Central Administrative Office of the Roman Catholic Archdiocese of San Francisco

Financial Statements

June 30, 2022 and 2021

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Central Administrative Office of the Roman Catholic Archdiocese of San Francisco

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Independent Auditors' Report

Most Reverend Salvatore Joseph Cordileone
The Roman Catholic Archbishop of San Francisco

Opinion

We have audited the accompanying financial statements of the Central Administrative Office of the Roman Catholic Archdiocese of San Francisco (the "Chancery"), an operating division of The Roman Catholic Archbishop of San Francisco, a California Corporation Sole, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Chancery as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Chancery and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Litigation Uncertainty

The accompanying financial statements have been prepared assuming that the Chancery will continue as a going concern. As discussed in Note 23 to the financial statements, the Chancery has been notified of numerous filed and potential claims expected to result in lawsuits naming the Chancery as a defendant. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 23. Our opinion is not modified with respect to this matter.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. GAAP; 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Chancery's ability to continue as a going concern for one year after the date that the financial statements are issued

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Chancery's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Chancery's ability to continue as a going concern for a reasonable period of time.

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

BPM LLP

San Francisco, California
January 13, 2023

CENTRAL ADMINISTRATIVE OFFICE OF THE ROMAN CATHOLIC ARCHDIOCESE OF SAN FRANCISCO

STATEMENTS OF FINANCIAL POSITION

As of June 30, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents	$ 104,892,556	$ 128,130,296
Time certificates of deposit	160,000	160,000
Investments	176,536,715	171,845,596
Receivables:		
Loans receivable	131,343	504,741
Pledges and assessments, net	2,620,839	3,148,113
Other receivables, net	6,956,169	4,997,112
Prepaid and other assets	2,700,172	2,777,941
Property, land, and equipment, net	18,551,128	19,556,979
Beneficial interest in Real Property Support Corporation net assets	333,874	333,874
Beneficial interest in a perpetual trust	987,133	1,203,213
Total assets	$ 313,869,929	$ 332,657,865
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	$ 8,742,385	$ 6,177,132
Deferred lease revenue	5,595,653	5,697,391
Assets held for schools and institutions	59,686,651	59,961,835
Equity of others in pooled investments	47,039,324	54,197,018
Line of credit - Capital Assets Support Corporation	970,000	990,000
Total liabilities	122,034,013	127,023,376
Commitments and contingencies (Note 23)		
Net assets:		
Without donor restrictions:		
Undesignated	28,835,147	30,985,988
Investment in property, land, and equipment, and beneficial interest in Real Property Support Corporation net assets, net of related line of credit	18,885,002	19,890,853
Designated	97,579,063	103,574,530
Total net assets without donor restrictions	145,299,212	154,451,371
With donor restrictions	46,536,704	51,183,118
Total net assets	191,835,916	205,634,489
Total liabilities and net assets	$ 313,869,929	$ 332,657,865

Central Administrative Office of the Roman Catholic Archdiocese of San Francisco

Statements of Activities

For the years ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:						
Gifts, bequests, and collections	$ 916,275	$ 6,968,268	$ 7,884,543	$ 1,026,228	$ 7,097,470	$ 8,123,698
Fees for services	4,646,523	-	4,646,523	4,724,359	-	4,724,359
Investment income, net	(6,719,384)	(2,786,794)	(9,506,178)	19,947,496	8,465,729	28,413,225
Change in beneficial interest in a perpetual trust	-	(216,080)	(216,080)	-	197,721	197,721
Insurance	37,519,104	-	37,519,104	38,374,547	-	38,374,547
Rental income	2,109,727	-	2,109,727	1,946,928	-	1,946,928
Other income	1,414,082	-	1,414,082	1,998,690	-	1,998,690
Net assets released from restrictions	8,611,808	(8,611,808)	-	8,398,525	(8,398,525)	-
Total revenues	48,498,135	(4,646,414)	43,851,721	76,416,773	7,362,395	83,779,168
Expenses:						
Insurance	35,245,095	-	35,245,095	32,968,787	-	32,968,787
Compensation and benefits	10,186,296	-	10,186,296	10,133,545	-	10,133,545
Professional fees	2,872,109	-	2,872,109	3,074,813	-	3,074,813
Program subsidies	2,630,205	-	2,630,205	2,415,943	-	2,415,943
Property costs and depreciation	2,106,774	-	2,106,774	2,246,408	-	2,246,408
Priest retirement benefits	1,913,333	-	1,913,333	2,864,840	-	2,864,840
Other operating expenses	1,303,060	-	1,303,060	1,360,746	-	1,360,746
Office expenses	1,008,336	-	1,008,336	678,058	-	678,058
Assessments	345,402	-	345,402	328,878	-	328,878
Interest paid to schools and institutions	57,184	-	57,184	48,004	-	48,004
Provision for uncollectible accounts	-	-	-	199,497	-	199,497
Total expenses	57,667,794	-	57,667,794	56,319,519	-	56,319,519
Change in net assets before gains and losses	(9,169,659)	(4,646,414)	(13,816,073)	20,097,254	7,362,395	27,459,649
Gain from forgiveness of Paycheck Protection Program ("PPP") loan	-	-	-	1,876,500	-	1,876,500
Gain (loss) on sale of property, land, and equipment	17,500	-	17,500	4,917	-	4,917
Change in net assets	(9,152,159)	(4,646,414)	(13,798,573)	21,978,671	7,362,395	29,341,066
Net assets, beginning of year	154,451,371	51,183,118	205,634,489	132,472,700	43,820,723	176,293,423
Net assets, end of year	$ 145,299,212	$ 46,536,704	$ 191,835,916	$ 154,451,371	$ 51,183,118	$ 205,634,489

Central Administrative Office of the Roman Catholic Archdiocese of San Francisco

Statements of Functional Expenses

For the years ended June 30, 2022 and 2021

	2022					2021				
		Supporting Services					Supporting Services			
	Program Services	General and Administrative	Development	Total Supporting Services	Total	Program Services	General and Administrative	Development	Total Supporting Services	Total
Expenses:										
Insurance	$ 35,245,095	$ -	$ -	$ -	$ 35,245,095	$ 32,968,787	$ -	$ -	$ -	$ 32,968,787
Compensation and benefits	6,774,601	2,806,619	605,076	3,411,695	10,186,296	7,207,451	2,381,282	544,812	2,926,094	10,133,545
Professional fees	1,191,597	1,630,770	49,742	1,680,512	2,872,109	1,496,493	1,561,221	17,099	1,578,320	3,074,813
Program subsidies	2,602,564	-	27,641	27,641	2,630,205	2,415,844	-	99	99	2,415,943
Property costs and depreciation	608,351	1,459,613	38,810	1,498,423	2,106,774	789,962	1,406,492	49,954	1,456,446	2,246,408
Priest retirement benefits	1,913,333	-	-	-	1,913,333	2,864,840	-	-	-	2,864,840
Other operating expenses	1,005,312	114,174	183,574	297,748	1,303,060	1,162,468	39,847	158,431	198,278	1,360,746
Office expenses	609,966	262,423	135,947	398,370	1,008,336	437,613	93,187	147,258	240,445	678,058
Assessments	47,377	298,025	-	298,025	345,402	34,831	294,047	-	294,047	328,878
Interest paid to schools and institutions	57,184	-	-	-	57,184	48,004	-	-	-	48,004
Provision for uncollectible accounts	-	-	-	-	-	199,497	-	-	-	199,497
Total expenses	$ 50,055,380	$ 6,571,624	$ 1,040,790	$ 7,612,414	$ 57,667,794	$ 49,625,790	$ 5,776,076	$ 917,653	$ 6,693,729	$ 56,319,519

Central Administrative Office of the Roman Catholic Archdiocese of San Francisco

Statements of Cash Flows

For the years ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	$ (13,798,573)	$ 29,341,066
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Change in beneficial interest in a perpetual trust	216,080	(197,720)
Investment income	9,506,178	(28,413,225)
Depreciation	1,097,508	1,351,590
Property write-off charged to expense	-	77,510
Gain on sale of property, land and equipment	(17,500)	(4,917)
Provision for uncollectable accounts	(61,905)	199,497
Forgiveness of PPP loan	-	(1,876,500)
Change in operating assets and liabilities:		
Receivables	(996,480)	2,841,015
Prepaid and other assets	77,769	(293,313)
Accounts payable and accrued liabilities	2,565,253	(1,564,765)
Deferred lease revenue	(101,738)	(101,740)
Net cash (used in) provided by operating activities	(1,513,408)	1,358,498
Cash flows from investing activities:		
Purchase of investments	(165,308,671)	(103,802,073)
Proceeds from sale of investments	146,392,978	115,702,857
Purchase of property, land, and equipment	(91,657)	(48,233)
Proceeds from sale of property, land, and equipment	17,500	19,575
Net cash (used in) provided by investing activities	(18,989,850)	11,872,126
Cash flows from financing activities:		
Assets held for schools and institutions liability	(275,184)	9,379,134
Change in equity held for others in pooled investments	(7,157,694)	9,549,223
Investment pool (income) loss on equity of others	4,718,396	(13,925,304)
Payments on note payable - Capital Assets Support Corporation	(20,000)	(10,000)
Net cash (used in) provided by financing activities	(2,734,482)	4,993,053
Net (decrease) increase in cash and cash equivalents	(23,237,740)	18,223,677
Cash, cash equivalents and time certificate of deposit, beginning of year	128,290,296	110,066,619
Cash, cash equivalents and time certificate of deposit, end of year	$ 105,052,556	$ 128,290,296
Supplemental disclosure of cash flow information:		
Cash paid for interest on deposits and note payable	$ 57,185	$ 48,004
Noncash disclosures:		
Reclassification of property to notes receivable	$ -	$ 2,833,240

1. The Chancery

The Roman Catholic Archbishop of San Francisco, a California Corporation Sole (the "Corporation Sole"), was incorporated on February 24, 1854. The Corporation Sole operates the Central Administrative Office of the Roman Catholic Archdiocese of San Francisco (the "Chancery"). Other operating divisions of the Corporation Sole include certain parishes, schools, cemeteries, and certain Catholic sites within the Archdiocese such as the Vallombrosa Center.

The accompanying financial statements include only the Chancery and those funds over which the Chancery maintains direct operational control. Such statements do not include any assets or liabilities of the other operating divisions of the Corporation Sole as described above. In addition, the accompanying financial statements do not include, or pertain to, separate and independent corporate entities affiliated with the Corporation Sole that are located within The Roman Catholic Archdiocese of San Francisco (the "Archdiocese").

A significant portion of the Chancery's revenues are derived from assessments obtained from and fees for services provided to parishes, schools and other Archdiocesan institutions, as well as rental income from certain properties. These revenues are expended by the Chancery for the various programs, ministries, and needs of the Chancery. In addition, the Chancery administers the Archdiocesan insurance program and priest and lay employees' supplemental pension plans.

The Chancery office administers funds on behalf of certain institutions, as well as the Chancery, in an investment pool invested with fund managers in separate custodial accounts. The Chancery also administers a Deposit and Loan fund on behalf of high schools and certain institutions. Ownership by specific funds or entities in the investment pool is accounted for on a pooled unit value method based on fair values. Assets held for schools and institutions and equity of others in pooled investments are reflected as liabilities.

2. Assignment to Support Corporations

The Capital Assets Support Corporation ("CASC") and The Archdiocese of San Francisco Parish and School Juridic Persons Real Property Support Corporation ("RPSC"), collectively referred to as the "Support Corporations," are separate and distinct corporations from the Corporation Sole. The Support Corporations have existed since 2008 for the expressed purpose of owning and maintaining certain real properties and capital assets in order for the civil structure of asset ownership to conform closely with Canon law and to support the mission of parishes, schools, and cemeteries that are operated civilly by the Corporation Sole.

To achieve that purpose, in 2008 the Corporation Sole irrevocably and unconditionally assigned, transferred and conveyed rights, title and interest in certain real property to the RPSC. The assignment also affects any real property or improvements thereto as defined by the assignment, including certain real property held by the Chancery (see Note 9).

The Corporation Sole and Support Corporations are financially interrelated organizations; therefore, at the date of transfer of certain real property held by the Chancery, the transfer is treated as an equity transfer and the carrying value of the asset transferred is reclassified as a beneficial interest in the RPSC's net assets (see Note 9).

3. Summary of Significant Accounting Policies

Basis of Presentation

The accounts of the Chancery are maintained in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting purposes into funds in accordance with specified activities or objectives. For financial statement purposes, all financial transactions are reported by class of net assets as prescribed for not-for-profit entities. The following is a description of the classes of net assets included in the financial statements.

Net Assets without Donor Restrictions

Net assets without donor restriction consist of all resources of the Chancery that have not been restricted by a donor. Certain unrestricted resources have been internally designated for specific purposes.

Net Assets without Donor Restrictions - Designated

Designated net assets consist of amounts set aside to supplement the various operations carried on by the Chancery (see Note 15).

Net Assets with Donor Restrictions

Net assets with donor restrictions are those assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The income and appreciation from such resources, once approved by the Chancery, are available for either general operations or specific programs as specified by the donor. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as with donor restriction revenue when received and net assets released from restriction when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Net Assets with Donor Restrictions - Endowments

Endowment net assets consist of assets which use has been restricted for investment in perpetuity as donor-restricted endowments. The income from endowments is available for either general operations or specific programs as specified by the donor.

Management has interpreted the State of California's enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the date donated for the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Chancery's net assets with donor restrictions consist of the fair value of the original gifts as of the date donated to the donor-restricted endowment.

Accrual Basis

The financial statements of the Chancery have been prepared on the accrual basis of accounting.

3. **Summary of Significant Accounting Policies**, continued

Cash and Cash Equivalents

For the purposes of these financial statements, cash and cash equivalents are considered to be cash on hand, bank deposits, money market funds, and certain mutual funds, which are highly liquid. Cash and cash equivalents include certain funds that have been internally designated by the Chancery (see Note 5).

Concentration of Credit Risk

Financial instruments that potentially subject the Chancery to concentrations of credit risk consist principally of cash and cash equivalents and time certificates of deposit. Such balances with any one institution may, at times, be in excess of federally insured limits. Risks associated with cash and cash equivalents and time certificates of deposit are mitigated by banking with credit-worthy institutions. The Chancery has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. To address the risk of investments, the Chancery maintains a diversified portfolio, subject to an investment policy that sets out performance criteria, investment guidelines, and asset allocation guideline, and requires review of the investment performance. Investments are managed by multiple investment managers, who have responsibility for investing the funds in various investment classes. This entire process is actively overseen by the Investment Committee of the Archdiocese of San Francisco. Investments are secured up to a limit set by the Securities Investor Protection Corporation ("SIPC"). As of June 30, 2022 and 2021, the Chancery held investments in excess of the SIPC insurance limits.

Investments

Investments in equity securities and in debt securities are reported at fair value, with current period recognition of increases or decreases in fair value shown in the statements of activities. Investments also include cash and cash equivalents held by investment custodians and managers. Investment income recorded on the statements of activities includes interest and dividend income, realized and unrealized gains and losses, and partnership income from alternative investments. The fair value of alternative investments which include private real estate, private credit, and emerging markets funds is further described under the fair value measurement policy below. Investments, in general, are held in markets which at times are volatile and can result in significant temporary unrealized gains or losses.

Receivables

Receivables consist of loans, notes, accounts and other non-trade receivables and assessments receivable from schools and other archdiocesan institutions. Credit is extended based upon the evaluation of the entity's financial condition and other factors and, generally, collateral is not required, except in certain isolated cases where property is sold involving a note receivable and a deed of trust is obtained. Loans and notes receivable have variable maturity dates and are generally due in accordance with scheduled payments. The allowance for doubtful accounts and loan losses are determined based on a consideration of a number of factors, including the Chancery's previous loss history, the entity's previous payment history, financial condition and ability to pay, and the condition of the general economy. The Chancery writes off accounts receivable, loans, and notes receivable to the allowance when they are determined to be uncollectible. The Chancery determined an allowance for doubtful accounts based on credit-worthiness and collectability of its loans. Payments subsequently received on accounts, loans, and notes previously written off are credited to the bad debt provision.

3. **Summary of Significant Accounting Policies**, continued

Receivables, continued

Interest accrues on loans and notes receivable monthly in accordance with the applicable interest rates. Interest accruals are discontinued when it is determined that a specific allowance is required against a loan or note. Interest income is subsequently recognized on such loans, or a note, only to the extent cash is subsequently received.

Property, Land, and Equipment

Property, land, and equipment that are legally held in the name of the Corporation Sole, which are used by the Chancery, are stated at cost if purchased or at fair value, at the date of the gift if donated. Also included are certain properties held by the Chancery for which the Chancery has canonical oversight.

For properties placed in service, depreciation is provided in amounts sufficient to amortize the cost of depreciable assets to operations over their estimated services lives, ranging from 5 to 40 years, using the straight-line method.

Canonical Oversight of Closed Parishes and Parish Schools

The Chancery, on behalf of the Corporation Sole, assumes canonical responsibility for the management of closed parish and school sites, including the management of property, land, and equipment of those sites. Upon the suppression of a parish and/or its related school, if any, as a juridic person, its properties are passed on to the superior juridic person, the Corporation Sole, if no other juridic person has been established or assigned to care for the property.

If the Chancery does not expect to be the ultimate economic beneficiary of the property of closed parishes and schools or bear the risk of loss, it does not record an asset for the related property. If the economic beneficiary is uncertain, the Chancery records an asset and corresponding liability, as an agent, for the related property. If any of those properties have operations, the Chancery will recognize the related operations if it anticipates being the economic beneficiary of the related property. When the Chancery does not record the property of closed parishes and schools, or recognizes the property as an agent, the related operations are recognized and are accounted for by other responsible parties. When the canonical oversight of certain closed parish and school property has been assigned from the Chancery to another juridic person or responsible party, the Chancery recognizes an equity transfer and a corresponding reduction in any related assets and liabilities.

Beneficial Interest in Real Property Support Corporation

A beneficial interest is defined as a future economic benefit of an anticipated future cash flow or service potential. The Chancery has a beneficial interest in the RPSC's net assets (see Note 9) as a result of a transferred asset, the land of a closed parish. The beneficial interest is reported at the book value of the transferred asset at the date of transfer.

Deferred Lease Revenue

Deferred lease revenue consists of a lease payment received from a lessee for rental periods subsequent to the statement of financial position date. The non-cancelable minimum lease payment portion of the deferred lease revenue is recognized on a straight-line basis as rental income over the remaining prepayment period of 55 years.

3. **Summary of Significant Accounting Policies**, continued

Assets Held for Schools and Institutions (Liability)

The Chancery holds deposits for schools and institutions for investment purposes and loaned to other schools and institutions. Deposit interest rates average 0.10% for the years ended June 30, 2022 and 2021.

Also included in the assets held for schools and institutions are proceeds from special collections administered by the United States Conference of Catholic Bishops and other special collections local to the Archdiocese and administered by the Chancery.

Revenue Recognition

Gifts, Bequests, and Collections

The Chancery reports gifts, bequests, and collections as net assets without donor restrictions unless they are received with donor stipulations that limit the use of the donated assets, in which case they are recorded as net assets with donor restriction. The Chancery recognizes all unconditional gifts and promises to give in the period notified, if deemed collectible. The Chancery recognizes conditional gifts once the conditions have been met and, as of June 30, 2022 and 2021, the Chancery had not received any conditional gifts.

Fees for Services

Fees for services are recognized over time as the Chancery satisfies the performance obligation, with the exception of advertising revenue that is recognized at a point in time when the performance obligation is satisfied. Rental income from property leases is recognized on a straight-line basis over the term of the lease. Other income, derived from assessments to other entities, are recognized when assessed.

Insurance

The Archdiocesan insurance program provides insurance coverage for parishes, schools, and other operating divisions of the Corporation Sole. The program is administered by the Chancery and provides coverage in areas including, but not limited to, general liability, property, crime, fiduciary liability, medical and health, and workers' compensation. Insurance claims are substantially covered by a variety of insurance policies purchased by the Chancery but are also partially covered by self-insured retention levels and deductible limits. Insurance revenues are recognized in the applicable period insurance coverage is provided to parishes, schools, and other operating divisions.

Income Taxes

The Roman Catholic Archbishop of San Francisco is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, as set forth in the Roman Catholic Church's annual group ruling received from the Internal Revenue Service. However, income from activities not related to its tax-exempt purpose may be subject to taxation as unrelated business income. These activities have historically generated losses and the Chancery has accumulated net operating loss carryforwards ("NOLs"). As of June 30, 2021, the most recent tax filing, the Chancery had NOLs of approximately $51,000. There is no limitation on the use of these NOLs and they will begin to expire in 2031. The Chancery's ability to utilize the NOLs or realize any benefits is uncertain and, therefore, a full valuation allowance has been applied against them.

3. Summary of Significant Accounting Policies, continued

Fair Value Measurements

The Chancery follows the fair value measurement standards which define fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the assets or liabilities in an orderly transaction between market participants on the measurement date. Subsequent changes in fair value of these financial assets and liabilities are recognized in the change in net assets when they occur.

The Chancery uses various valuation approaches. A hierarchy has been established for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Chancery. Unobservable inputs are inputs that reflect the Chancery's assumptions about what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. There have been no changes in valuation techniques for the years ended June 30, 2022 and 2021.

The Chancery's financial assets and liabilities measured at fair value on a recurring basis are categorized according to the fair value hierarchy consisting of the following three levels:

Level 1 – Valuation inputs are obtained from real-time quotes for transactions in active exchange markets involving identical assets and liabilities.

Level 2 – Valuation inputs are obtained from readily-available pricing sources for comparable instruments.

Level 3 – Valuation inputs are obtained without observable market value and require a high level of judgment to determine the fair value.

The categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Fair Value of Investments Measured on the Basis of Net Asset Value Per Share

The Chancery follows fair value guidance measuring fair value for investment in certain investees on the basis of the Net Asset Value per share ("NAV"). The guidance permits, as a practical expedient, the use of the NAV as long as that value is calculated in a manner consistent with the measurement principles governing investment companies. The Chancery believes this method provides a basis for the fair value.

The Chancery uses NAV for determining the fair value of its investment in private real estate funds and global emerging markets mutual funds. These investments may not be immediately liquid nor have readily determinable fair values and are valued at amounts reported to the Chancery by the investee. These values may differ significantly from values that would have been used had a readily available market existed for such investments, and the differences could be material to the change in net assets of the Chancery.

3. Summary of Significant Accounting Policies, continued

Use of Estimates

In preparing financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Chancery's allowance for doubtful receivables, pledges and loans are significant estimates. The determination of the balances in the allowances accounts is based on an analysis of the receivables, pledges and loans and reflect amounts which, in management's judgment, are adequate to provide for potential losses after giving consideration to the character of the receivables and loan portfolio, current economic conditions, past collection experience, and such other factors that deserve recognition in estimating losses.

Conditional Asset Retirement Obligation

In the ordinary course of business, the Chancery may need to comply with certain legal obligations as part of a demolition or major renovation of a facility. The Chancery currently has no plans for demolition or major renovation. The Chancery will continue to review potential asset retirement obligations and record a liability when sufficient information exists to indicate that such an obligation has been incurred and to estimate the fair value of an asset retirement obligation.

Functional Classification of Expenses

The costs of providing the various program services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated, principally on a direct basis, among the programs and supporting services.

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are compensation and benefits and overhead expenses, which are allocated on the basis of estimates of time and effort.

Measure of Operation

The Chancery includes in its measure of operation all support and revenue and expenses that are an integral part of its programs and supporting activities. The measure of operations does not include the gain from the forgiveness of debt or gain (loss) on disposal of property.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* ("ASU 2016-02"). ASU 2016-02 requires lessees to recognize a right-of-use asset and lease liability for virtually all leases (other than leases that meet the definition of a short-term lease). ASU 2016-02 was originally effective for years beginning after December 15, 2020. However, in June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)—Effective Dates for Certain Entities*, which extended the effective date for ASU 2016-02 until years beginning after December 15, 2021. The Chancery is in the process of evaluating the impact of ASU 2016-02 on the Chancery's financial statements.

3. Summary of Significant Accounting Policies, continued

Recent Accounting Pronouncements, continued

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets* ("ASU 2020-07"), to improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. ASU 2020-07 is required to be applied retrospectively for annual periods beginning after June 15, 2021 and interim periods within fiscal years beginning after June 15, 2022 with early adoption permitted. The Chancery determined there were no nonfinancial assets contributed at June 30, 2022.

4. Liquidity and Availability

Financial assets available for general expenditure without donor restrictions limiting their use within one year the balance sheet date comprise the following as of June 30:

	2022	2021
Cash and cash equivalents and time certificates of deposit	$ 105,052,556	$ 128,290,296
Investments	176,536,715	171,845,596
Receivables:		
Loans receivable	131,343	504,741
Pledges and assessments, net	2,620,839	3,148,113
Other receivables, net	6,956,169	4,997,112
Beneficial interest in a perpetual trust	987,133	1,203,213
Total financial assets	292,284,755	309,989,071
Less: net assets with donor restrictions	(46,536,704)	(51,183,118)
Less: note receivables due in more than one year	(4,243,240)	(4,243,240)
Plus: amount appropriated for expenditure and release of restrictions for the following year	7,727,692	8,284,770
Less: other designated assets:		
Assets held for schools and institutions	(59,686,651)	(59,961,835)
Equity of others in pooled investments	(47,039,324)	(54,197,018)
Other funds:		
Deposit and loan	(513,893)	(1,059,228)
Priests' retirement and surcharge	(11,168,285)	(11,743,032)
Insurance and benefits	(58,792,638)	(60,751,484)
Current fund: other operating and priest education	(26,852,972)	(29,841,690)
Department of Catholic Schools	251,275	179,096
Financial assets available to meet cash needs for general expenditure within one year	$ 45,430,015	$ 45,472,292

4. Liquidity and Availability, continued

A summary cash and investment report is presented to the Finance Council at least annually, providing the cash and investment position for the current year, plus projections of cash requirements for the next five years. The Finance Council has directed the Chancery to maintain a $15,000,000 reserve in its corpus. As part of the Chancery's liquidity and cash management plan, cash requirements are reviewed on a weekly basis. Excess short-term cash is invested in either money market funds or in Time Certificates of Deposits with a maturity date not to exceed 90 days.

5. Cash and Cash Equivalents and Time Certificates of Deposits

Cash and cash equivalents and time certificates of deposits were held for the benefit of the following funds as of June 30:

	2022	2021
Current fund - without donor restriction	$ 17,248,142	$ 15,564,444
Deposit and loan fund	39,453,383	60,002,478
Insurance and benefits	37,327,564	37,064,459
Current fund - with donor restriction	1,653,492	1,582,129
Priests' retirement fund - without donor restriction	4,798,876	9,256,481
Other designated funds	300,958	539,375
Other with donor restriction	3,454,980	3,555,891
Other	815,161	725,039
Total cash and cash equivalents and time certificates of deposit	$ 105,052,556	$ 128,290,296

Cash and cash equivalents and time certificates of deposits consisted of the following as of June 30:

	2022	2021
Cash and cash equivalents	$ 104,892,556	$ 128,130,296
Time certificates of deposit	160,000	160,000
Total cash and cash equivalents and time certificates of deposit	$ 105,052,556	$ 128,290,296

6. Investments

The Chancery administers an investment pool, as an owner and agent through independent custodial arrangements, for the benefit of various Archdiocesan entities. The funds deposited by, or on behalf of, each participant is the sole property of that participant and are processed by the investment pool service providers and the Chancery as agents and custodians for the participants.

6. Investments, continued

The investment pool was established for participants with long-term horizons, moderate growth and income requirements, and moderate risk objectives. The investment pool invests in stocks and bonds and alternative assets. The investment pool is operated under the total return concept, which allocates income (loss) to each participant based upon the total return earned in invested funds, including realized and unrealized gains and losses, and investment management fees.

Investments were held as follows as of June 30:

	2022	2021
Investment pool:		
Chancery's equity in pooled investments	$ 101,077,254	$ 117,434,477
Others' equity in pooled investments	46,895,324	54,054,018
	147,972,578	171,488,495
Other investments	28,564,137	357,101
Total investments	$ 176,536,715	$ 171,845,596

Total investment income for the investment pool, including investment income allocated to others in the pooled investments, was $(13,571,661) and $42,155,128 for the years ended June 30, 2022 and 2021, respectively.

The Chancery's investment income, including its investment income from the investment pool, was as follows for the year ended June 30:

	2022		
	Investment Pool	Other Investment Activities	Total
Interest and dividends	$ 1,677,728	$ 519,603	$ 2,197,331
Net realized and unrealized losses on investments	(10,530,993)	(1,172,516)	(11,703,509)
Investment income	(8,853,265)	$ (652,913)	$ (9,506,178)
Investment pool gain on equity of others	(4,296,503)		
Undistributed net earnings	(421,893)		
Total investment pool income, net	$ (13,571,661)		

6. Investments, continued

The Chancery's investment income, including its investment income from the investment pool, was as follows for the year ended June 30:

	2021		
	Investment Pool	Other Investment Activities	Total
Interest and dividends	$ 270,277	$ 114,201	$ 384,478
Net realized and unrealized gains on investments	27,959,547	69,200	28,028,747
Investment income	28,229,824	$ 183,401	$ 28,413,225
Investment pool gain on equity of others	13,275,588		
Undistributed net earnings	649,716		
Total investment pool income, net	$ 42,155,128		

7. Receivables

Loans Receivable

The Chancery had total loans receivable of $131,343 and $504,741 as of June 30, 2022 and 2021, respectively. The loans receivable are described below.

For the year ended June 30, 2022, the Chancery loaned one parish $80,000, using funds received from the line of credit from CASC (see Note 13), and has an outstanding loan balance of $20,221 and $60,295 as of June 30, 2022 and 2021, respectively. The receivable is unsecured and matured in August 2022 with interest at 1.0%. Additionally, the Chancery loaned Archbishop Riordan High School $500,000 and has an outstanding loan balance of $111,122. The receivable is unsecured and matured in October 2022 with interest at 0.0%. As of June 30, 2022, no allowance was recorded related to these loans.

Subsequent to year-end, both notes were paid in full. Additionally, the Chancery loaned Junipero Serra High School $7,500,000. The receivable is unsecured and matures in October 2027 with interest at 4.8%.

7. Receivables, continued

Pledges and Assessments, Net

Pledges and assessments, net consisted of the following as of June 30:

	2022	2021
Pledges and assessments, net:		
Archdiocesan Annual Appeal	$ 3,352,452	$ 3,901,262
Less: allowance for uncollectible pledges	(731,613)	(753,149)
Total pledges and assessments, net	$ 2,620,839	$ 3,148,113

All pledge receivables are initially due within one year.

Other Receivables, Net

Other receivables, net consisted of the following as of June 30:

	2022	2021
Other receivables, net:		
Note receivable - Diocese of Santa Rosa	$ 1,410,000	$ 1,410,000
Note receivable - Catholic Charities	2,833,240	2,833,240
Other notes receivable	64,988	64,988
Parish and school receivables	3,511,638	1,858,840
Miscellaneous receivables	726,291	481,937
Less: allowance for doubtful accounts	(1,589,988)	(1,651,893)
Total other receivables, net	$ 6,956,169	$ 4,997,112

Notes receivable, which are unsecured, mature at various dates with interest ranging from 0.0% to 8.0%. The Chancery determines an allowance for doubtful accounts based on the credit-worthiness and collectability of each note. The note receivable from the Diocese of Santa Rosa may not be collectible and is included in full in the allowance for doubtful accounts.

In November 2008, the Chancery entered into a line of credit ("LOC") agreement with a principal amount of $6,500,000 with Catholic Charities, CYO of the Archdiocese of San Francisco ("CCCYO") and matured in December 2020 with interest at 0.0%. The LOC was secured by a Deed of Trust on the St. Vincent's parcel of land. In January 2021, the CCCYO extended the LOC through December 2025 and converted the LOC into a note receivable with interest at 1.0%. As of June 30, 2022 and 2021, the unpaid principal was $2,833,240 for the year.

7. Receivables, continued

Other Receivables, Net, continued

Receivables are collected as follows as of June 30:

	2022	2021
Less than one year:		
Pledges and assessments	$ 3,352,452	$ 3,901,262
Other receivables	4,302,917	2,405,765
Loans receivable	131,343	504,741
	7,786,712	6,811,768
More than one year:		
Note receivables	4,243,240	4,243,240
Less: allowance for doubtful accounts	(2,321,601)	(2,405,042)
Total receivables, net	$ 9,708,351	$ 8,649,966

8. Property, Land, and Equipment

Property, land, and equipment consisted of the following as of June 30:

	2022	2021
Buildings and improvements	$ 39,026,324	$ 39,026,324
Equipment	2,592,226	2,488,946
Automobiles	36,198	62,730
	41,654,748	41,578,000
Accumulated depreciation	(26,178,074)	(25,107,100)
	15,476,674	16,470,900
Land	3,074,454	3,074,454
Construction in progress	-	11,625
Total property, land, and equipment, net	$ 18,551,128	$ 19,556,979

Depreciation expense totaled $1,097,508 and $1,351,590 for the years ended June 30, 2022 and 2021, respectively.

8. Property, Land, and Equipment, continued

The Chancery did not assume canonical responsibility for any parishes and or schools during the years ended June 30, 2022 and 2021 (see Note 3).

Three properties for which the Chancery has oversight remain as property, land, and equipment of the Chancery. They are the National Shrine of St. Francis of Assisi (including building improvement expenditures), St. Brigid Rectory, and St. Michael Convent. They are carried at $3,227,325 and $3,400,048 as of June 30, 2022 and 2021, respectively.

9. Beneficial Interest in Real Property Support Corporation

The beneficial interest in the RPSC represents land of a closed parish where the legal title is held by the RPSC for which the Chancery has ongoing canonical oversight (see Note 8). Beneficial interest in RPSC was $333,874 for each of the years ended June 30, 2022 and 2021.

10. Beneficial Interest in a Perpetual Trust

The Corporation Sole is an income beneficiary named under two perpetual trusts, which are managed by third parties. The Corporation Sole does not have rights to the trust assets. Income distributed by the trust is to be expended for seminarian development in the form of scholarships and social ethnic and cultural services. The Chancery has recorded the fair value of the trusts' assets held as of June 30, 2022 and 2021. This change in fair value is shown as a change in net assets with donor restrictions (see Note 18).

11. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following as of June 30:

	2022	2021
Accounts payable	$ 1,043,232	$ 274,096
Accrued vacation	718,696	756,905
Accrued liabilities and other payables	5,118,105	4,122,129
Deferred revenue	727,983	749,030
Pension payables	1,134,369	274,972
Total accounts payable and accrued liabilities	$ 8,742,385	$ 6,177,132

12. Assets Held for Schools and Institutions

Assets held for schools and institutions consisted of the following as of June 30:

	2022	2021
Deposit and loan fund:		
Cash and cash equivalents	$ 58,414,103	$ 58,943,249
Special collections	487,585	312,365
Benedict XVI Institute	10,000	10,000
Society for the Propagation of the Faith funds	771,632	692,890
Other	3,331	3,331
Total assets held for schools and institutions	$ 59,686,651	$ 59,961,835

13. Borrowing from CASC

Line of Credit - Capital Assets Support Corporation

The Chancery received a LOC from CASC for a term of three years maturing in April 2023. The LOC is for $1,000,000, with no interest. The purpose of the LOC is to provide additional loans up to $80,000 to individual parishes. As of June 30, 2022 and 2021 $80,000 has been loaned to parishes (see Note 7). The amount outstanding on the LOC was $970,000 and $990,000 at June 30, 2022 and 2021, respectively.

14. Note Payable - Paycheck Protection Program

In April 2020, the Chancery received loan proceeds in the amount of $1,876,500 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying entities for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The Chancery has accounted for the PPP loan as debt. The loan and accrued interest are eligible for forgiveness after 24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The Chancery received full loan forgiveness on April 22, 2021 by the Small Business Administration for the loan amount of $1,876,500 and interest of $18,611. The gain from forgiveness of PPP loan was recorded for the year ended June 30, 2021.

15. Net Assets Without Donor Restriction - Designated

Net assets without donor restriction that are designated consisted of the following as of June 30:

	2022	2021
Insurance and benefits	$ 58,792,638	$ 60,751,484
Other designated	26,131,209	29,226,135
Priests' Retirement/SERP	10,319,522	10,908,270
Deposit and Loan - Institutional	513,893	1,059,228
Priests' Surcharge Fund	848,763	834,762
Department of Catholic Schools	251,275	179,096
Priests' education	721,763	615,555
Total designated net assets	$ 97,579,063	$ 103,574,530

16. Net Assets With Donor Restrictions

Net assets with donor restrictions were restricted for the following purposes as of June 30:

	2022	2021
Subject to expenditure for specified purpose:		
Archdiocesan Annual Appeal	$ 5,858,259	$ 6,533,661
Education assistance, tuition, scholarships, and grants	6,118,848	6,151,012
Social, ethnic, and cultural	882,993	896,806
Religious personnel education and development	460,505	297,207
Pastoral programs	379,715	384,766
Building improvements	1,116	46,891
	13,701,436	14,310,343
Endowments:		
Subject to the Chancery's endowment spending policy and appropriation:		
Restricted by donors for:		
Education assistance and tuition	30,912,202	34,622,928
Not subject to the Chancery's endowment spending policy or appropriation:		
Social, ethnic and cultural services	213,895	328,777
Religious personnel education and development	1,230,441	1,367,401
Building improvements	477,730	552,669
Mass stipends	1,000	1,000
	32,835,268	36,872,775
	$ 46,536,704	$ 51,183,118

17. Net Assets Released from Restrictions

Net assets were released from donor restrictions for the following purposes during the years ended June 30:

	2022	2021
Archdiocesan Annual Appeal	$ 6,603,706	$ 6,091,482
Education assistance, tuition, scholarships, and grants	1,171,805	1,390,266
Priests' retirement	620,516	518,727
Social, ethnic, and cultural services	108,890	134,760
Building improvements	76,890	6,660
Religious personnel education and development	20,951	235,507
Pastoral programs	9,050	21,123
Total net assets released from restrictions	$ 8,611,808	$ 8,398,525

18. Donor Restricted Endowments

Endowment Investment and Distribution Policy

Under Finance Council guidelines, annual distribution for scholarships cannot exceed 4% of a three-year rolling average balance of the endowment or estimated interest and dividends if the fair value of the endowment is less than the donations (underwater). Currently, there is not a spending policy regarding religious education, building improvements, and mass stipends. For the years ended June 30, 2022 and 2021, there were no underwater endowments. To achieve its distribution policy, endowment assets are invested in a balanced portfolio comprised principally of equity securities, debt securities, mutual funds, alternative investments and cash designed to achieve a long-term investment objective of moderate growth and income return with prudent risk constraints.

Changes in endowment net assets were as follows for the years ended June 30:

	2022	2021
	With Donor Restrictions	With Donor Restrictions
Education assistance and tuition		
Endowment net assets, beginning of year	$ 34,622,928	$ 27,262,143
Investment income	(2,707,208)	8,230,500
Amounts appropriated for expenditure	(1,003,518)	(869,715)
Endowment net assets, end of year	$ 30,912,202	$ 34,622,928
Religious personnel education and development		
Endowment net assets, beginning of year	$ 1,367,401	$ 1,118,911
Investment income	(35,762)	105,071
Change in beneficial interest in perpetual trust	(101,198)	143,419
Endowment net assets, end of year	$ 1,230,441	$ 1,367,401

18. Donor Restricted Endowments, continued

	2022 With Donor Restrictions	2021 With Donor Restrictions
Social, ethnic and cultural services		
Endowment net assets, beginning of year	$ 328,777	$ 274,476
Change in beneficial interest in perpetual trust	(114,882)	54,301
Endowment net assets, end of year	$ 213,895	$ 328,777
Building improvements		
Endowment net assets, beginning of year	$ 552,669	$ 423,471
Investment income (loss)	(43,824)	130,158
Amounts appropriated for expenditure	(31,115)	(960)
Endowment net assets, end of year	$ 477,730	$ 552,669
Mass stipends		
Endowment net assets, beginning of year	$ 1,000	$ 1,000
Endowment net assets, end of year	$ 1,000	$ 1,000
Total endowment net assets		
Endowment net assets, beginning of year	$ 36,872,775	$ 29,080,001
Investment income	(2,786,794)	8,465,729
Change in beneficial interest in perpetual trust	(216,080)	197,720
Amounts appropriated for expenditure	(1,034,633)	(870,675)
Endowment net assets, end of year	$ 32,835,268	$ 36,872,775

Endowment net asset composition was as follows as of June 30:

	2022	2021
Donor-restricted endowment funds:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ 18,832,730	$ 19,048,810
Accumulated investment gains	14,002,538	17,823,965
	$ 32,835,268	$ 36,872,775

19. Pension Plans - Priests

Qualified Pension Trust

Archdiocesan priests are covered by a defined benefit pension plan (which operates as a multiple employer plan), the benefits of which were modified effective July 1, 2002. A qualified pension trust ("pension trust") was established to hold the pension plan assets.

This plan is not subject to the Employee Retirement Income Security Act of 1974 ("ERISA") funding requirements.

The following table sets forth further information about the plan as of and for the plan years ended July 1 (the latest valuation dates):

	2022	2021
Funding status:		
Present value of accrued liability	$ (27,809,000)	$ (26,466,000)
Market value of assets	31,739,000	35,392,000
	$ 3,930,000	$ 8,926,000
Contributions from Archdiocese	$ 1,502,305	$ 2,500,000
Benefit payments to participants	$ 1,708,239	$ 1,616,269

Supplemental Defined Benefit Plan

Effective July 1, 2002, the Corporation Sole established a supplemental defined benefit priest retirement plan (which operates as a multiemployer non-qualified plan). This plan is not subject to the ERISA funding requirements.

The following table sets forth further information about the plan as of and for the plan years ended July 1 (the latest valuation dates):

	2022	2021
Funding status:		
Present value of accrued liability	$ (5,900,000)	$ (6,782,000)
Market value of assets	10,357,000	10,914,000
	$ 4,457,000	$ 4,132,000
Contributions from Archdiocese	$ 335,523	$ 335,832
Benefit payments to participants	$ 303,783	$ 311,654

20. Pension Plan - Lay Employees

All full-time, non-priest employees of the Archdiocesan entities, such as the Chancery, parishes, elementary schools, St. Patrick's Seminary, and Cemeteries are enrolled in the Archdiocese of San Francisco Parochial Pension Plan (the "Plan"), which is a cash balance type plan (which operates as a multiemployer plan). The Plan is noncontributory for employees. Employer contributions are 7% of each participant's annual earnings, and 5% interest is credited to beginning-of-year account balances. This Plan is not subject to the ERISA funding requirements.

The following table sets forth further information about the Plan as of and for the plan years ended December 31 (the latest valuation dates):

	2022	2021
Funding status:		
Present value of all accrued liability	$ (133,339,000)	$ (132,850,000)
Market value of assets	164,001,000	145,190,000
	$ 30,662,000	$ 12,340,000
Contributions from Archdiocesan entities	$ 7,772,261	$ 7,660,337
Benefit payments to participants	$ 11,241,371	$ 9,821,768

Pension cost recognized by the Chancery was $542,020 and $611,619 for the years ended June 30, 2022 and 2021, respectively.

21. Fair Value Measurements

The following table presents the Chancery's financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2022:

	2022	Quoted Prices in Active Markets of Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	NAV
Assets:					
Cash equivalents:					
Money market funds	$ 65,455,621	$ 65,455,621	$ -	$ -	$ -
Certificates of deposit	160,000	160,000	-	-	-
Total cash equivalents	$ 65,615,621	$ 65,615,621	$ -	$ -	$ -
Beneficial interest in perpetual trust	$ 987,133	$ -	$ -	$ 987,133	$ -
Investments:					
Cash equivalents:					
Money market funds	$ 3,206,953	$ 3,206,953	$ -	$ -	$ -
Total cash equivalents	3,206,953	3,206,953	-	-	-
Corporate stocks:					
Materials	2,454,300	2,454,300	-	-	-
Telecommunication services	3,992,764	3,992,764	-	-	-
Consumer discretionary	7,083,030	7,083,030	-	-	-
Consumer staples	3,751,469	3,751,469	-	-	-
Energy	1,379,107	1,379,107	-	-	-
Financial	7,865,728	7,865,728	-	-	-
Health care	995,438	995,438	-	-	-
Industrial	7,098,504	7,098,504	-	-	-
Technology	11,692,016	11,692,016	-	-	-
Utilities	819,527	819,527	-	-	-
Real estate	837,183	837,183	-	-	-
Total corporate stocks	47,969,066	47,969,066	-	-	-
Foreign and municipal bonds	27,203,679	-	27,203,679	-	-
U.S. bonds and notes	38,033,415	38,033,415	-	-	-
U.S. government securities	2,804,627	-	2,804,627	-	-
Mutual funds:					
Foreign large blend	21,166,544	21,166,544	-	-	-
World allocation	3,776,304	3,776,304	-	-	-
Moderate allocation	7,271,731	7,271,731	-	-	-
Global emerging markets	3,685,078	3,685,078	-	-	-
Small value	260,727	260,727	-	-	-
Total mutual funds	36,160,384	36,160,384	-	-	-
Alternative investments:					
Private real estate funds	12,536,666	-	-	-	12,536,666
Private credit	5,262,419				5,262,419
Emerging Markets Fund	3,359,506	-	-	-	3,359,506
Total alternative investments	21,158,591	-	-	-	21,158,591
Total investments	$ 176,536,715	$ 125,369,818	$ 30,008,306	$ -	$ 21,158,591

21. **Fair Value Measurements**, continued

The following table presents the Chancery's financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2021:

	2021	Quoted Prices in Active Markets of Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	NAV
Assets:					
Cash equivalents:					
Money market funds	$ 126,138,357	$ 106,766,664	$ -	$ -	$ -
Certificates of deposit	160,000	160,000	-	-	-
Total cash equivalents	$ 126,298,357	$ 106,926,664	$ -	$ -	$ -
Beneficial interest in perpetual trust	$ 1,203,213	$ -	$ -	$ 1,203,213	$ -
Investments:					
Cash equivalents:					
Money market funds	$ 2,584,387	$ 2,584,387	$ -	$ -	$ -
Total cash equivalents	2,584,387	2,584,387	-	-	-
Corporate stocks:					
Materials	2,514,576	2,514,576	-	-	-
Telecommunication services	7,194,718	7,194,718	-	-	-
Consumer discretionary	9,594,480	9,594,480	-	-	-
Consumer staples	7,942,249	7,942,249	-	-	-
Energy	1,176,698	1,176,698	-	-	-
Financial	11,534,350	11,534,350	-	-	-
Health care	2,918,819	2,918,819	-	-	-
Industrial	8,403,179	8,403,179	-	-	-
Technology	13,973,951	13,973,951	-	-	-
Utilities	736,106	736,106	-	-	-
Real estate	1,691,576	1,691,576	-	-	-
Other	4,387,342	4,387,342	-	-	-
Total corporate stocks	72,068,044	72,068,044	-	-	-
Foreign and municipal bonds	11,249,731	-	11,249,731	-	-
U.S. bonds and notes	17,614,879	17,614,879	-	-	-
U.S. government securities	1,927,519	-	1,927,519	-	-
Mutual funds:					
Foreign large blend	10,980,709	10,980,709	-	-	-
World allocation	19,012,296	19,012,296	-	-	-
Moderate allocation	16,989,737	16,989,737	-	-	-
Emerging markets multi-strategy	4,430,150	4,430,150	-	-	-
Small value	922,510	922,510	-	-	-
Total mutual funds	52,335,402	52,335,402	-	-	-
Alternative investments:					
Private real estate funds	9,936,547	-	-	-	9,936,547
Emerging Markets Fund	4,129,087	-	-	-	4,129,087
Total alternative investments	14,065,634	-	-	-	14,065,634
Total investments	$ 171,845,596	$ 144,602,712	$ 13,177,250	$ -	$ 14,065,634

21. Fair Value Measurements, continued

The Chancery uses the NAV to determine the fair value of all the underlying investments which a) do not have readily determinable fair values and b) prepare their financial statements consistent with the measurement principles of an investment company or have attributes of an investment company. The Chancery was invested in four private real estate funds valued at $12,536,666 and $9,936,547 as of June 30, 2022 and 2021, respectively. The funds' strategy is an income-oriented core strategy focused on institutional quality assets with an emphasis on long-term stabilized cash flow and market appreciation potential. Two of the four funds have claw back and lock out provisions of various percentages, the third provides for redemptions quarterly with a 10-day notice, and the fourth has no restrictions on redemptions.

The Chancery was invested in one emerging market fund valued at $3,359,506 and $4,129,087 as of June 30, 2022 and 2021, respectively. The fund's strategy is to seek capital appreciation through investment in common stock of growth companies domiciles, headquartered, or with primary business activities or principal trading markets in developing countries. The fund has a lockout period and no restrictions on redemptions.

The Chancery was invested in two private credit funds valued at $5,262,419 and $0 as of June 30, 2022 and 2021, respectively. One fund's strategy is to focus on originating, acquiring, and managing loans secured by predominately commercial and multifamily real estate assets located in the US, mezzanine loans, and other loans related to real estate and may include the origination or acquisition of participations in such loans. The fund has a lockout period and quarterly restrictions on redemptions. The other fund's primary strategy is to seek consistent current income, while the fund's secondary objective is capital preservation. Under normal market conditions, the fund seeks to achieve its investment objectives by investing at least 80% of its assets (net assets, plus any borrowings for investment purposes) in loans to companies. The fund has a lockout period and no restrictions on redemptions.

As of June 30, 2022, the Chancery had outstanding capital calls of $5,100,000, which will be funded through the re-allocation of existing investment assets. The outstanding capital calls includes a capital commitment in a private equity fund of $4,000,000 that was accepted in April 2022.

The beneficial interest in the perpetual trust is classified as Level 3 within the fair value hierarchy. Reconciliations were as follows for the years ended June 30:

	2022	2021
Beginning balance, at fair value	$ 1,203,213	$ 1,005,493
Change in fair value	(216,080)	197,720
Ending balance, at fair value	$ 987,133	$ 1,203,213

As a practical expedient, the Chancery uses the fair value of trust assets to value its beneficial interest in the perpetual trust.

22. Risk Retention Group

Prior to July 1, 2015 and again starting on July 1, 2017, the Corporation Sole received its liability coverages through its participation with other dioceses in state-regulated risk retention groups. Effective July 1, 2015, general insurance coverages were procured from insurance underwriters that are separate from the state regulated risk retention groups.

Generally, liability coverages previously provided through the state-regulated risk retention groups will continue to cover claims made on or before July 1, 2015 and after July 1, 2017.

23. Commitments and Contingencies

Effective January 1, 2020, California AB 218 revised the statute of limitations applicable to claims arising from sexual abuse of a minor, including a three-year window through December 31, 2022 in which the claims of individuals previously barred from filing such claims are revived.

The Roman Catholic Archdiocese of San Francisco has been notified of numerous filed and potential claims related to alleged historical sexual misconduct by certain individuals of the Archdiocese. Many of these claims are expected to result in lawsuits naming the Archdiocese as a defendant. For the majority of the claims presented, there is some form of insurance coverage. Many of these claims have not been evaluated as to their merit, therefore an estimate of the ultimate outcome of the claims cannot be made. However, it is possible that these claims could result in a material liability resulting in a material adverse impact on the liquidity of the Archdiocese. As noted many of these claims do have some form of insurance coverage which will be utilized but the total estimate of claims and insurance coverage is unknown at this time.

In addition, the Corporation Sole is a party to various actions in the ordinary course of business. In the opinion of management, the outcome of these matters, individually or in the aggregate, would not have a material effect on the Chancery's financial statements.

COVID-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic and recommended containment and mitigation measures worldwide. As risks and mandates related to COVID-19 outbreak decreased, the Chancery began returning to "pre-covid" operations during fiscal year 2022. The Chancery continued to experience adverse financial impact due to the COVID-19 outbreak directly related to the financial difficulties that many of our Parishes have experienced. It is possible a new COVID-19 variant surge may negatively affect the Chancery operations in the future, as such management will continue to actively monitor the COVID-19 outbreak environment and its impact on the Chancery's operations, liquidity, workforce, and financial statements.

24. Future Minimum Lease Revenue

The Chancery owns various properties it leases for income with one term ending June 2077. During the years ended June 30, 2022 and 2021, the Chancery recorded $2,109,727 and $1,946,928, respectively, in rental income, primarily from leases on its rental properties, including prepaid rent recognized of $101,739 for each of the years ended June 30, 2022 and 2021. The Chancery has received a prepayment for one of these leases, which is shown as deferred lease revenue on the statements of financial position and is included in the table below. The prepayment is amortized over 55 years on a straight-line basis.

As of June 30, 2022, future minimum lease revenue amounts from long-term non-cancelable operating leases were as follows:

Years ending June 30:	
2023	$ 1,706,727
2024	960,012
2025	1,038,377
2026	1,057,110
2027	1,076,218
Thereafter	8,827,443
Total	$ 14,665,887

25. Subsequent Events

The Chancery evaluated subsequent events for recognition and disclosure through January 13, 2023, the date which these financial statements were available to be issued. Management has concluded that no additional material subsequent events have occurred since June 30, 2022, other than those noted in Note 7, that require recognition or disclosure on the financial statements.