Central Administrative Office of the Roman Catholic Archdiocese of San Francisco

Financial Statements

June 30, 2021 and 2020

BPM

CENTRAL ADMINISTRATIVE OFFICE OF THE ROMAN CATHOLIC ARCHDIOCESE OF SAN FRANCISCO

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BPM

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Independent Auditors' Report

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

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, 2021 and 2020, and the related statements of activities, functional expenses, 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.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Central Administrative Office of The Roman Catholic Archbishop of San Francisco as of June 30, 2021 and 2020, 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.

BPM LLP

San Francisco, California
December 17, 2021

Central Administrative Office of the Roman Catholic Archdiocese of San Francisco

Statements of Financial Position

As of June 30, 2021 and 2020

	2021	2020
ASSETS		
Cash and cash equivalents	$ 128,130,296	$ 109,906,619
Time certificates of deposit	160,000	160,000
Investments	171,845,596	141,407,851
Receivables:		
Loans receivable	504,741	768,983
Pledges and assessments, net	3,148,113	4,060,344
Other receivables, net	4,997,112	4,027,911
Prepaid and other assets	2,777,941	2,484,628
Property, land, and equipment, net	19,556,979	23,785,744
Beneficial interest in Real Property Support Corporation net assets	333,874	333,874
Beneficial interest in a perpetual trust	1,203,213	1,005,493
Total assets	$ 332,657,865	$ 287,941,447
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	$ 6,177,132	$ 7,741,897
Deferred lease revenue	5,697,391	5,799,131
Assets held for schools and institutions	59,961,835	50,582,701
Equity of others in pooled investments	54,197,018	44,647,795
Line of credit - Capital Assets Support Corporation	990,000	1,000,000
Note payable - Paycheck Protection Program	-	1,876,500
Total liabilities	127,023,376	111,648,024
Commitments and contingencies (Note 23)		
Net assets:		
Without donor restrictions:		
Undesignated	30,985,988	20,204,624
Investment in property, land, and equipment, and beneficial interest in Real Property Support Corporation net assets, net of related note payable	19,890,853	24,119,618
Designated	103,574,530	88,148,458
Total net assets without donor restrictions	154,451,371	132,472,700
With donor restrictions	51,183,118	43,820,723
Total net assets	205,634,489	176,293,423
Total liabilities and net assets	$ 332,657,865	$ 287,941,447

CENTRAL ADMINISTRATIVE OFFICE OF THE ROMAN CATHOLIC ARCHDIOCESE OF SAN FRANCISCO

STATEMENTS OF ACTIVITIES

For the years ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:						
Gifts, bequests, and collections	$ 1,026,228	$ 7,097,470	$ 8,123,698	$ 1,406,019	$ 8,524,232	$ 9,930,251
Fees for services	4,724,359	-	4,724,359	5,057,612	-	5,057,612
Investment income, net	19,947,496	8,465,729	28,413,225	1,556,072	117,093	1,673,165
Change in beneficial interest in a perpetual trust	-	197,721	197,721	-	(18,880)	(18,880)
Insurance	38,374,547	-	38,374,547	39,204,269	-	39,204,269
Rental income	1,946,928	-	1,946,928	2,065,761	-	2,065,761
Other income	1,998,690	-	1,998,690	1,326,472	-	1,326,472
Net assets released from restrictions	8,398,525	(8,398,525)	-	9,458,502	(9,458,502)	-
Total revenues	76,416,773	7,362,395	83,779,168	60,074,707	(836,057)	59,238,650
Expenses:						
Insurance	32,968,787	-	32,968,787	34,077,546	-	34,077,546
Compensation and benefits	10,133,545	-	10,133,545	11,234,998	-	11,234,998
Professional fees	3,074,813	-	3,074,813	2,929,783	-	2,929,783
Priest retirement benefits	2,864,840	-	2,864,840	2,108,849	-	2,108,849
Program subsidies	2,415,943	-	2,415,943	3,118,590	-	3,118,590
Property costs and depreciation	2,246,408	-	2,246,408	2,677,941	-	2,677,941
Other operating expenses	1,360,746	-	1,360,746	1,757,188	-	1,757,188
Office expenses	678,058	-	678,058	923,184	-	923,184
Assessments	328,878	-	328,878	299,615	-	299,615
Provision for uncollectible accounts	199,497	-	199,497	174,407	-	174,407
Interest paid to schools and institutions	48,004	-	48,004	888,503	-	888,503
Total expenses	56,319,519	-	56,319,519	60,190,604	-	60,190,604
Change in net assets before gains and losses	20,097,254	7,362,395	27,459,649	(115,897)	(836,057)	(951,954)
Gain from forgiveness of PPP loan	1,876,500	-	1,876,500	-	-	-
Gain (loss) on sale of property, land, and equipment	4,917	-	4,917	(322,826)	-	(322,826)
Change in net assets	21,978,671	7,362,395	29,341,066	(438,723)	(836,057)	(1,274,780)
Net assets, beginning of year	132,472,700	43,820,723	176,293,423	132,911,423	44,656,780	177,568,203
Net assets, end of year	$ 154,451,371	$ 51,183,118	$ 205,634,489	$ 132,472,700	$ 43,820,723	$ 176,293,423

Central Administrative Office of the Roman Catholic Archdiocese of San Francisco

Statements of Functional Expenses

For the years ended June 30, 2021 and 2020

	2021					2020				
		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	$ 32,968,787	$ -	$ -	$ -	$ 32,968,787	$ 34,077,546	$ -	$ -	$ -	$ 34,077,546
Compensation and benefits	7,207,451	2,381,282	544,812	2,926,094	10,133,545	7,639,915	2,977,843	617,240	3,595,083	11,234,998
Professional fees	1,496,493	1,561,221	17,099	1,578,320	3,074,813	1,292,969	1,629,864	6,950	1,636,814	2,929,783
Priest retirement benefits	2,864,840	-	-	-	2,864,840	2,108,849	-	-	-	2,108,849
Program subsidies	2,415,844	-	99	99	2,415,943	3,099,333	3,684	15,573	19,257	3,118,590
Property costs and depreciation	789,962	1,406,492	49,954	1,456,446	2,246,408	1,052,373	1,575,642	49,926	1,625,568	2,677,941
Other operating expenses	1,162,468	39,847	158,431	198,278	1,360,746	1,514,287	54,841	188,060	242,901	1,757,188
Office expenses	437,613	93,187	147,258	240,445	678,058	579,030	192,793	151,361	344,154	923,184
Assessments	34,831	294,047	-	294,047	328,878	600	299,015	-	299,015	299,615
Provision for uncollectible accounts	199,497	-	-	-	199,497	174,407	-	-	-	174,407
Interest paid to schools and institutions	48,004	-	-	-	48,004	888,503	-	-	-	888,503
Total expenses	$ 49,625,790	$ 5,776,076	$ 917,653	$ 6,693,729	$ 56,319,519	$ 52,427,812	$ 6,733,682	$ 1,029,110	$ 7,762,792	$ 60,190,604

Central Administrative Office of the Roman Catholic Archdiocese of San Francisco

Statements of Cash Flows

the years ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	$ 29,341,066	$ (1,274,780)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in beneficial interest in a perpetual trust	(197,720)	18,880
Investment income	(28,413,225)	(1,673,165)
Depreciation	1,351,590	1,722,584
Property write-off charged to expense	77,510	-
Gain (loss) on sale of property, land and equipment	(4,917)	322,826
Provision for uncollectable accounts	199,497	174,407
Forgiveness of PPP loan	(1,876,500)	-
Change in operating assets and liabilities:		
Receivables	2,841,015	(2,716,826)
Prepaid and other assets	(293,313)	254,909
Accounts payable and accrued liabilities	(1,564,765)	3,194,195
Deferred lease revenue	(101,740)	(101,739)
Net cash provided by (used in) operating activities	1,358,498	(78,709)
Cash flows from investing activities:		
Purchase of investments	(103,802,073)	(94,137,012)
Proceeds from sale of investments	115,702,857	103,587,459
Purchase of property, land, and equipment	(48,233)	(228,792)
Proceeds from sale of property, land, and equipment	19,575	6,344,625
Net cash provided by investing activities	11,872,126	15,566,280
Cash flows from financing activities:		
Assets held for schools and institutions liability	9,379,134	(267,815)
Change in equity held for others in pooled investments	9,549,223	(2,699,109)
Investment pool (income) loss on equity of others	(13,925,304)	107,538
Proceeds from line of credit - Capital Assets Support Corporation	-	1,000,000
Payments on note payable - Capital Assets Support Corporation	(10,000)	(3,220,596)
Proceeds from note payable - Paycheck Protection Program	-	1,876,500
Net cash provided by (used in) financing activities	4,993,053	(3,203,482)
Net increase in cash and cash equivalents	18,223,677	12,284,089
Cash, cash equivalents and time certificate of deposit, beginning of year	110,066,619	97,782,530
Cash, cash equivalents and time certificate of deposit, end of year	$ 128,290,296	$ 110,066,619
Supplemental disclosure of cash flow information:		
Cash paid for interest on deposits and note payable	$ 48,004	$ 888,503
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, 2021 and 2020, 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. Investment income recorded on the statements of activities includes interest and dividend income, as well as realized and unrealized gains and losses. Investments 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 56 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 averaged 0.10% and 1.75% for of the years ended June 30, 2021 and 2020, respectively.

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 met and, as of June 30, 2021 and 2020, 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.

Grants Payable

Grants payable are expensed when the unconditional promise to give is approved by the finance committee of the Archdiocese. Grants are authorized subject to certain restrictions, and failure of the recipients to meet these restrictions may result in cancellations or refunds. Grant refunds are recorded as a reduction of grant expense at the time the grant is refunded to the Foundation. Unconditional grants that are expected to be paid in more than one year are measured at the present value of the estimated future cash flows (see Note 11).

3. Summary of Significant Accounting Policies, continued

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, 2020, the most recent tax filing, the Chancery had NOLs of approximately $61,711. 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.

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, 2021 and 2020.

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.

3. Summary of Significant Accounting Policies, continued

Fair Value Measurements, continued

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.

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.

3. Summary of Significant Accounting Policies, continued

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.

Changes in Accounting Principles

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement ("ASU 2018-13"). ASU 2018-13 amends Accounting Standards Codification ("ASC") 820 to add, remove, and modify fair value measurement disclosure requirements. The Chancery adopted ASU 2017-07 effective July 1, 2020. There was no material impact or material additional disclosures added to the financial statements.

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.

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 is currently evaluating the impact of the pending adoptions of ASU 2020-07 on these financial statements.

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:

	2021	2020
Cash and cash equivalents and time certificates of deposit	$ 128,290,296	$ 110,066,619
Investments	171,845,596	141,407,851
Receivables:		
Loans receivable	504,741	768,983
Pledges and assessments, net	3,148,113	4,060,344
Other receivables, net	4,997,112	4,027,911
Beneficial interest in a perpetual trust	1,203,213	1,005,493
Total financial assets	309,989,071	261,337,201
Less: net assets with donor restrictions	(51,183,118)	(43,820,723)
Less: receivables due in more than one year	(3,337,981)	(695,353)
Plus: amount appropriated for expenditure and release of restrictions for the following year	8,284,770	8,549,526
Less: other designated assets:		
Assets held for schools and institutions	(59,961,835)	(50,582,701)
Equity of others in pooled investments	(54,197,018)	(44,647,795)
Other funds:		
Deposit and loan	(1,059,228)	(1,127,787)
Priests' retirement	(11,743,032)	(12,452,586)
Insurance and benefits	(60,751,484)	(51,968,861)
Current fund: other operating and priest education	(29,841,690)	(22,543,778)
High school loan - committed FY20	-	(500,000)
Financial assets available to meet cash needs for general expenditure within one year	$ 46,198,455	$ 41,547,143

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:

	2021	2020
Current fund - without donor restriction	$ 15,564,444	$ 13,418,544
Deposit and loan fund	60,002,478	50,080,778
Insurance and benefits	37,064,459	32,051,212
Current fund - with donor restriction	1,582,129	1,596,887
Priests' retirement fund - without donor restriction	9,256,481	9,139,113
Other designated funds	539,375	379,440
Other with donor restriction	3,555,891	2,665,653
Other	725,039	734,992
Total cash and cash equivalents and time certificates of deposit	$ 128,290,296	$ 110,066,619

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

	2021	2020
Cash and cash equivalents	$ 128,130,296	$ 109,906,619
Time certificates of deposit	160,000	160,000
Total cash and cash equivalents and time certificates of deposit	$ 128,290,296	$ 110,066,619

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.

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.

6. Investments, continued

Investments were held as follows as of June 30:

	2021	2020
Investment pool:		
Chancery's equity in pooled investments	$ 117,434,477	$ 94,296,153
Others' equity in pooled investments	54,054,018	44,498,795
	171,488,495	138,794,948
Other investments	357,101	2,612,903
Total investments	$ 171,845,596	$ 141,407,851

Total investment income for the investment pool, including investment income allocated to others in the pooled investments, was $42,155,128 and $265,776 for the years ended June 30, 2021 and 2020, respectively.

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 losses 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		

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:

	2020		
	Investment Pool	Other Investment Activities	Total
Interest and dividends	$ 1,597,082	$ 1,311,349	$ 2,908,431
Net realized and unrealized gains on investments	(1,223,769)	(11,497)	(1,235,266)
Investment income	373,313	$ 1,299,852	$ 1,673,165
Investment pool gain on equity of others	122,362		
Undistributed net earnings	(229,900)		
Total investment pool income, net	$ 265,775		

7. Receivables

Loans Receivable

The Chancery had total loans receivable of $504,741 and $768,983 as of June 30, 2021 and 2020. The loans receivable are described below.

For the year ended June 30, 2021, 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 $60,295. The receivable is unsecured and matures 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 $444,446. The receivable is unsecured and matures in October 2022 with interest at 0.0%. As of June 30, 2021, no allowance was recorded related to these loans.

The Chancery had a loan outstanding from Junipero Serra High School with a balance $392,281 for the year ended June 30, 2020. The receivable was unsecured and matured through 2025 with interest at 5.5%. Additionally, for the year ended June 30, 2020, the Chancery loaned $375,000 and had an outstanding loan balance of $376,702 from Archbishop Riordan High School. The receivable was unsecured and matured through 2021 with interest at 5.5%. As of June 30, 2021, the High Schools have paid their balances off in full.

7. Receivables, continued

Pledges and Assessments, Net

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

	2021	2020
Pledges and assessments, net:		
Archdiocesan Annual Appeal	$ 3,901,262	$ 4,503,493
Less: allowance for uncollectible pledges	(753,149)	(443,149)
Total pledges and assessments, net	$ 3,148,113	$ 4,060,344

All pledge receivables are initially due within one year.

Other Receivables, Net

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

	2021	2020
Other receivables, net:		
Note receivable - Diocese of Santa Rosa	$ 1,410,000	$ 1,410,000
Note receivable - Catholic Charities	2,833,240	-
Other notes receivable	64,988	64,988
Parish and school receivables	1,858,840	4,266,345
Miscellaneous receivables	481,937	442,005
Less: allowance for doubtful accounts	(1,651,893)	(2,155,427)
Total other receivables, net	$ 4,997,112	$ 4,027,911

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. Since 2008, the LOC has been included in land on the Statement of Financial Position (see Note 8). In January 2021, the CCCYO extended the LOC through December 2025 and converted the LOC into a note receivable with interest at 1.0%. The remaining principal balance was reclassed to other receivables, net on the Statement of Financial Position. As of June 30, 2021, the unpaid principal is $2,833,240.

7. Receivables, continued

Other Receivables, Net, continued

Receivables are collected as follows as of June 30:

	2021	2020
Less than one year:		
Pledges and assessments	$ 3,901,262	$ 4,503,493
Other receivables	2,405,765	4,773,338
Loans receivable	-	73,630
Note receivables	1,410,000	1,410,000
	7,717,027	10,760,461
More than one year:		
Loans receivable	504,741	695,353
Note receivables	2,833,240	-
	3,337,981	695,353
Less: allowance for doubtful accounts	(2,405,042)	(2,598,576)
Total receivables, net	$ 8,649,966	$ 8,857,238

8. Property, Land, and Equipment

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

	2021	2020
Buildings and improvements	$ 39,026,324	$ 39,026,324
Equipment	2,488,946	2,477,720
Automobiles	62,730	128,096
	41,578,000	41,632,140
Accumulated depreciation	(25,107,100)	(23,831,598)
	16,470,900	17,800,542
Land	3,074,454	5,985,202
Construction in progress	11,625	-
Total property, land, and equipment, net	$ 19,556,979	$ 23,785,744

Depreciation expense totaled $1,351,590 and $1,722,584 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020 (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 $3,400,048 and $3,728,060 as of June 30, 2021 and 2020, respectively.

An 8.96% interest in St. Vincent's Property, as a tenant in common, is included in land in the amount of $2,910,748 as of June 30, 2020. In January 2021, the balance was reclassed to notes receivable (see Note 7).

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, 2021 and 2020.

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, 2021 and 2020. 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:

	2021	2020
Accounts payable	$ 274,096	$ 484,357
Accrued vacation	756,905	658,610
Accrued liabilities and other payables	4,122,129	3,626,058
Deferred revenue	749,030	1,584,133
High school grant payable	-	500,000
Pension payables	274,972	888,739
Total accounts payable and accrued liabilities	$ 6,177,132	$ 7,741,897

12. Assets Held for Schools and Institutions

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

	2021	2020
Deposit and loan fund:		
Cash and cash equivalents	$ 58,943,249	$ 48,957,083
Receivables from schools and institutions	-	768,983
	58,943,249	49,726,066
Special collections	312,365	153,672
Benedict XVI Institute	10,000	10,000
Society for the Propagation of the Faith funds	692,890	688,432
Other	3,331	4,531
Total assets held for schools and institutions	$ 59,961,835	$ 50,582,701

13. Borrowing from CASC

Line of Credit - Capital Assets Support Corporation

The Chancery received a line of credit ("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, 2021 and 2020 $80,000 and $0, respectively, have been loaned to parishes (see Note 7).

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:

	2021	2020
Insurance and benefits	$ 60,751,484	$ 51,968,861
Other designated	29,226,135	22,044,268
Priests' Retirement/SERP	10,908,270	11,638,375
Deposit & Loan - Institutional	1,059,228	1,127,787
Priests' Surcharge Fund	834,762	814,211
Department of Catholic Schools	179,096	55,446
Priests' education	615,555	499,510
Total designated net assets	$ 103,574,530	$ 88,148,458

16. Net Assets With Donor Restrictions

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

	2021	2020
Subject to expenditure for specified purpose:		
Archdiocesan Annual Appeal	$ 6,533,661	$6,686,586
Education assistance, tuition, scholarships, and grants	6,151,012	6,312,905
Social, ethnic, and cultural	896,806	913,769
Religious personnel education and development	297,207	381,581
Pastoral programs	384,766	393,289
Building improvements	46,891	52,592
	14,310,343	14,740,722
Endowments:		
Subject to the Chancery's endowment spending policy and appropriation:		
Restricted by donors for:		
Education assistance and tuition	34,622,928	27,262,143
Not subject to the Chancery's endowment spending policy or appropriation:		
Social, ethnic and cultural services	328,777	274,476
Religious personnel education and development	1,367,401	1,118,911
Building improvements	552,669	423,471
Mass stipends	1,000	1,000
	36,872,775	29,080,001
	$ 51,183,118	$ 43,820,723

17. Net Assets Released from Restrictions

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

	2021	2020
Archdiocesan Annual Appeal	$ 6,091,482	$ 6,941,322
Education assistance, tuition, scholarships, and grants	1,390,266	1,287,945
Social, ethnic, and cultural services	134,760	598,668
Religious personnel education and development	235,507	79,180
Pastoral programs	21,123	13,770
Priests' retirement	518,727	499,510
Building improvements	6,660	38,107
Total net assets released from restrictions	$ 8,398,525	$ 9,458,502

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, 2021 and 2020, 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, private real estate and cash designed to achieve a long-term investment objective of moderate growth and income return with prudent risk constraints.

18. Donor Restricted Endowments

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

	2021	2020
	With Donor Restrictions	With Donor Restrictions
Education assistance and tuition		
Endowment net assets, beginning of year	$ 27,262,143	$ 28,033,751
Contributions	-	74,698
Investment income	8,230,500	115,304
Amounts appropriated for expenditure	(869,715)	(961,610)
Endowment net assets, end of year	$ 34,622,928	$ 27,262,143
Religious personnel education and development		
Endowment net assets, beginning of year	$ 1,118,911	$ 1,130,422
Investment income	105,071	1,236
Change in beneficial interest in perpetual trust	143,419	(12,747)
Endowment net assets, end of year	$ 1,367,401	$ 1,118,911
Social, ethnic and cultural services		
Endowment net assets, beginning of year	$ 274,476	$ 280,609
Change in beneficial interest in perpetual trust	54,301	(6,133)
Endowment net assets, end of year	$ 328,777	$ 274,476
Building improvements		
Endowment net assets, beginning of year	$ 423,471	$ 414,176
Contributions	-	17,490
Investment income (loss)	130,158	(1,330)
Amounts appropriated for expenditure	(960)	(6,865)
Endowment net assets, end of year	$ 552,669	$ 423,471
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	$ 29,080,001	$ 29,859,958
Contributions	-	92,188
Investment income	8,465,729	115,210
Change in beneficial interest in perpetual trust	197,720	(18,880)
Amounts appropriated for expenditure	(870,675)	(968,475)
Endowment net assets, end of year	$ 36,872,775	$ 29,080,001

18. Donor Restricted Endowments, continued

Endowment Investment and Distribution Policy, continued

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

	2021	2020
Donor-restricted endowment funds:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ 19,048,810	$ 18,851,090
Accumulated investment gains	17,823,965	10,228,911
	$ 36,872,775	$ 29,080,001

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):

	2021	2020
Funding status:		
Present value of accrued liability	$ (26,466,000)	$ (26,052,000)
Market value of assets	35,392,000	26,220,000
	$ 8,926,000	$ 168,000
Contributions from Archdiocese	$ 2,500,000	$ 1,600,000
Benefit payments to participants	$ 1,616,269	$ 1,661,253

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.

19. Pension Plans - Priests, continued

Supplemental Defined Benefit Plan, continued

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

	2021	2020
Funding status:		
Present value of accrued liability	$ (6,782,000)	$ (6,384,000)
Market value of assets	10,914,000	11,638,000
	$ 4,132,000	$ 5,254,000
Contributions from Archdiocese	$ 335,832	$ 397,437
Benefit payments to participants	$ 311,654	$ 359,050

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):

	2021	2020
Funding status:		
Present value of all accrued liability	$ (132,850,000)	$ (129,724,000)
Market value of assets	145,190,000	131,533,000
	$ 12,340,000	$ 1,809,000
Contributions from the Archdiocesan entities	$ 7,660,337	$ 7,293,505
Benefit payments to participants	$ 9,821,768	$ 9,010,302

Pension cost recognized by the Chancery was $611,619 and $680,252 for the years ended June 30, 2021 and 2020, 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, 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	$ 126,138,357	$ -	$ -	$ -
Certificates of deposit	160,000	160,000	-	-	-
Total cash equivalents	$ 126,298,357	$ 126,298,357	$ -	$ -	$ -
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	-	-	-
Global emerging markets	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 following table presents the Chancery's financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2020:

	2020	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	$ 106,766,664	$ 106,766,664	$ -	$ -	$ -
Certificates of deposit	160,000	160,000	-	-	-
Total cash equivalents	$ 106,926,664	$ 106,926,664	$ -	$ -	$ -
Beneficial interest in perpetual trust	$ 1,005,493	$ -	$ -	$ 1,005,493	$ -
Investments:					
Cash equivalents:					
Money market funds	$ 5,234,605	$ 5,234,605	$ -	$ -	$ -
Total cash equivalents	5,234,605	5,234,605	-	-	-
Corporate stocks:					
Materials	1,229,417	1,229,417	-	-	-
Telecommunication services	6,070,750	6,070,750	-	-	-
Consumer discretionary	8,204,094	8,204,094	-	-	-
Consumer staples	8,109,203	8,109,203	-	-	-
Energy	926,641	926,641	-	-	-
Financial	8,726,650	8,726,650	-	-	-
Health care	3,375,927	3,375,927	-	-	-
Industrial	6,983,622	6,983,622	-	-	-
Technology	14,423,597	14,423,597	-	-	-
Utilities	552,462	552,462	-	-	-
Real estate	747,284	747,284	-	-	-
Total corporate stocks	59,349,647	59,349,647	-	-	-
Foreign and municipal bonds	11,944,671	-	11,944,671	-	-
U.S. bonds and notes	5,689,665	5,689,665	-	-	-
U.S. government securities	3,672,066	-	3,672,066	-	-
Mutual funds:					
Foreign large blend	18,321,846	18,321,846	-	-	-
World allocation	6,156,593	6,156,593	-	-	-
Moderate allocation	14,082,729	14,082,729	-	-	-
Emerging markets multi-strategy	3,703,550	3,703,550	-	-	-
Small value	246,087	246,087	-	-	-
Total mutual funds	42,510,805	42,510,805	-	-	-
Alternative investments:					
Private real estate funds	9,402,053	-	-	-	9,402,053
Emerging Markets Fund	3,604,339	-	-	-	3,604,339
Total alternative investments	13,006,392	-	-	-	13,006,392
Total investments	$ 141,407,851	$ 112,784,722	$ 15,616,737	$ -	$ 13,006,392

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 three private real estate funds valued at $9,936,547 and $9,402,053 as of June 30, 2021 and 2020, 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 three funds have claw back provisions of various percentages and the third provides for redemptions quarterly with a 10 day notice.

The Chancery was invested in one emerging market fund valued at $4,129,087 and $3,604,339 as of June 30, 2021 and 2020, 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 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:

	2021	2020
Beginning balance, at fair value	$ 1,005,493	$ 1,024,373
Change in fair value	197,720	(18,880)
Ending balance, at fair value	$ 1,203,213	$ 1,005,493

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 in which the claims of individuals previously barred from filing such claims are revived. Among other things, California AB 218 allows treble damages against a defendant where the defendant's alleged "cover-up" has caused the abuse. The Archdiocese is challenging the constitutionality of the addition of treble damages as a penalty.

23. Commitments and Contingencies, continued

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. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude of the effect that the pandemic will have on the Chancery's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact on its financial statements, liquidity, operations, and workforce.

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, 2021 and 2020, the Chancery recorded $1,946,927 and $2,065,761, 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, 2021 and 2020. 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 56 years on a straight-line basis.

As of June 30, 2021, future minimum lease revenue amounts from long-term non-cancelable operating leases were as follows:

Years ending June 30:	
2022	$ 1,898,742
2023	1,724,732
2024	1,038,377
2025	1,057,110
2026	1,076,218
Thereafter	8,929,183
Total	$ 15,724,362

25. Subsequent Events

The Chancery evaluated subsequent events for recognition and disclosure through December 17, 2021, 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, 2021, that require recognition or disclosure on the financial statements.