 | 1,520,454 | - | 1,863,307 | 4,650,205 | 4,620,396 |
| Designated for annuities (Note 9) | - | - | - | (15,856) | (15,856) | (62,372) |
| Expended for plant | - | 4,613,953 | - | - | 4,613,953 | 4,756,537 |
| Undesignated reserve | 1,895,107 | - | - | - | 1,895,107 | 460,681 |
| Total net assets without donor restrictions | 3,161,551 | 6,134,407 | - | 1,847,451 | 11,143,409 | 9,775,242 |
| With donor restrictions: | | | | | | |
| Other (Note 11) | 665,258 | - | - | - | 665,258 | 665,258 |
| Endowments (Notes 11 and 16) | - | - | - | 8,385,667 | 8,385,667 | 7,687,402 |
| Total net assets with donor restrictions | 665,258 | - | - | 8,385,667 | 9,050,925 | 8,352,660 |
| Total net assets | 3,826,809 | 6,134,407 | - | 10,233,118 | 20,194,334 | 18,127,902 |
| Total liabilities and net assets | \$ 20,512,640 | \$ 10,161,598 | \$ 1,248,618 | \$ 11,060,665 | \$ 42,983,521 | \$ 37,757,244 |

See notes to financial statements.

Catholic Diocese of Kansas City—St. Joseph Chancery Operations

**Statements of Activities
Years Ended June 30, 2021 and 2020**

| | Current | Plant | Endowment | 2021 | 2020 |
|---|---------------------|------------------|------------------|---------------------|---------------------|
| Changes in net assets without donor restrictions and designated net assets: | | | | | |
| Revenues and gains: | | | | | |
| Current contributions, Annual Catholic Appeal | \$ 1,997,038 | \$ - | \$ - | \$ 1,997,038 | \$ 1,850,407 |
| Other revenues from operations: | | | | | |
| Other diocesan collections | 245,810 | - | - | 245,810 | 276,132 |
| Diocesan share in national collections | 20,000 | - | - | 20,000 | 25,000 |
| Diocesan assessments | 8,272,501 | - | - | 8,272,501 | 6,918,993 |
| Bequests | 433,829 | - | - | 433,829 | 402,480 |
| Contributions | 2,220,832 | - | 3,000 | 2,223,832 | 2,431,943 |
| Fees for service | 595,367 | - | - | 595,367 | 588,788 |
| Other revenues from operations, net | 2,071,653 | - | - | 2,071,653 | 2,610,141 |
| Lease revenue | 218,265 | 27,422 | - | 245,687 | 303,845 |
| Auxiliary service (insurance, publications) | 19,738,592 | - | - | 19,738,592 | 18,891,454 |
| Payroll Protection Program Loan contribution | - | - | - | - | 989,500 |
| Total income from operations | 35,813,887 | 27,422 | 3,000 | 35,844,309 | 35,288,683 |
| Released from restrictions, other (Note 12) | 176,383 | - | - | 176,383 | 162,183 |
| Investment income, realized (Note 7) | 46,855 | - | 96,653 | 143,508 | 404,835 |
| Unrealized gains (loss) (Note 7) | - | - | 165,107 | 165,107 | (164,160) |
| Allocation from deposit and loan fund | 350,000 | - | - | 350,000 | 350,000 |
| Change in value of split-interest agreements (Note 9) | - | - | (138,034) | (138,034) | (12,044) |
| Total revenues and gains | 36,387,125 | 27,422 | 126,726 | 36,541,273 | 36,029,497 |
| Operating expenses: | | | | | |
| Pastoral services | (4,624,617) | - | - | (4,624,617) | (5,077,811) |
| Religious personnel development | (1,708,575) | - | - | (1,708,575) | (1,900,758) |
| Education | (3,290,803) | - | - | (3,290,803) | (3,147,002) |
| Social services | (420,310) | - | - | (420,310) | (447,753) |
| Diocesan administration | (4,970,066) | - | - | (4,970,066) | (4,950,384) |
| Auxiliary service (insurance, publications) | (20,032,614) | - | - | (20,032,614) | (19,159,008) |
| Total expenses from operations | (35,046,985) | - | - | (35,046,985) | (34,682,716) |
| Depreciation | - | (402,156) | - | (402,156) | (411,698) |
| Without donor restriction endowment payments | - | - | (236,574) | (236,574) | (176,019) |
| Interest on debt | - | (93,914) | - | (93,914) | (177,413) |
| Interest on deposits | (71,189) | - | - | (71,189) | (178,007) |
| Total expenses | (35,118,174) | (496,070) | (236,574) | (35,850,818) | (35,625,853) |
| Transfers to/from other funds: | | | | | |
| (To) from plant fund | (383,697) | 383,697 | - | - | - |
| (To) from unrestricted endowments | 17,162 | - | (17,162) | - | - |
| Total transfers | (366,535) | 383,697 | (17,162) | - | - |
| Increase (decrease) in net assets without donor restrictions and designated net assets before changes in postemployment benefit plan liability | 902,416 | (84,951) | (127,010) | 690,455 | 403,644 |
| Changes in postemployment benefit plan liability (Note 10) | 677,712 | - | - | 677,712 | (896,121) |
| Increase (decrease) in net assets without donor restrictions and designated net assets | 1,580,128 | (84,951) | (127,010) | 1,368,167 | (492,477) |

(Continued)

Catholic Diocese of Kansas City—St. Joseph Chancery Operations

**Statements of Activities (Continued)
Years Ended June 30, 2021 and 2020**

| | Current | Plant | Endowment | 2021 | 2020 |
|--|---------------------|---------------------|----------------------|----------------------|----------------------|
| Changes in net assets with donor restrictions: | | | | | |
| Revenues and gains: | | | | | |
| Restricted contributions | \$ - | \$ - | \$ - | \$ - | \$ 313,533 |
| Endowment contributions and bequests | - | - | 49,184 | 49,184 | 494,671 |
| Endowment investment income, realized (Note 16) | - | - | 757,341 | 757,341 | 179,147 |
| Endowment unrealized gains (Note 16) | - | - | 68,123 | 68,123 | 2,825 |
| Restrictions satisfied: | | | | | |
| Other assets released from restrictions (Note 12) | - | - | - | - | (60,000) |
| Restrictions satisfied—endowment payments to beneficiaries (Note 12) | - | - | (176,383) | (176,383) | (102,183) |
| Increase in net assets with donor restrictions | - | - | 698,265 | 698,265 | 827,993 |
| Total change in net assets | 1,580,128 | (84,951) | 571,255 | 2,066,432 | 335,516 |
| Net assets, beginning of year | 2,246,681 | 6,219,358 | 9,661,863 | 18,127,902 | 17,792,386 |
| Net assets, end of year | \$ 3,826,809 | \$ 6,134,407 | \$ 10,233,118 | \$ 20,194,334 | \$ 18,127,902 |

See notes to financial statements.

Catholic Diocese of Kansas City—St. Joseph Chancery Operations

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

| | 2021 | 2020 |
|---|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Cash received from donors, parishes and schools | \$ 36,670,795 | \$ 38,205,566 |
| Cash paid to suppliers, employees and other | (35,498,953) | (36,239,743) |
| Interest received | 8,442 | 12,056 |
| Interest paid | (165,103) | (355,420) |
| Net cash provided by operating activities | 1,015,181 | 1,622,459 |
| Cash flows from investing activities: | | |
| Proceeds from sales and maturities of investments | 326,798 | 3,149,910 |
| Purchases of investments | (107,000) | (3,078,033) |
| Purchases of land, buildings and equipment | (68,459) | (194,323) |
| Change in loans receivable, net | (151,226) | (811,000) |
| Net cash provided by (used in) investing activities | 113 | (933,446) |
| Cash flows from financing activities: | | |
| Principal payments on notes payable | (191,113) | (154,408) |
| Change in deposits payable | 3,697,608 | 1,935,817 |
| Net cash provided by financing activities | 3,506,495 | 1,781,409 |
| Net increase in cash and cash equivalents | 4,521,789 | 2,470,422 |
| Cash and cash equivalents: | | |
| Beginning | 18,239,214 | 15,768,792 |
| Ending | \$ 22,761,003 | \$ 18,239,214 |
| Reconciliation of change in net assets to net cash provided by operating activities: | | |
| Change in net assets | \$ 2,066,432 | \$ 335,516 |
| Adjustments to reconcile the change in net assets to net cash provided by operating activities: | | |
| Depreciation | 402,156 | 411,698 |
| Unrealized (gains) loss on investments | (233,230) | 161,335 |
| Gain on sale of investments | (810,718) | (291,992) |
| Change in value of annuities payable | 100,031 | (26,099) |
| Changes in assets and liabilities: | | |
| (Increase) decrease in: | | |
| Accounts receivable | 108,766 | 285,968 |
| Pledges receivable | (3,837) | (8,790) |
| Beneficial interest in others | (167,738) | 15,860 |
| Increase (decrease) in: | | |
| Accounts payable | (19,239) | (55,807) |
| Retired priests benefit obligations | (677,712) | 896,121 |
| Deferred revenue | 250,270 | (101,351) |
| Net cash provided by operating activities | \$ 1,015,181 | \$ 1,622,459 |

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). The Organization presents its financial statements based on *FASB Accounting Standards Codification* (ASC) Topic 958, Presentation of Financial Statements.

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

Net assets with donor restrictions: Net assets with donor restrictions are subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. These assets can also be limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Net assets with and without donor restriction revenue and support: Unconditional contributions received are recorded as with donor restrictions or without donor restrictions, depending on the existence or nature of any donor restrictions. Conditional contributions with a measurable performance barrier or other barrier and right of return or release of funds are recognized when the conditions on which they depend are substantially met.

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 restrictions are reclassified to net assets without donor restrictions and reported in the statements 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 donations without donor restrictions.

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 funds without donor restrictions received by the Organization are either anticipated and allocated in advance, billed for certain auxiliary services, or designated by the Bishop upon receipt.

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

Catholic Diocese of Kansas City—St. Joseph Chancery Operations

Notes to Financial Statements

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

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 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. 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 or barrier on which they depend are overcome.

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. Investment income, realized and unrealized gains and losses are recorded in the statements of activities net of investment fees and are presented with donor restrictions or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions. 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, net of accumulated depreciation. Major renewals and betterments are capitalized, and maintenance and repairs that do not improve or extend the life of the respective assets are expensed and included in the change in net assets 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 conditional grants and other monies on an advance basis. The deferred revenue reported by the Organization consists of monies received for which the condition(s) have not been met and/or revenue has not been earned at year-end.

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 ASC Topic 740, Income Taxes. 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, 2021 or 2020.

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 \$505,107 and \$500,897 for the years ended June 30, 2021 and 2020, respectively.

Catholic Diocese of Kansas City—St. Joseph Chancery Operations

Notes to Financial Statements

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

Paycheck Protection Program contribution: On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law and is meant to address the economic fallout from the COVID-19 pandemic. In connection with the CARES Act, the Organization received a Small Business Administration (SBA) Paycheck Protection Program (PPP) loan for \$989,500 on April 15, 2020. The Organization determined it qualified for the PPP loan because the Organization had less than 500 employees. The loan is to be forgiven if certain conditions are met related to the use of the proceeds and maintenance of employment with the Organization's employees. The Organization determined that it had met all requirements for forgiveness as of June 30, 2020, and therefore accounted for the loan proceeds as a contribution in 2020 in accordance with ASC Subtopic 958-605, Revenue Recognitions – Contributions. During 2021, the loan was forgiven in full by the lender. The SBA may audit any PPP loan at its discretion until the end of the required document retention period for the loan. For the Organization's PPP loan, the document retention period is 6 years, measured from the date the Organization applied for forgiveness.

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

Note 2. Liquidity and Availability of Resources

The 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 general expenditures at June 30, 2021 and 2020.:

| | 2021 | 2020 |
|--|----------------------|----------------------|
| Cash and cash equivalents (excludes Custodian funds) | \$ 21,540,444 | \$ 17,107,664 |
| Loans and accounts receivable, net | 3,153,293 | 3,023,338 |
| Pledges receivable, net | 118,588 | 114,751 |
| Beneficial interest in others | 778,436 | 610,698 |
| Investments | 3,834,646 | 3,010,496 |
| | <u>29,425,407</u> | <u>23,866,947</u> |
| Less donor-restricted funds | (9,050,925) | (8,352,660) |
| Financial assets available to meet general expenditures within the next year | <u>\$ 20,374,482</u> | <u>\$ 15,514,287</u> |

Catholic Diocese of Kansas City—St. Joseph Chancery Operations

Notes to Financial Statements

Note 3. Loans and Accounts Receivable

Loans and accounts receivable are composed of the following at June 30, 2021 and 2020:

| | 2021 | 2020 |
|---|---------------------|---------------------|
| Diocesan other | \$ 221,360 | \$ 206,385 |
| Diocesan entities | 5,804,550 | 5,777,065 |
| | <u>6,025,910</u> | <u>5,983,450</u> |
| Less allowance for uncollectible accounts | (200,000) | (200,000) |
| | <u>\$ 5,825,910</u> | <u>\$ 5,783,450</u> |

The Organization's loans receivable consist of funds disbursed to 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, 2021 and 2020, is summarized below:

| | Current | Past Due | Total |
|--|---------------------|---------------------|---------------------|
| 2021: | | | |
| Receivables | <u>\$ 3,153,293</u> | <u>\$ 2,872,617</u> | <u>\$ 6,025,910</u> |
| As a percentage of the total receivables portfolio | <u>52.33%</u> | <u>47.67%</u> | <u>100.00%</u> |
| | | | |
| 2020: | | | |
| Receivables | <u>\$ 2,897,449</u> | <u>\$ 3,086,001</u> | <u>\$ 5,983,450</u> |
| As a percentage of the total receivables portfolio | <u>48.42%</u> | <u>51.58%</u> | <u>100.00%</u> |

Note 4. Pledges Receivable

Pledges receivable at June 30, 2021 and 2020 are due as follows:

| | 2021 | 2020 |
|---------------------------|-------------------|-------------------|
| Due in less than one year | <u>\$ 118,588</u> | <u>\$ 114,751</u> |

Catholic Diocese of Kansas City—St. Joseph Chancery Operations

Notes to Financial Statements

Note 5. Land, Buildings and Equipment

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

| | 2021 | 2020 |
|-------------------------------|---------------------|---------------------|
| Operating properties | \$ 14,616,024 | \$ 14,547,565 |
| Land held for development | 1,023,794 | 1,023,794 |
| Assets held for sale | 70,000 | 70,000 |
| | <u>15,709,818</u> | <u>15,641,359</u> |
| Less accumulated depreciation | (6,044,880) | (5,642,724) |
| | <u>\$ 9,664,938</u> | <u>\$ 9,998,635</u> |

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 and contribution revenue are recorded at the present value of the estimated future cash receipts. Included in net assets with donor restrictions is \$267,489 as of June 30, 2021 and 2020, 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 \$399,029 and \$315,110 as of June 30, 2021 and 2020, 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 \$379,407 and \$295,588 at June 30, 2021 and 2020, respectively, with the principal and income to be used for *The Catholic Key*, the Catholic Diocesan newspaper.

Note 7. Investments

The following schedules show life-to-date unrealized gains (losses) on different types of investments for the years ended June 30, 2021 and 2020:

| | 2021 | | |
|-------------------------|---------------------|---------------------|--|
| | Cost | Fair Value | Unrealized Appreciation (Depreciation) |
| Mutual funds | \$ 26,595 | \$ 34,159 | \$ 7,564 |
| Money market funds | 21,129 | 21,129 | - |
| Fixed income securities | 37,456 | 36,794 | (662) |
| Alternative investments | 2,970,634 | 3,742,564 | 771,930 |
| | <u>\$ 3,055,814</u> | <u>\$ 3,834,646</u> | <u>\$ 778,832</u> |

Catholic Diocese of Kansas City—St. Joseph Chancery Operations

Notes to Financial Statements

Note 7. Investments (Continued)

| | 2020 | | |
|-------------------------|---------------------|---------------------|--|
| | Cost | Fair Value | Unrealized Appreciation (Depreciation) |
| Mutual funds | \$ 19,983 | \$ 23,033 | \$ 3,050 |
| Money market funds | 9,006 | 9,006 | - |
| Fixed income securities | 33,568 | 34,933 | 1,365 |
| Alternative investments | 2,944,621 | 2,943,524 | (1,097) |
| | <u>\$ 3,007,178</u> | <u>\$ 3,010,496</u> | <u>\$ 3,318</u> |

Investments are stated at fair value as of June 30, 2021 and 2020. The following schedule summarizes the investment return and its classification in the statements of activities for the years ended June 30, 2021 and 2020:

| | 2021 | | | 2020 | | |
|---------------------------------|----------------------------|-------------------------|---------------------|----------------------------|-------------------------|-------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Interest income | \$ 46,855 | \$ 43,276 | \$ 90,131 | \$ 169,569 | \$ 122,421 | \$ 291,990 |
| Realized gains | 96,653 | 714,065 | 810,718 | 235,266 | 56,726 | 291,992 |
| Investment income | 143,508 | 757,341 | 900,849 | 404,835 | 179,147 | 583,982 |
| Unrealized gains on investments | 165,107 | 68,123 | 233,230 | (164,160) | 2,825 | (161,335) |
| | <u>\$ 308,615</u> | <u>\$ 825,464</u> | <u>\$ 1,134,079</u> | <u>\$ 240,675</u> | <u>\$ 181,972</u> | <u>\$ 422,647</u> |

Note 8. Notes Payable

The Organization has an outstanding note payable to a bank due in monthly payments of principal and interest of \$23,436 through May 15, 2023 (as modified on August 15, 2020), and a final payment of the remaining balance due on June 15, 2023. The note bears interest at 2.05% and is collateralized by certain real estate. The outstanding balance of the note at June 30, 2021 and 2020, was \$4,027,191 and \$4,218,304, respectively.

Aggregate maturities required on long-term debt at June 30, 2021, are due in future years as follows:

| | |
|-----------------------|---------------------|
| Years ending June 30: | |
| 2022 | \$ 199,193 |
| 2023 | 3,827,998 |
| Total | <u>\$ 4,027,191</u> |

Catholic Diocese of Kansas City—St. Joseph Chancery Operations

Notes to Financial Statements

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 (deficit) associated with the charitable gift annuities reported in the endowment fund at June 30, 2021 and 2020, are as follows:

| | 2021 | 2020 |
|---|--------------------|--------------------|
| Annuity investments | \$ 811,691 | \$ 665,144 |
| Annuities payable | (827,547) | (727,516) |
| Net deficit without donor restrictions, designated for annuities | <u>\$ (15,856)</u> | <u>\$ (62,372)</u> |

The Organization received no new charitable gift annuities during the years ended June 30, 2021 and 2020.

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 restrictions of a nonprofit organization. The underfunded portion of the plans, \$9,248,672 and \$9,926,384 as of June 30, 2021 and 2020, 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, 2021 and 2020:

| | 2021 | 2020 |
|--|-----------------------|-----------------------|
| Accumulated postretirement benefit obligation: | | |
| Retirees | \$ 2,407,110 | \$ 2,688,173 |
| Fully eligible active plan participants | 4,574,697 | 4,256,894 |
| Other active plan participants | 2,266,865 | 2,981,317 |
| | <u>9,248,672</u> | <u>9,926,384</u> |
| Plan assets at fair value | - | - |
| | <u>\$ 9,248,672</u> | <u>\$ 9,926,384</u> |
| Accumulated postretirement benefit obligation in excess of plan assets (long-term disability reserves) | <u>\$ 9,248,672</u> | <u>\$ 9,926,384</u> |
| Amounts not yet reflected in net periodic benefit cost: | | |
| Prior service credit | \$ 1,271,167 | \$ 1,586,340 |
| Accumulated loss | (3,907,846) | (4,949,645) |
| | <u>\$ (2,636,679)</u> | <u>\$ (3,363,305)</u> |

The following sets forth the change in the benefit obligation for the years ended June 30, 2021 and 2020:

| | Years Ended June 30 | |
|---------------------------------------|---------------------|---------------------|
| | 2021 | 2020 |
| Benefit obligation, beginning of year | \$ 9,926,384 | \$ 9,030,263 |
| Service and interest costs | 539,932 | 554,816 |
| Benefits paid | (391,448) | (414,194) |
| Actuarial loss (gain) | (826,196) | 755,499 |
| Benefit obligation, end of year | <u>\$ 9,248,672</u> | <u>\$ 9,926,384</u> |

For 2021, the weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 2.82% (2.92% for 2020). The plan assets are not subject to federal income taxes.

| | 2021 | 2020 |
|---|------|------|
| Assumed health care cost trend rates at June 30: | | |
| Health care cost trend rate assumed for next year | 7.0% | 7.5% |
| Rate to which the cost trend rate is assumed to decline (the ultimate trend rate) | 4.0% | 5.0% |
| Year that the rate reaches the ultimate trend rate | 2047 | 2026 |

The Organization expects to contribute \$402,583 to its retirement plans for the year ending June 30, 2022.

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: | | |
| 2022 | \$ | 402,583 |
| 2023 | | 392,679 |
| 2024 | | 399,325 |
| 2025 | | 405,453 |
| 2026 | | 410,867 |
| 2027–2031 | | 2,082,665 |
| | \$ | <u>4,093,572</u> |

Note 11. Net Assets With Donor Restrictions

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

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Restrictions as to use: | | |
| Education of priests | \$ 7,574,738 | \$ 6,928,990 |
| Education of children | 116,281 | 106,230 |
| Construction of facilities | 333,090 | 450,614 |
| Endowments and other | 1,026,816 | 866,826 |
| Total net assets with donor restrictions | <u>\$ 9,050,925</u> | <u>\$ 8,352,660</u> |

Note 12. Net Assets Released From Restrictions

During 2021 and 2020, other assets were released from restrictions by incurring expenses satisfying the restricted purposes specified:

| | <u>2021</u> | <u>2020</u> |
|-------------------------------------|-------------------|-------------------|
| Endowment payments to beneficiaries | \$ 176,383 | \$ 102,183 |
| Other | - | 60,000 |
| | <u>\$ 176,383</u> | <u>\$ 162,183</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 (the Archdiocese), 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 restrictions 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, 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, 2021 and 2020, the Organization received \$49,171 and \$46,590, respectively. As of June 30, 2021 and 2020, the Organization has \$1,191,351 and \$1,142,180, 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.

During the years ended June 30, 2021 and 2020, the Organization contributed \$300,000 to the Diocesan Insurance Office, which is included in the Diocesan administration line on the statements of activities.

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

Catholic Diocese of Kansas City—St. Joseph Chancery Operations

Notes to Financial Statements

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 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

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.

Alternative investments: Alternative investments are valued using the practical expedient. The practical expedient allows for the use of net asset value of shares held at year-end either as reported by the investee or as adjusted by the Organization based on various factors, including capital calls, proceeds from distributions, and gains and losses that are included in earnings and recorded in the statements of activities

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.

Catholic Diocese of Kansas City—St. Joseph Chancery Operations

Notes to Financial Statements

Note 15. Fair Value Measurements (Continued)

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

| | June 30, 2021 | | | |
|--|---------------------|------------------|------------------|-------------------|
| | Total | Level 1 | Level 2 | Level 3 |
| Investments: | | | | |
| Fixed-income securities: | | | | |
| Municipal bonds | \$ 36,794 | \$ - | \$ 36,794 | \$ - |
| Money market funds | 21,129 | 21,129 | - | - |
| Equity securities: | | | | |
| Equity mutual funds | 34,159 | 34,159 | - | - |
| | <u>92,082</u> | <u>\$ 55,288</u> | <u>\$ 36,794</u> | <u>\$ -</u> |
| Alternative investments valued at net asset value (NAV): | | | | |
| Investments in common trust funds | <u>3,742,564</u> | | | |
| Total investments | <u>\$ 3,834,646</u> | | | |
| Beneficial interest in others | <u>\$ 778,436</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 778,436</u> |
| | | | | |
| | June 30, 2020 | | | |
| | Total | Level 1 | Level 2 | Level 3 |
| Investments: | | | | |
| Fixed-income securities: | | | | |
| Municipal bonds | \$ 34,933 | \$ - | \$ 34,933 | \$ - |
| Money market funds | 9,006 | 9,006 | - | - |
| Equity securities: | | | | |
| Equity mutual funds | 23,033 | 23,033 | - | - |
| | <u>66,972</u> | <u>\$ 32,039</u> | <u>\$ 34,933</u> | <u>\$ -</u> |
| Alternative investments valued at net asset value (NAV): | | | | |
| Investments in common trust funds | <u>2,943,524</u> | | | |
| Total investments | <u>\$ 3,010,496</u> | | | |
| Beneficial interest in others | <u>\$ 610,698</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 610,698</u> |

The Organization does not have assets and liabilities recorded at fair market value on a nonrecurring basis at June 30, 2021 and 2020..

Catholic Diocese of Kansas City—St. Joseph Chancery Operations

Notes to Financial Statements

Note 15. Fair Value Measurements (Continued)

The fair value estimates presented are based on pertinent information available to management at June 30, 2021. 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, 2021 and 2020:

| | Beneficial Interest in Others | |
|---------------------------|-------------------------------|-------------------|
| | 2021 | 2020 |
| Beginning balance | \$ 610,698 | \$ 626,558 |
| Unrealized gains (losses) | 167,738 | (15,860) |
| Ending balance | <u>\$ 778,436</u> | <u>\$ 610,698</u> |

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

| Investments | Fair Value | Unfunded Commitment | Redemption Frequency | Redemption Notice Period |
|--------------------------------|---------------------|---------------------|----------------------|--------------------------|
| Investment in common trust (a) | \$ 1,552,771 | \$ - | Daily | 1-2 days |
| Investment in common trust (b) | 1,124,734 | - | Daily | 1-3 days |
| Investment in common trust (c) | 84,528 | - | Daily | 1-2 days |
| Investment in common trust (d) | 25,169 | - | Daily | 1-2 days |
| Investment in common trust (e) | 284,243 | - | Daily | 1-2 days |
| Investment in common trust (f) | 334,694 | - | Daily | 1-2 days |
| Investment in common trust (g) | 336,425 | - | Daily | 1-2 days |
| | <u>\$ 3,742,564</u> | | | |

- (a) This nonlending common trust fund seeks an investment return that approximates, as closely as practicable, before expenses, the performance of the Russell 3000 Index over the long term. The fund implements a screen of certain social or environmental criteria as defined in the “US Equity Index Strategy Disclosure Document.”
- (b) This nonlending common trust fund seeks an investment return that approximates, as closely as practicable, before expenses, the performance of the MSCI ACWI ex USA IMI over the long term. The fund implements a screen of certain social or environmental criteria as defined in the “Global Equity Index Strategy Disclosure Document.”
- (c) This nonlending fund seeks an investment return that approximates as closely as practicable, before expenses, the performance of the Bloomberg Barclays U.S. Long Government Bond Index (the “Index”) over the long term. The fund attempts to achieve its investment objective by investing in other collective investment fund(s), each an underlying fund, managed by the Trustee, which have characteristics consistent with the fund’s overall investment objective.

Catholic Diocese of Kansas City—St. Joseph Chancery Operations

Notes to Financial Statements

Note 15. Fair Value Measurements (Continued)

- (d) This nonlending fund seeks an investment return that approximates as closely as practicable, before expenses, the performance of the Bloomberg Barclays U.S. ABS Index/Barclays U.S. CMBS (ERISA Only) Index (the “Index”) over the long term.
- (e) This nonlending common trust fund seeks an investment return that approximates as closely as practicable, before expenses, the performance of the Bloomberg Barclays U.S. Intermediate Government Bond Index (the “Index”) over the long term. The fund attempts to achieve its investment objective by investing in other collective investment fund(s), each an underlying fund, managed by the Trustee, which have characteristics consistent with the fund’s overall investment objective.
- (f) This nonlending common trust fund seeks an investment return that approximates as closely as practicable, before expenses, the performance of the Bloomberg Barclays U.S. Intermediate Government Bond Index (the “Index”) over the long term. The fund attempts to achieve its investment objective by investing in other collective investment fund(s), each an underlying fund, managed by the Trustee, which have characteristics consistent with the fund’s overall investment objective.
- (g) This nonlending common trust fund seeks an investment return that approximates, as closely as practicable, before expenses, the performance of the Bloomberg Barclays U.S. Credit Bond Index (the “Index”) over the long term. The Fund implements a screen of certain social or environmental criteria (the “Screen”) as defined in the “US Fixed Income Index Strategy Disclosure Document.”

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.

UPMIFA prescribes guidelines for expenditure of a donor-restricted endowment fund (in the absence of overriding, explicit donor stipulations) and focuses on the entirety of a donor-restricted endowment fund, that is, both original gift amount(s) and net appreciation.

The Organization’s endowment includes both donor-restricted endowment funds and funds designated by management to function as endowments. As required by accounting principles generally accepted in the United States of America, 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.

Catholic Diocese of Kansas City—St. Joseph Chancery Operations

Notes to Financial Statements

Note 16. Endowments (Continued)

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.

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 restrictions and net assets without donor restrictions. There were no deficiencies as of June 30, 2021 and 2020.

Catholic Diocese of Kansas City—St. Joseph Chancery Operations

Notes to Financial Statements

Note 16. Endowments (Continued)

Changes in endowment net assets for the fiscal years ended June 30, 2021 and 2020, are as follows:

| | 2021 | | Total |
|---|----------------------------|-------------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | |
| Endowment net assets, beginning of year | \$ 1,974,461 | \$ 7,687,402 | \$ 9,661,863 |
| Net investment income | 261,760 | 825,464 | 1,087,224 |
| Change in value of split-interest agreements | (138,034) | - | (138,034) |
| Contributions | 3,000 | 49,184 | 52,184 |
| Transfers to affiliate trust | (17,162) | - | (17,162) |
| Appropriation of endowment assets for expenditure | (236,574) | (176,383) | (412,957) |
| Endowment net assets, end of year | <u>\$ 1,847,451</u> | <u>\$ 8,385,667</u> | <u>\$ 10,233,118</u> |

| | 2020 | | Total |
|---|----------------------------|-------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | |
| Endowment net assets, beginning of year | \$ 2,113,565 | \$ 7,112,942 | \$ 9,226,507 |
| Net investment income | 71,106 | 181,972 | 253,078 |
| Change in value of split-interest agreements | (12,044) | - | (12,044) |
| Contributions | - | 494,671 | 494,671 |
| Transfers to affiliate trust | (22,147) | - | (22,147) |
| Appropriation of endowment assets for expenditure | (176,019) | (102,183) | (278,202) |
| Endowment net assets, end of year | <u>\$ 1,974,461</u> | <u>\$ 7,687,402</u> | <u>\$ 9,661,863</u> |

Note 17. Designated Net Assets Without Donor Restrictions

Designated net assets without donor restrictions at June 30, 2021 and 2020, comprised the following:

| | 2021 | 2020 |
|--|---------------------|---------------------|
| Designated as to use: | | |
| Religious personnel development | \$ 1,545,833 | \$ 1,373,001 |
| Pastoral | 632,031 | 630,132 |
| Education | 2,500 | 32,500 |
| Social services | 315,933 | 329,626 |
| Maintenance and upkeep of property and plant | 2,147,634 | 2,090,001 |
| Other | 6,274 | 165,136 |
| | <u>\$ 4,650,205</u> | <u>\$ 4,620,396</u> |

Catholic Diocese of Kansas City—St. Joseph Chancery Operations

Notes to Financial Statements

Note 18. Functional Expense Allocation

Expenses by functional classification for the years ended June 30, 2021 and 2020, are as follows:

| | June 30, 2021 | | | | | | | | |
|--|---------------------|---------------------|-------------------|--------------------------|---|---------------------|-----------------------------------|----------------------|----------------------|
| | Personnel Costs | Occupancy Cost | Office Expense | Professional Services | Travel and Professional Development | Program | Grants and Other Assistance | Other | Total |
| Operating expenses: | | | | | | | | | |
| Pastoral services | \$ 1,549,641 | \$ 347,332 | \$ 140,785 | \$ 26,569 | \$ 33,708 | \$ 381,791 | \$ 173,048 | \$ 1,971,743 | \$ 4,624,617 |
| Religious personnel development | 422,048 | 101,592 | 27,596 | 24,800 | 23,574 | 846,884 | 164,396 | 97,685 | 1,708,575 |
| Education | 599,410 | 95,484 | 55,113 | 128,570 | 5,431 | 162,583 | 2,155,488 | 88,724 | 3,290,803 |
| Social services | - | - | - | - | - | - | 420,310 | - | 420,310 |
| Diocesan administration | 1,943,382 | 1,115,838 | 474,570 | 207,009 | 25,628 | 180,015 | 467,402 | 556,222 | 4,970,066 |
| Auxiliary service (insurance, publications) | 174,551 | 21,902 | 8,275 | 39,537 | 1,027 | 132,162 | - | 19,655,160 | 20,032,614 |
| | <u>\$ 4,689,032</u> | <u>\$ 1,682,148</u> | <u>\$ 706,339</u> | <u>\$ 426,485</u> | <u>\$ 89,368</u> | <u>\$ 1,703,435</u> | <u>\$ 3,380,644</u> | <u>\$ 22,369,534</u> | <u>\$ 35,046,985</u> |
| | | | | | | | | | |
| | June 30, 2020 | | | | | | | | |
| | Personnel Costs | Occupancy Cost | Office Expense | Professional Services | Travel and Professional Development | Program | Grants and Other Assistance | Other | Total |
| Operating expenses: | | | | | | | | | |
| Pastoral services | \$ 1,502,781 | \$ 282,035 | \$ 119,886 | \$ 25,694 | \$ 83,908 | \$ 616,881 | \$ 135,565 | \$ 2,311,061 | \$ 5,077,811 |
| Religious personnel development | 545,287 | 40,795 | 42,998 | - | 35,913 | 884,952 | 131,250 | 219,563 | 1,900,758 |
| Education | 650,629 | 83,472 | 179,557 | 100,959 | 16,012 | 187,621 | 1,921,275 | 7,477 | 3,147,002 |
| Social services | - | - | - | - | - | - | 447,753 | - | 447,753 |
| Diocesan administration | 1,911,059 | 1,097,980 | 527,001 | 188,319 | 47,937 | 130,018 | 325,662 | 722,408 | 4,950,384 |
| Auxiliary service (insurance, publications) | 402,517 | 49,985 | 27,714 | - | 54 | 100,360 | - | 18,578,378 | 19,159,008 |
| | <u>\$ 5,012,273</u> | <u>\$ 1,554,267</u> | <u>\$ 897,156</u> | <u>\$ 314,972</u> | <u>\$ 183,824</u> | <u>\$ 1,919,832</u> | <u>\$ 2,961,505</u> | <u>\$ 21,838,887</u> | <u>\$ 34,682,716</u> |

Depreciation, without donor restriction endowment payments, interest on debt, and interest on deposits for a total of \$803,833 and \$943,137 for the years ended June 30, 2021 and 2020, respectively, are excluded from the tables above as the Organization does not allocate these expenses to programs and therefore are considered supporting services.

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, 2020 and 2019:

| | Total Plan Net Assets | Present Value of Accumulated Plan Benefits | Total Contributions | Funded Status |
|--------------|--------------------------|--|------------------------|--------------------------|
| July 1, 2020 | \$ 20,343,405 | \$ 11,927,185 | \$ 545,430 | Greater than 100% funded |
| July 1, 2019 | 19,673,437 | 11,924,010 | 567,675 | 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, 2020 and 2019:

| | Total Plan Net Assets | Present Value of Accumulated Plan Benefits | Total Contributions | Funded Status |
|--------------|--------------------------|--|------------------------|--------------------------|
| July 1, 2020 | \$ 94,345,669 | \$ 93,617,858 | \$ 2,465,502 | Greater than 100% funded |
| July 1, 2019 | 91,162,981 | 89,384,019 | 2,407,177 | Greater than 100% funded |

Note 20. Subsequent Events

Management has evaluated and disclosed subsequent events up to and including November 8, 2021, which is the date the financial statements were available to be issued.