The Catholic Diocese of Kansas City–St. Joseph Deposit and Loan Fund

Financial Report
June 30, 2019

Contents

RSM US LLP

Independent Auditor's Report

To the Board of Trustees
The Catholic Diocese of Kansas City–St. Joseph
Deposit and Loan Fund

Report on the Financial Statements
We have audited the accompanying financial statements of The Catholic Diocese of Kansas City–St. Joseph Deposit and Loan Fund, 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 of 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 Deposit and Loan Fund 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.

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 Deposit and Loan Fund presented on the statement of financial position and the statement of activities is presented for the purpose of additional analysis rather than to present the financial position and the results of operations of the entity and is not a required part of the financial statements. The consolidating information has been subjected to auditing procedures applied in the audit 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

The Catholic Diocese of Kansas City–St. Joseph Deposit and Loan Fund

Statements of Financial Position
June 30, 2019 and 2018

	2019			2018
	Endowment	Deposit and Loan	**Total**	Total
Assets				
Cash and cash equivalents	$ -	$ 1,078,159	**$ 1,078,159**	$ 2,729,247
Loans and accounts receivable, net (Note 3)	-	16,734,977	**16,734,977**	12,461,982
Investments (Notes 4 and 9)	3,087,015	26,121,599	**29,208,614**	33,432,120
Total assets	$ 3,087,015	$ 43,934,735	**$ 47,021,750**	$ 48,623,349
Liabilities and Net Assets				
Liabilities:				
Accounts payable	$ -	$ 87,500	**$ 87,500**	$ -
Parish deposits (Note 6)	-	21,850,521	**21,850,521**	26,223,578
School deposits (Note 6)	-	2,173,168	**2,173,168**	2,432,042
Other short-term deposits	-	12,342,051	**12,342,051**	9,698,207
Long-term deposits payable:				
Cemetery perpetual care funds	-	6,479,897	**6,479,897**	6,271,006
Total liabilities	-	42,933,137	**42,933,137**	44,624,833
Net assets:				
Without donor restrictions:				
Designated funds (Note 8)	1,547,972	-	**1,547,972**	1,547,972
Undesignated	-	1,001,598	**1,001,598**	942,924
Total net assets without donor restrictions	1,547,972	1,001,598	**2,549,570**	2,490,896
With donor restrictions:				
Endowments (Notes 7 and 8)	1,539,043	-	**1,539,043**	1,507,620
Total net assets with donor restrictions	1,539,043	-	**1,539,043**	1,507,620
Total net assets	3,087,015	1,001,598	**4,088,613**	3,998,516
Total liabilities and net assets	$ 3,087,015	$ 43,934,735	**$ 47,021,750**	$ 48,623,349

See notes to financial statements.

The Catholic Diocese of Kansas City–St. Joseph Deposit and Loan Fund

Statements of Activities
Years Ended June 30, 2019 and 2018

	2019			2018
	Endowment	Deposit and Loan	**Total**	Total
Changes in net assets without donor restrictions:				
Revenues and gains:				
Interest income on loans (Note 4)	$ -	$ 553,054	**$ 553,054**	$ 370,483
Investment income, realized (Note 4)	50,997	886,379	**937,376**	989,274
Unrealized gains (Note 4)	-	438,586	**438,586**	157,985
Released from restrictions (Notes 7 and 8)	-	23,849	**23,849**	13,010
Total revenues and gains	50,997	1,901,868	**1,952,865**	1,530,752
Unrestricted endowment payments	50,997	-	**50,997**	38,235
Interest on deposits	-	1,469,294	**1,469,294**	1,086,082
Administrative expense (Note 10)	-	357,500	**357,500**	407,500
Other expenses	-	16,400	**16,400**	12,883
Total expenses	50,997	1,843,194	**1,894,191**	1,544,700
Increase (decrease) in net assets without donor restrictions	-	58,674	**58,674**	(13,948)
Changes in net assets with donor restrictions:				
Revenues and gains:				
Endowment interest income (Note 8)	50,272	-	**50,272**	36,917
Contributions	5,000	-	**5,000**	5,000
Restrictions satisfied:				
Endowment payments to beneficiaries (Notes 7 and 8)	(23,849)	-	**(23,849)**	(13,010)
Increase in net assets with donor restrictions	31,423	-	**31,423**	28,907
Total change in net assets	31,423	58,674	**90,097**	14,959
Net assets, beginning	3,055,592	942,924	**3,998,516**	3,983,557
Net assets, ending	$ 3,087,015	$ 1,001,598	**$ 4,088,613**	$ 3,998,516

See notes to financial statements.

The Catholic Diocese of Kansas City–St. Joseph Deposit and Loan Fund

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

	2019	2018
Cash flows from operating activities:		
Increase in net assets	**$ 90,097**	$ 14,959
Investment income, realized	**(937,376)**	(989,274)
Unrealized gains on investments	**(438,586)**	(157,985)
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	**(60,624)**	28,137
Accounts payable	**87,500**	(9,804)
Net cash used in operating activities	**(1,258,989)**	(1,113,967)
Cash flows from investing activities:		
Purchases of investments	**(532)**	(3,250,000)
Proceeds from sale of investments	**5,600,000**	4,250,000
Increase in loans receivable, net	**(4,212,371)**	(1,764,127)
Net cash provided by (used in) investing activities	**1,387,097**	(764,127)
Cash flows from financing activities:		
Change in deposits payable, net	**(1,779,196)**	4,229,361
Net cash provided by (used in) financing activities	**(1,779,196)**	4,229,361
Net increase (decrease) in cash and cash equivalents	**(1,651,088)**	2,351,267
Cash and cash equivalents:		
Beginning	**2,729,247**	377,980
Ending	**$ 1,078,159**	$ 2,729,247

See 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 Deposit and Loan Fund (the Trust). The Trust was established April 28, 2016.

The following is a summary of the Trust'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 Trust 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 and related notes for all years presented.

Accordingly, net assets of the Trust and changes therein are classified and reported as follows:

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

Designated net assets without donor restrictions: Net assets are designated by the Board of Trustees and can only be released upon approval of the Board of Trustees.

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

Net assets without and with donor restrictions, revenue and support: Unconditional contributions received are recorded as without or with donor-restricted support, 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, depending on the nature of the restriction. 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 Trust, the accounts of the Trust 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.

Endowment fund: These are donor-restricted funds invested for the purpose of producing income. They consist of (1) endowment funds with donor restrictions, donated with provisions that the funds may be expended under the circumstances designated in the trust agreement and (2) funds without donor restrictions, designated as internal endowments by the Bishop to be used as he designates.

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

Deposit and loan fund: The deposit and loan fund is composed of asbestos loans as well as deposits by Diocesan parishes and institutions, and cemetery perpetual care funds. Borrowed funds and parish deposits are used to provide financing for capital improvements in parishes and Diocesan institutions.

Funds entrusted to the Trust for safekeeping are invested through commercial banks and fixed-income and equity investment managers.

Cash and cash equivalents: For purposes of reporting cash flows, the Trust considers all unrestricted highly liquid investments purchased with a maturity of three months or less to be cash equivalents. The Trust 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 Trust 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.

Investments: Investments are recorded at fair value. Unrealized gains and losses are recorded in the statements of activities. See Note 9 for fair value information.

Parish deposits: Parish deposits consist of funds being held by the Trust on behalf of parishes within the Catholic Diocese of Kansas City–St. Joseph.

School deposits: School deposits consist of funds being held by the Trust on behalf of schools within the Catholic Diocese of Kansas City–St. Joseph.

Long-term deposits payable: Long-term deposits payable consist of funds being held by the Trust on behalf of cemetery perpetual care funds.

Use of net assets without donor restrictions: Following the provision of the indenture of trust, the trustees may make periodic, discretionary contributions to Catholic Diocese of Kansas City–St. Joseph Chancery Operation (Chancery Operation) to assist in funding the operations of the Chancery Operation from the funds of the Trust that are not obligated to depositors and that are in excess of funds determined by the trustees to be reasonably required for the operation of the Trust, using standards that are applicable to a fund comparable in size and function to the Trust.

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.

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

Income taxes: The Trust is exempt from income taxes under provisions of section 501(c)(3) of the Internal Revenue Code due to its religious affiliation with the Catholic Diocese of Kansas City–St. Joseph and inclusion in the Catholic Register. 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. There is no liability for uncertain tax positions recorded at June 30, 2019 and 2018.

Functional classification: The Not-for-Profit Entities topic of the ASC requires nonprofit organizations to disclose expense by functional classification. The Trust presents expenses by their functional and natural classification in the June 30, 2019 and June 30, 2018, statements of activities, as there is only one significant program.

Recent accounting pronouncements: 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. The Trust is evaluating the effect the standard will have on its financial statements and related disclosures. The Trust 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 Trust 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 Trust 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 Trust's financial assets available to meet the annual operating needs of the upcoming fiscal year:

	2019	2018
Cash and cash equivalents	$ 1,078,159	$ 2,729,247
Accounts receivable, net	1,830,232	1,318,231
Investments	29,208,614	33,432,119
	32,117,005	37,479,597
Less donor restricted funds	(1,539,043)	(1,507,619)
Financial assets available to meet cash needs	$ 30,577,962	$ 35,971,978

The Trust has various sources of liquidity at its disposal, including cash and cash equivalents, accounts receivable, investments, and a line of credit shown in Note 5, Line of Credit.

Note 3. Loans and Accounts Receivable

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

	2019	2018
Parish loans	$ 13,205,542	$ 8,900,574
High schools and other entities	3,454,377	3,546,974
Accounts receivable	115,058	54,434
	16,774,977	12,501,982
Less allowance for uncollectible accounts	(40,000)	(40,000)
	$ 16,734,977	$ 12,461,982

The Trust's loans receivable consist of funds disbursed to parishes, high schools, Diocesan institutions and other entities with the Catholic Diocese of Kansas City–St. Joseph. The Trust 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:

	2019		
	Current	Past Due	Total
Receivables	$ 15,628,391	$ 1,146,586	$ 16,774,977
As a percentage of the total loan portfolio	93.16%	6.84%	100.00%

	2018		
	Current	Past Due	Total
Receivables	$ 11,529,136	$ 972,846	$ 12,501,982
As a percentage of the total loan portfolio	92.22%	7.78%	100.00%

Note 4. Investments

The following schedules show life-to-date gains on different types of investments:

	June 30, 2019		
	Cost	Fair Value	Unrealized Appreciation
Corporate stocks and bonds	$ 300,086	$ 299,868	$ (218)
Mutual funds	16,501,115	17,964,811	1,463,696
Money market funds	357,399	357,399	-
U.S. government obligations	10,434,941	10,586,536	151,595
	$ 27,593,541	$ 29,208,614	$ 1,615,073

	June 30, 2018		
	Cost	Fair Value	Unrealized Appreciation
Corporate stocks and bonds	$ 300,285	$ 296,235	$ (4,050)
Mutual funds	20,721,333	21,944,746	1,223,413
Money market funds	329,078	329,078	-
U.S. government obligations	10,915,502	10,862,061	(53,441)
	$ 32,266,198	$ 33,432,120	$ 1,165,922

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

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest income	$ 707,386	$ 50,272	$ 757,658
Realized gains	229,990	-	229,990
Investment income	937,376	50,272	987,648
Unrealized gains on investments	438,586	-	438,586
	$ 1,375,962	$ 50,272	$ 1,426,234

Note 4. Investments (Continued)

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest income	$ 572,249	$ 36,917	$ 609,166
Realized gains	417,025	-	417,025
Investment income	989,274	36,917	1,026,191
Unrealized gains on investments	157,985	-	157,985
	$ 1,147,259	$ 36,917	$ 1,184,176

Included in the statements of activities is $553,054 and $370,483 related to interest income on loans receivable for the years ended June 30, 2019 and 2018, respectively.

Note 5. Line of Credit

The Trust has a $4.6 million line of credit with a commercial bank. The line of credit expires April 25, 2020. The line of credit bears interest at LIBOR plus 210 basis points (4.60% at June 30, 2019) at 12-month options and is collateralized by certain real estate. Principal is to be repaid at maturity, with interest due monthly. There were no borrowings outstanding on this line of credit at June 30, 2019 and 2018. The agreement contains certain restrictive covenants, including the maintenance of a fixed-charge coverage ratio and liquid coverage ratio.

Note 6. Deposits Payable

In the parish deposits payable account, the amounts of $21,850,521 and $26,223,578 as of June 30, 2019 and 2018, respectively, consist of numerous deposits made to the Trust that are payable on demand. School deposits payable amount to $2,173,168 and $2,432,042 as of June 30, 2019 and 2018, respectively. All deposits bear a 3.50% and 2.75% interest rate as of June 30, 2019 and 2018, respectively.

Note 7. 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 children	$ 308,105	$ 304,113
Cemetery maintenance	54,048	52,303
Facilities construction and maintenance	1,063,977	1,041,935
Religious services	112,913	109,269
Total net assets with donor restrictions	$ 1,539,043	$ 1,507,620

During the years ended June 30, 2019 and 2018, other assets were released from restriction by incurring expenses satisfying the restricted purpose specified. The purpose was endowment payments to beneficiaries in the amount of $23,849 and $13,010, respectively.

Note 8. 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 funds.

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 Trust. 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 a fund could not spend from the Trust, in favor of a more robust set of guidelines about what constitutes prudent spending, explicitly requiring consideration of the duration and preservation of the Trust.

The Trust's endowment includes both donor-restricted endowment funds and funds designated by the 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: The management of the Trust 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 Trust classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the Trust.

The following information is related to the endowments under the direction of the Trust.

Return objectives and risk parameters: The Trust 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 Trust must hold in perpetuity or for a donor-specified period(s) as well as management-designated funds. Under this policy, as approved by the management, the endowment assets are invested following the Trust's guidelines as determined by management in consultation with the Trust's Investment Committee. The endowments are paid a rate determined by management in consultation with the Board of Trustees.

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

Spending policy and how the investment objectives relate to spending policy: The Trust has a policy of appropriating for distribution the interest earned in the current year by the endowment funds as well as allows for the distribution of the principal as per the stipulations of the donor as well as management-designated funds. This is consistent with the Trust's objective 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.

Note 8. Endowments (Continued)

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 Trust to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with and without donor restrictions. There were no deficiencies as of June 30, 2019 and 2018.

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

	2019		
	Without Donor Restrictions, Designated	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 1,547,972	$ 1,507,620	$ 3,055,592
Net investment income	50,997	50,272	101,269
Contributions	-	5,000	5,000
Appropriation of endowment assets for expenditure	(50,997)	(23,849)	(74,846)
Endowment net assets, end of year	$ 1,547,972	$ 1,539,043	$ 3,087,015

	2018		
	Without Donor Restrictions, Designated	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 1,547,972	$ 1,478,713	$ 3,026,685
Net investment income	38,235	36,917	75,152
Contributions	-	5,000	5,000
Appropriation of endowment assets for expenditure	(38,235)	(13,010)	(51,245)
Endowment net assets, end of year	$ 1,547,972	$ 1,507,620	$ 3,055,592

Designated net assets without donor restrictions as of June 30, 2019 and 2018, were solely for the purpose of maintenance and upkeep and continued asbestos abatement in the amount of $1,547,972. Net assets with donor restrictions at June 30, 2019 and 2018, were restricted for the purposes disclosed in Note 7.

Note 9. 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 measured 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.

Note 9. Fair Value Measurements (Continued)

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:				
Corporate stocks and bonds	$ 299,868	$ -	$ 299,868	$ -
U.S. government corporations and agencies	10,586,536	-	10,586,536	-
Money market funds	357,399	357,399	-	-
Equity securities:				
Equity mutual funds:				
Intermediate-term bonds	7,706,866	7,706,866	-	-
World stock	4,339,355	4,339,355	-	-
Large blend	5,918,590	5,918,590	-	-
	$ 29,208,614	$ 18,322,210	$ 10,886,404	$ -

	June 30, 2018			
	Total	Level 1	Level 2	Level 3
Investments:				
Fixed-income securities:				
Corporate stocks and bonds	$ 296,235	$ -	$ 296,235	$ -
U.S. government corporations and agencies	10,862,061	-	10,862,061	-
Money market funds	329,078	329,078	-	-
Equity securities:				
Equity mutual funds:				
Intermediate-term bonds	10,575,902	10,575,902	-	-
World stock	4,837,575	4,837,575	-	-
Large blend	6,531,269	6,531,269	-	-
	$ 33,432,120	$ 22,273,824	$ 11,158,296	$ -

The fair value estimates presented are based on pertinent information available to management as of June 30, 2019 and 2018. 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; therefore, current estimates of fair value may differ significantly from the amounts presented herein.

Note 10. Related-Party Transactions

The Trust has a Management Services Agreement with the Chancery Operation by which the Chancery Operation can bill the Trust for administrative and supportive services. For each of the years ended June 30, 2019 and 2018, $7,500 was paid to the Chancery Operation for administrative services. In addition, and following the provisions of the indenture of trust, the Trustees may make periodic, discretionary contributions to the Chancery Operation (to help fund operations) from the funds of the Trust that are not obligated to participants and that are in excess of funds determined by the Trustees to be reasonably and prudently required for the operation of the Trust. For the years ended June 30, 2019 and 2018, $350,000 and $400,000, respectively, was contributed to the Chancery Operation.

Note 11. 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.