

**ROMAN CATHOLIC DIOCESE OF
MADISON, INC. AND AFFILIATES**

**CONSOLIDATED FINANCIAL
STATEMENTS WITH INDEPENDENT
AUDITORS' REPORT**

JUNE 30, 2024 AND 2023

ROMAN CATHOLIC DIOCESE OF MADISON, INC. AND AFFILIATES

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INDEPENDENT AUDITORS' REPORT

The Most Reverend Donald J. Hying
Bishop of Madison
Roman Catholic Diocese of Madison, Inc. and Affiliates
Madison, Wisconsin

Opinion

We have audited the consolidated financial statements of the Roman Catholic Diocese of Madison, Inc. and Affiliates (the Diocese and Affiliates), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Roman Catholic Diocese of Madison, Inc. and Affiliates as of June 30, 2024 and 2023, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 Roman Catholic Diocese of Madison, Inc. and Affiliates' ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Roman Catholic Diocese of Madison, Inc. and Affiliates' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Roman Catholic Diocese of Madison, Inc. and Affiliates' 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, an certain internal control-related matters that we identified during the audit.

Hawkins Ash CPAs, LLP

Green Bay, Wisconsin
October 24, 2024

**ROMAN CATHOLIC DIOCESE OF MADISON, INC.
AND AFFILIATES**

CONSOLIDATED FINANCIAL STATEMENTS

ROMAN CATHOLIC DIOCESE OF MADISON, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	JUNE 30,	
	2024	2023
<u>ASSETS</u>		
Cash and cash equivalents	\$ 11,830,275	\$ 11,017,923
Accounts receivable, net of allowance for credit losses of \$11,000 for 2024 and 2023	1,401,576	940,860
Unconditional promises to give, net	203,462	618,009
Broker sales in process	-	9,069
Inventories	555,407	345,581
Prepaid expenses	439,934	439,982
Investments and interest in master trust	38,402,771	33,474,488
Investments in Catholic Diocese of Madison Foundation	50,639,088	46,572,592
Property and equipment, net	29,037,989	29,840,785
Clergy retirement plan asset	10,725,818	7,932,784
Beneficial interest in perpetual trust	574,736	542,665
TOTAL ASSETS	<u>\$ 143,811,056</u>	<u>\$ 131,734,738</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 394,366	\$ 968,733
Accrued expenses	775,033	856,971
Due to related party	33,299	451,397
Collections held for others	181,643	233,368
Brokerage pending purchases	19,889	9,063
Accrued post retirement benefits	266,780	2,162,458
Annuities payable	285,333	336,304
Deferred revenue	4,105,291	3,837,430
Notes payable	12,012,034	12,480,678
TOTAL LIABILITIES	<u>18,073,668</u>	<u>21,336,402</u>
NET ASSETS		
Without donor restrictions	63,683,783	53,549,791
With donor restrictions	62,053,605	56,848,545
TOTAL NET ASSETS	<u>125,737,388</u>	<u>110,398,336</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 143,811,056</u>	<u>\$ 131,734,738</u>

The accompanying notes are an integral part of these statements.

ROMAN CATHOLIC DIOCESE OF MADISON, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES

	YEAR ENDED JUNE 30,					
	2024			2023		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE, GAINS, AND SUPPORT						
Contributions (including Annual Catholic Appeal)	\$ 2,098,434	\$ 4,712,533	\$ 6,810,967	\$ 2,120,572	\$ 4,503,535	\$ 6,624,107
Parish assessments	6,260,823	-	6,260,823	6,030,280	-	6,030,280
Program fees	2,205,687	-	2,205,687	2,171,171	-	2,171,171
Cemetery sales	1,359,987	-	1,359,987	1,455,176	-	1,455,176
Investment income, net	5,144,451	5,980,611	11,125,062	3,642,940	4,430,029	8,072,969
Change in value of beneficial interest in trusts	-	32,072	32,072	-	16,792	16,792
Rental revenue	1,720,343	-	1,720,343	1,656,965	-	1,656,965
Miscellaneous income	833,612	-	833,612	334,301	-	334,301
Net assets released from restrictions	5,520,156	(5,520,156)	-	7,142,116	(7,142,116)	-
TOTAL REVENUE, GAINS, AND SUPPORT	25,143,493	5,205,060	30,348,553	24,553,521	1,808,240	26,361,761
EXPENSES						
Program	9,870,184	-	9,870,184	9,641,593	-	9,641,593
Management and general	2,215,473	-	2,215,473	3,897,967	-	3,897,967
Fundraising	751,904	-	751,904	749,336	-	749,336
Holy Name Heights LLC	2,171,940	-	2,171,940	2,197,513	-	2,197,513
TOTAL EXPENSES	15,009,501	-	15,009,501	16,486,409	-	16,486,409
CHANGE IN NET ASSETS	10,133,992	5,205,060	15,339,052	8,067,112	1,808,240	9,875,352
NET ASSETS, BEGINNING OF YEAR	53,549,791	56,848,545	110,398,336	45,482,679	55,040,305	100,522,984
NET ASSETS, END OF YEAR	\$ 63,683,783	\$ 62,053,605	\$ 125,737,388	\$ 53,549,791	\$ 56,848,545	\$ 110,398,336

The accompanying notes are an integral part of these statements.

ROMAN CATHOLIC DIOCESE OF MADISON, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024

	PROGRAM						MANAGEMENT AND GENERAL	FUNDRAISING	HOLY NAME HEIGHTS LLC	TOTAL
	PASTORAL CARE	CATHOLIC FORMATION	CEMETERIES (BURY THE DEAD)	CARE OF CLERGY	SELF- INSURANCE	TOTAL PROGRAM				
Personnel and related expenses	\$ 3,334,689	\$ 1,139,007	\$ 767,723	\$ 1,068,633	\$ -	\$ 6,310,052	\$ 620,455	\$ 480,495	\$ 203,434	\$ 7,614,436
Net periodic benefit (gain) loss on clergy retirement plan	-	-	-	(2,723,959)	-	(2,723,959)	-	-	-	(2,723,959)
Net periodic benefit (gain) loss on OPEB	-	-	-	(831,974)	-	(831,974)	-	-	-	(831,974)
Professional services	442,321	23,784	-	-	5,052	471,157	120,327	28	146,932	738,444
Facilities and operating costs	196,532	1,029	191,957	-	-	389,518	168,035	-	310,968	868,521
Cost of cemetery and crypt sales	-	-	366,940	-	-	366,940	-	-	-	366,940
Office	422,846	32,050	38,707	-	-	493,603	225,831	62,615	30,397	812,446
Education	28,327	617,269	394	-	-	645,990	31,030	479	-	677,499
Program	423,466	551,724	1,470	-	-	976,660	551	2,211	-	979,422
Fundraising expenses	-	-	-	-	-	-	-	202,493	-	202,493
Commercial insurance premium	(116)	(4,208)	-	-	2,426,523	2,422,199	-	-	119,183	2,541,382
Grants, donations and religious dues	593,857	44,720	-	-	-	638,577	832,730	-	-	1,471,307
Depreciation and amortization	458,950	-	134,282	-	-	593,232	27,824	-	620,324	1,241,380
Bad debt	-	-	-	-	-	-	47,014	-	-	47,014
Miscellaneous	70,469	42,027	4,636	-	1,057	118,189	141,676	3,583	740,702	1,004,150
TOTAL EXPENSES	\$ 5,971,341	\$ 2,447,402	\$ 1,506,109	\$ (2,487,300)	\$ 2,432,632	\$ 9,870,184	\$ 2,215,473	\$ 751,904	\$ 2,171,940	\$ 15,009,501

The accompanying notes are an integral part of these statements.

ROMAN CATHOLIC DIOCESE OF MADISON, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES - Continued
YEAR ENDED JUNE 30, 2023

	PROGRAM						MANAGEMENT AND GENERAL	FUNDRAISING	HOLY NAME HEIGHTS LLC	TOTAL
	PASTORAL CARE	CATHOLIC FORMATION	CEMETERIES (BURY THE DEAD)	CARE OF CLERGY	SELF- INSURANCE	TOTAL PROGRAM				
Personnel and related expenses	\$ 2,874,471	\$ 1,289,648	\$ 830,768	\$ 1,108,228	\$ -	\$ 6,103,115	\$ 602,371	\$ 536,452	\$ 211,504	\$ 7,453,442
Net periodic benefit (gain) loss on clergy retirement plan	-	-	-	(2,330,891)	-	(2,330,891)	-	-	-	(2,330,891)
Net periodic benefit (gain) loss on OPEB	-	-	-	(609,082)	-	(609,082)	-	-	-	(609,082)
Professional services	248,402	27,447	6,815	-	9,183	291,847	174,207	310	133,193	599,557
Facilities and operating costs	175,627	2,462	191,828	-	-	369,917	170,114	-	346,593	886,624
Cost of cemetery and crypt sales	-	-	438,885	-	-	438,885	-	-	-	438,885
Office	394,797	47,840	32,902	-	-	475,539	195,715	37,480	32,516	741,250
Education	23,253	663,125	1,967	-	-	688,345	14,903	1,613	-	704,861
Program	486,697	561,244	2,823	-	3,000	1,053,764	160	1,960	-	1,055,884
Fundraising expenses	-	-	-	-	-	-	-	169,906	-	169,906
Commercial insurance premium	-	(2,138)	-	-	1,775,808	1,773,670	-	-	101,307	1,874,977
Grants, donations and religious dues	611,879	45,912	-	-	-	657,791	891,469	-	-	1,549,260
Depreciation and amortization	492,348	-	134,214	-	-	626,562	29,969	-	595,041	1,251,572
Bad debt	-	-	-	-	-	-	-	-	-	-
Miscellaneous	68,256	25,430	7,908	-	537	102,131	1,819,059	1,615	777,359	2,700,164
TOTAL EXPENSES	\$ 5,375,730	\$ 2,660,970	\$ 1,648,110	\$ (1,831,745)	\$ 1,788,528	\$ 9,641,593	\$ 3,897,967	\$ 749,336	\$ 2,197,513	\$ 16,486,409

The accompanying notes are an integral part of these statements.

ROMAN CATHOLIC DIOCESE OF MADISON, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	<u>YEAR ENDED JUNE 30,</u>	
	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 15,339,052	\$ 9,875,352
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Allowance for uncollectible promises to give	37,191	(92,853)
Net realized and unrealized (gain) on investments	(9,387,747)	(6,742,523)
Depreciation and amortization	1,241,380	1,251,572
(Gain) loss on disposal of property and equipment	(5,900)	4,261
Change in beneficial interest in trust	(32,071)	(16,792)
Change in value of annuities payable	(50,971)	(4,566)
Permanently restricted contributions	(11,055)	(77,730)
Loss on consolidation of tax credit entity	-	1,763,170
Changes in assets and liabilities		
(Increase) decrease in assets		
Accounts receivable	(460,716)	213,443
Unconditional promises to give	377,356	(94,740)
Inventories	(168,415)	(61,435)
Prepaid expenses	48	(4,365)
Clergy retirement plan asset	(2,793,034)	(2,775,608)
Increase (decrease) in liabilities		
Accounts payable, accrued expenses and collections held for others	(708,030)	546,470
Due to related party	(418,098)	451,387
Accrued post retirement benefits	(1,895,678)	(1,571,043)
Deferred revenue	267,861	281,483
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>1,336,413</u>	<u>2,945,483</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(19,277,100)	(20,122,012)
Sales of investments	19,670,068	20,196,458
Change in due to/from brokerage	19,895	35,864
Purchase of property and equipment	(474,093)	(706,670)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(61,230)</u>	<u>(596,360)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on notes payable	(473,886)	(522,656)
Proceeds from permanently restricted contributions	11,055	77,730
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(462,831)</u>	<u>(444,926)</u>
NET INCREASE (DECREASE) IN CASH	812,352	1,904,197
CASH AT BEGINNING OF YEAR	<u>11,017,923</u>	<u>9,113,726</u>
CASH AT END OF YEAR	<u>\$ 11,830,275</u>	<u>\$ 11,017,923</u>
<u>SUPPLEMENTAL DISCLOSURE OF NONCASH FLOW INFORMATION</u>		
Trade-in value on property and equipment	\$ 5,500	\$ 21,700
Property and equipment transferred to inventory	41,411	36,108
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Interest paid	\$ 24,443	\$ 26,908

The accompanying notes are an integral part of these statements.

ROMAN CATHOLIC DIOCESE OF MADISON, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 1 - Nature of Activities and Significant Accounting Policies

Nature of Activities: The Roman Catholic Diocese of Madison, Inc. or Diocese of Madison (the Diocese) is a canonical organization operating as a not-for-profit Wisconsin corporation, without capital stock. The Diocese spans eleven counties in Southern Wisconsin, was organized in 1945, and the Bishop of Madison is the canonical administrator. The purpose of the Diocese is to promote the spiritual and educational interests and administer to the temporal affairs of the Roman Catholic Church in this area.

The Diocese is exempt from Federal and State income tax under provisions of Section 501(c) of the Internal Revenue Code as a member of group exemption number 928 as a religious organization. The primary purpose of the accounting and reporting of financial information is for resources received and applied rather than the determination of net income. The Chancery Office of the Diocese is supported primarily through assessments to parishes under the direction of the Bishop and contributions through the Annual Catholic Appeal.

In accordance with the Code of Canon Law (the Code), the Diocese has a Finance Council. In addition to the functions entrusted to it in Book V of the Code, the Temporal Goods of the Church, the Finance Council annually prepares a budget of projected revenue and expenditures for the operations of the Diocese.

Programs:

- Pastoral Care – provides for the Bishop of Madison to teach and sanctify, for his curia of the local Church, the diocesan youth camp, services for the disabled, Hispanic ministry, business services to the parishes, and the charitable gift annuity program.
- Catholic Formation – provides education and formation for men enrolled in the seminary, as well as the permanent diaconate program; diocesan programs of evangelization and catechesis, including faith formation programs at schools and parishes; oversight of Catholic schools; and continuing education of clergy.
- Burial of the Dead – provides for the operation and preservation of diocesan cemeteries.
- Care of Clergy – provides for retirement benefits for retired priests; along with health, dental, vision and long-term care of all active and retired priests of the Diocese.
- Diocesan-wide Self-Insurance – provides liability, property, workers' compensation, and auto protection for all diocesan entities, as well as parishes and schools in the Diocese.

Accounting Funds and Entities:

The following activities are separately accounted for but are not separately incorporated from the Diocese and accordingly, are included in the consolidated financial statements:

- Administrative Offices (or Chancery)
- Gift Annuity Program
- Department of Cemeteries
- St. Raphael Society Clergy Retirement Fund (the clergy retirement plan)
- Self-Insurance Program
- Diocese of Madison Clergy Health and Welfare Trust Fund (VEBA Trust Fund)
- Holy Name Heights, LLC

ROMAN CATHOLIC DIOCESE OF MADISON, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
JUNE 30, 2024 AND 2023

NOTE 1 - Nature of Activities and Significant Accounting Policies - Continued

The following affiliates are both separately accounted for and separately incorporated:

- Holy Name Catholic Center, Inc. (Center), organized for the purpose of operating Holy Name Heights, the former Holy Name Seminary building and campus, once known as the Bishop O'Connor Catholic Pastoral Center, located in Madison, Wisconsin.
- Holy Name Seminary, Inc. (Seminary), organized to fund and provide for the education of men as priests of the Diocese of Madison, doing business as the "St. Joseph Fund."
- Roman Catholic Diocese of Madison Cemeteries, Inc. (Cemeteries), reorganized in 2015 for the primary purpose of holding title to the perpetual care funds – those financial assets or investments maintained and used exclusively for the perpetual care of the four separate diocesan-owned cemeteries located in Madison (1), Janesville (1) and Beloit (2), Wisconsin.
- The Apostolate to the Handicapped, Inc. (Apostolate), doing business as the Apostolate for Persons with Disabilities - Diocese of Madison, organized to serve disabled persons.
- Camp Gray, Inc. (Camp Gray), organized to own and operate a co-ed, overnight summer camp and year-round retreat center, located in Reedsburg, Wisconsin.
- Holy Name Heights LLC is a solely owned disregarded entity of Holy Name Catholic Center, Inc.

Further, the first five affiliated corporations referenced above are organized and at all times operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of the Roman Catholic Diocese of Madison, Inc. Holy Name Heights LLC is a mixed development property which consists of commercial and residential rental space and religious office and worship space. All non-religious rental activity is subject to unrelated business income tax.

The Diocese and its affiliates referred to above maintain their respective accounts using fund accounting, by which the resources of each are classified for internal purposes into separate and segregated accounting funds, each with its own specific activities and objectives. Each fund is an entirely separate accounting entity with its own self-balancing set of accounts for recording that entity's assets, liabilities, net assets, and changes in net assets. The activities of each accounting entity are restricted for their stated purpose, and cannot be used for any other purpose, whether by the same entity or another.

A summary of the significant accounting policies follows:

Basis of Accounting: The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles promulgated in the United States of America for not-for-profit entities (U.S. GAAP) as codified by the Financial Accounting Standards Board and, accordingly, reflect all significant receivables, payables, and other liabilities.

Principles of Consolidation: The accompanying consolidated financial statements include the balances and activities of the Diocese and Affiliates it has both control (direction) of and economic interest in (the Affiliates), including the Center, the Seminary, the Cemeteries, the Apostolate, and Camp Gray. Camp Gray operates on a calendar year reporting period. All material intercompany transactions have been eliminated.

Affiliates (or related entities) reflect a relationship characterized by control through a majority voting interest in the board of the other entity, and economic interest, the latter achieved primarily through a dissolution provision in the unlikely event that the affiliated entity were to cease operation (e.g. a dissolution or pour over provision).

ROMAN CATHOLIC DIOCESE OF MADISON, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
JUNE 30, 2024 AND 2023

NOTE 1 - Nature of Activities and Significant Accounting Policies - Continued

Under canon law and the laws of the State of Wisconsin, parishes, their related school and institutions, and certain other Catholic entities including those owned and operated by religious orders of men and women, operating within the boundaries of the Diocese are completely distinct entities from the Diocese and are not under the fiscal or operating control of the Diocese and, therefore, in accordance with accounting principles generally accepted in the United States of America are not included in the consolidated financial statements. These organizations may or may not be separate corporations under civil law, yet they carry out their own services and programs, and report to their respective constituencies.

The Diocese and its affiliates are collectively referred to as “the Diocese and Affiliates.”

Basis of Presentation: The Diocese and Affiliates presents its assets and liabilities on the consolidated statements of financial position in an unclassified manner, but in order of liquidity.

The Diocese and Affiliates is required to report information regarding its net assets and its activities based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions. The Finance Council has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

Net Assets With Donor Restrictions - Net 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. 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.

Change in Accounting Principle: As of July 1, 2023, the Organization adopted FASB ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended, which modifies the measurement of expected credit losses on certain financial instruments. The Organization adopted this new guidance utilizing the modified retrospective transition method. Results for reporting periods beginning after July 1, 2023, are presented under Topic 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The adoption of this Standard did not have a material impact on the Organization's financial statements but did change how the allowance for credit losses is determined.

Not-For-Profit Entity: A Church not-for-profit entity is defined as an organization that receives contributions of a significant amount from providers who do not expect commensurate or proportionate monetary or economic return, which operate to provide charitable religious services at no profit, and is absent of ownership interest. The Diocese and Affiliates are all not-for-profit entities.

Cash and Cash Equivalents: The Diocese and Affiliates' cash and cash equivalents consists of cash on deposit with banks. For purposes of the consolidated statements of cash flows, the Diocese and Affiliates considers all unrestricted, highly-liquid investments with an initial maturity of three months or less to be cash equivalents. However, the Diocese and Affiliates does not consider cash, money market accounts or certificates of deposits included as investments to be cash equivalents for the consolidated statements of cash flows. The Diocese and Affiliates maintains its cash in bank accounts that, at times, may exceed federally insured limits. While the Diocese and Affiliates is exposed to custodial credit risk, the Diocese and Affiliates has not experienced any losses in such accounts.

ROMAN CATHOLIC DIOCESE OF MADISON, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
JUNE 30, 2024 AND 2023

NOTE 1 - Nature of Activities and Significant Accounting Policies – Continued

Collections Held for Others: Included in the Diocese and Affiliates cash are funds held for others that represents cash donations collected primarily by parishes from parishioners on behalf of other non-diocesan and non-parochial Catholic organizations and programs, and are forwarded to the Diocese for remittance to the designated national agency based on a timetable generally prescribed by the Holy See and the United States Conference of Catholic Bishops. The Diocese and Affiliates has little or no discretion in determining the use of the assets and is merely a pass through. Therefore, the Diocese and Affiliates accounts for this as an agency transaction on the consolidated statements of financial position and therefore, are not recognized as revenue in the consolidated statements of activities.

Trade Accounts Receivable: Receivables are stated at the amount management expects to collect from outstanding balances. Management uses historical loss information based on the aging of receivables as the basis to determine expected credit losses for receivables and believes that the composition of trade receivables at year-end is consistent with historical conditions as credit terms and practices and the customer base has not changed significantly. If the financial condition of the Organization's customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Based on management's assessment, the Organization provides for estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance. Balances that remain outstanding after the Organization has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Promises to Give: Unconditional promises to give (contributions receivable) that are expected to be collected within one year are recorded at net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using a nominal borrowing rate applicable to the years in which the promises are received. Amortization of the discounts are included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Management provides for uncollectible amounts through a provision for uncollectible pledge expense from outstanding balances and an adjustment to a valuation allowance based on its assessment of the current status of individual pledges. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to unconditional promises to give. Changes in the valuation allowance have not been material to the consolidated financial statements.

Inventory: Inventory is stated at the lower of cost or net realizable value determined by the first-in, first-out method.

Investments and Interest in Master Trust: Investments are generally recorded at fair value based upon quoted market prices, when available, or estimates of fair value. Those investments for which fair value is not readily determinable are carried at cost. The Diocese and Affiliates records monthly the change of ownership of stocks or bonds determined on the day a trade was made. Investment income and realized and unrealized gains and losses are reflected in the consolidated statements of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor. Interest and dividend income is recorded on the accrual basis.

Investments in marketable securities, in general, are exposed to various risks, such as credit, inflation, interest rate, liquidity, reinvestment, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities could occur in the near term and such changes could materially affect the value of investments reported in the consolidated statements of financial position.

ROMAN CATHOLIC DIOCESE OF MADISON, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
JUNE 30, 2024 AND 2023

NOTE 1 - Nature of Activities and Significant Accounting Policies - Continued

Each participant in the fund individually owns “units” or “shares,” which represent a part of these investment holdings. The participants include the Diocese and the Self-Insurance Program, the latter, which is separately accounted for from the Diocese though not individually incorporated, the VEBA Trust Fund, the Cemeteries and the Apostolate. The assets of each participant are restricted to that participant’s stated purpose.

The Diocese, the VEBA Trust Fund, the Self-Insurance Program, the Cemeteries and the Apostolate are each parties to their own individual custodial agreements with a federally chartered bank, which provides custodial services for a Unitized Master Trust. Similar to a common investment pool or private mutual fund, the Unitized Master Trust affords each of these five participants the opportunity to invest in a portfolio of stocks, bonds, institutional exchange traded funds or mutual funds, or other assets including cash.

In accordance with U.S. GAAP, each participant has the ability to redeem its investment in the pool at net asset value per unit or share at the reporting date, and as such, the fair value of measurement of the investment is categorized within Level 2 of the fair value hierarchy.

Please refer to Note 5 for information regarding fair value measurement.

Investments in Catholic Diocese of Madison Foundation, Inc. (Foundation): Please refer to Note 9.

Property and Equipment: All acquisitions of property and equipment in excess of \$5,000, with the exception of Holy Name Heights, LLC which has a threshold of \$400, with useful lives greater than one year are capitalized. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed on the straight-line method based on the following estimated useful lives:

<u>Asset</u>	<u>Life</u>
Furniture, fixtures, and equipment	7 - 10 years
Vehicles	5 - 7 years
Land improvements	10 - 20 years
Buildings and improvements	7 - 30 years
Leasehold improvements	5 - 40 years

Construction in progress represents cumulative costs of projects underway but not yet placed in service, and therefore, depreciation is not taken on these uncompleted capitalized costs.

Valuation of Long-Lived Assets: U.S. GAAP requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management reviews all material assets annually for possible impairment. If such assets are considered to be impaired, the impairment recognized is measured as the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. No assets were deemed impaired as of June 30, 2024 and 2023.

Beneficial Interest in Perpetual Trust: The Diocese and Affiliates is a twenty-five percent (25%) irrevocable beneficiary of a perpetual charitable trust held by a bank trustee provided the Diocese and Affiliates maintains a ministry in support of disabled persons. The beneficial interest in the trust is reported at its fair value, which is estimated as the fair value of the underlying trust assets. Distributions of income from trust assets are restricted for use in the Apostolate disabled persons program and are reported as increases in net assets with donor restrictions. The value of the beneficial interest in the trust is adjusted annually for the change in its estimated fair value and those changes in value are reported as increases or decreases in net assets with donor restrictions, and in addition, these trust assets (the corpus) will never be distributed to the Diocese and Affiliates. Please refer to Note 8.

ROMAN CATHOLIC DIOCESE OF MADISON, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
JUNE 30, 2024 AND 2023

NOTE 1 - Nature of Activities and Significant Accounting Policies – Continued

Insurance Program: The Self-Insurance Program of the Diocese of Madison (the Program) was established to provide uniform liability, property and casualty, automobile, and worker's compensation insurance coverage for member parishes and other participating agencies of the Diocese and Affiliates (the "Members"). The Members pay an annual premium based on various criteria to cover their portion of the cost of this program. The Diocese and Affiliates contract with four individual insurance providers to purchase insurance coverage on behalf of itself and the Members and has retained the Catholic Mutual Group (its primary provider) to act as risk/claims manager for all lines of coverage.

The Diocese and Affiliates administers the insurance program by collecting the premiums from its Members and paying claims as they are incurred. With regard to liability and property coverage, the Diocese and Affiliates is self-insured for the first \$150,000 per claim with an annual aggregate stop loss of \$300,000 for the year ended June 30, 2024 and 2023. With regard to automobile and worker's compensation insurance, the coverage is "first-dollar" which means the provider pays the entire loss.

Liability coverage consists of three primary components and the Diocese and Affiliates arranged for reinsurance through a captive insurance group whereby The National Catholic Risk Retention Group provides \$750,000 excess \$250,000, for general liability, sexual misconduct, employment practices, and directors and officer's coverage.

The Diocese and Affiliates is one of thirty-three equity owners of the Catholic Umbrella Pool (CUP), which provides up to a \$3.5 million liability layer excess of \$1.5 million for general liability, sexual misconduct, employment practices, and directors and officer's coverage. Reinsurance contracts do not relieve the Diocese and Affiliates from its primary obligation to Members and failure of reinsurers to discharge their obligations could result in losses to the Diocese and Affiliates. Management regularly evaluates the financial condition of reinsurers, and is not aware of any circumstances that would indicate that reinsurers will not be able to honor their obligations under the terms of the agreements.

Amounts are accrued for unpaid claims and an estimated amount of incurred but not reported claims. Such liabilities are management's estimate and the ultimate liability may differ from the amounts recorded. Assessments from Members are recognized as revenue on a pro-rata basis over the policy term.

Included in accrued expenses is a reserve for an estimated claims expense for reported open claims of approximately \$113,530 and \$17,976 for the years ended June 30, 2024 and 2023, respectively, and a general reserve for the amount of incurred but not reported claims of \$40,000 for the years ended June 30, 2024 and 2023.

Deferred Revenue: Payments received during the year for future services and programs are deferred and recognized as revenue when the service is rendered or the program occurs. Deferred revenue primarily includes unearned self-insurance program premium revenue and unearned income on burial fees and camper fees which are to be recognized as revenue as services are performed.

Revenue Recognition: The Diocese and Affiliates records the following exchange transaction revenue in its consolidated statements of activities and changes in net assets:

Program Fees: The Diocese offers various programs, workshops and seminars for which program fees are charged. The performance obligation is the delivery of the program. Program fees are billed at the time of registration and recognized as collected. Under ASC 606, these program fees should be recognized ratably over the delivery of the program and any unearned portion should be included as deferred revenue. However, the program fees and portion that would be deferred revenue are immaterial to the consolidated financial statements.

ROMAN CATHOLIC DIOCESE OF MADISON, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
JUNE 30, 2024 AND 2023

NOTE 1 - Nature of Activities and Significant Accounting Policies – Continued

Camp Gray offers weekly summer camps that participants pay a camper fee for each session. The camper fee is charged at the time of registration. The performance obligation is the delivery of the camp. Camper fees are recognized ratably as each weekly session occurs. Since the summer camps overlap year-end, camper fees paid prior to year-end are included in deferred revenue on the consolidated statements of financial position.

Also included in program fees is the sale of merchandise at the camp. The performance obligation is the delivery of the good to the customer. The transaction price is established by the Organization based on reasonable retail prices. As each item is individually priced, no allocation of the transaction price is necessary. Revenue is recognized as the customer pays and takes possession of the goods.

Cemetery Sales: The Diocese and Affiliates has four cemeteries in Southern Wisconsin (the Department of Cemeteries). Revenue associated with pre-need interment and entombment services is deferred until such time as the service is performed. Direct sale of interment and entombment services are recognized as revenue at the date of the sale. Inventories consist of unsold mausoleum crypts, shared memorials, and crypt letters with cost determined using the first-in, first-out (FIFO) method for valuing inventory.

Separately, with regard to the Roman Catholic Diocese of Madison Cemeteries, Inc., there is a fiduciary obligation to hold certain funds collected for the perpetual care of the cemeteries. The separate restricted perpetual care fund totaled \$7,420,566 and \$6,342,530 for the years ended June 30, 2024 and 2023, respectively.

Contribution Recognition: Contributions are recognized when received or unconditionally pledged. Conditional contributions and promises to give, are recognized as revenue when the barriers to entitlement are overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets is removed. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions. Contributions that are not restricted by the donor are reported as an increase in net assets without donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Functional Expenses: The costs of providing the various programs and other activities have been summarized in the consolidated statements of functional expenses. The method of allocation of natural expenses are accounted for on a direct cost basis to the program or function upon which the expense is incurred. Further, certain indirect costs that cannot be allocated on a direct basis have been allocated among the program services and supporting activities benefited. Those expenses include occupancy and depreciation that are allocated on a square footage basis, as well as non-program salaries and benefits and certain office expenses that are allocated based on estimates of usage.

ROMAN CATHOLIC DIOCESE OF MADISON, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
JUNE 30, 2024 AND 2023

NOTE 1 - Nature of Activities and Significant Accounting Policies – Continued

Use of Estimates: The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the consolidated financial statements. On an ongoing basis, the Diocese's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. Management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Tax Status: The Diocese and Affiliates is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and, accordingly, there is no provision for federal or state income taxes.

Accounting for Uncertainty in Income Taxes: U.S. GAAP requires management to evaluate tax positions taken by the Diocese and Affiliates and recognize a tax liability (or asset) if the Diocese and Affiliates have taken an uncertain position that more likely than not would not be sustained upon examination by a taxing authority. Management has analyzed the tax positions taken by the Diocese and Affiliates and has concluded that as of June 30, 2024 and 2023, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Diocese and Affiliates is subject to routine audits by taxing jurisdictions, however, there are currently no audits in progress for any tax period. The Diocese and Affiliates will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred.

Reclassifications - Certain accounts in the prior year financial statements have been reclassified for comparative purpose to conform to the presentation of the current year's financial statements.

Subsequent Events: The Diocese and Affiliates evaluated subsequent events through October 24, 2024, the date which the financial statements were available to be issued.

NOTE 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following as of June 30:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 11,830,275	\$ 11,017,923
Accounts receivable, net	1,401,576	940,860
Investments and interests in master trust – Diocese of Madison	24,424,077	21,549,797
Investments - Holy Name Seminary	974,085	908,975
Investments - Holy Name Catholic Center	945,474	886,850
Investments - Camp Gray	4,163	5,198
Unconditional promises to give receivable		
in less than one year – Annual Catholic Appeal	<u>198,591</u>	<u>494,197</u>
Total financial assets available within one year	39,778,241	35,803,800
Less amounts not available for general expenditure within one year:		
Net assets with donor restrictions - Diocese of Madison	3,406,881	3,297,369
Cash not available for general expenditure - Apostolate and		
VEBA	999,566	648,041
Collections held for others	<u>181,643</u>	<u>233,368</u>
Total financial assets available to management for general		
expenditure within one year	<u>\$ 35,190,151</u>	<u>\$ 31,625,022</u>

ROMAN CATHOLIC DIOCESE OF MADISON, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
JUNE 30, 2024 AND 2023

NOTE 2 - Liquidity and Availability - Continued

Liquidity Management

The Diocese and Affiliates maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, in lieu of the Diocese and Affiliates investing cash in excess of weekly requirements in short-term investments, the funds are left on deposit in interest bearing accounts and those amounts on hand defray the costs and service fees associated with maintaining the bank accounts.

NOTE 3 - Accounts Receivable

Net receivables consist of the following at June 30:

	<u>2024</u>	<u>2023</u>
Accounts receivable	\$ 1,122,387	\$ 714,965
Education loans receivable	160,723	160,591
Investment interest receivable	<u>129,466</u>	<u>76,304</u>
SUBTOTAL	1,412,576	951,860
Less: Allowance for uncollectible receivables	<u>(11,000)</u>	<u>(11,000)</u>
TOTAL	<u>\$ 1,401,576</u>	<u>\$ 940,860</u>

NOTE 4 - Unconditional Promises to Give

Unconditional promises to give, net of allowance for doubtful promises, represent amounts pledged to the Diocese and Affiliates from individuals for the Diocesan Annual Catholic Appeal (ACA), for the Camp Gray capital campaign, and for the Priests for Our Future - The Church is Alive capital campaign and consist of the following at June 30:

	<u>2024</u>	<u>2023</u>
Unconditional promises to give		
Priests for Our Future	\$ 4,871	\$ 50,796
Camp Gray capital campaign	-	73,016
Diocesan Annual Appeal	<u>198,591</u>	<u>494,197</u>
NET UNCONDITIONAL PROMISES TO GIVE	<u>\$ 203,462</u>	<u>\$ 618,009</u>

The Priests for Our Future capital campaign was launched in the summer of 2014. The Diocese and Affiliates undertook a capital campaign to raise funds to endow seminarian education and to support the Diocesan Office of Vocations. At the direction of the Diocese and Affiliates, the beneficiary of the seminarian endowment fund, the actual campaign receipts are deposited into accounts maintained by The Catholic Diocese of Madison Foundation, Inc. (Foundation). These receivables include payments which are due within one or more years, are unconditional, and are recorded at net realizable value.

Unconditional promises to give for the Priests for Our Future - The Church is Alive campaign consist of the following at June 30:

	<u>2024</u>	<u>2023</u>
Unconditional promises to give	\$39,646,764	\$ 39,690,510
Less: Allowance for doubtful promises	<u>(2,010)</u>	<u>(23,865)</u>
SUBTOTAL	39,644,754	39,666,645
Total payments received	<u>(39,639,883)</u>	<u>(39,615,849)</u>
NET UNCONDITIONAL PROMISES TO GIVE	<u>\$ 4,871</u>	<u>\$ 50,796</u>

ROMAN CATHOLIC DIOCESE OF MADISON, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
JUNE 30, 2024 AND 2023

NOTE 4 - Unconditional Promises to Give - Continued

The aggregate collection of unconditional promises to give is as follows as of June 30:

	<u>2024</u>	<u>2023</u>
Unconditional promises to give in less than one year	\$ 6,881	\$ 74,661
Unconditional promises to give in one to five years	-	-
TOTAL UNCONDITIONAL PROMISES TO GIVE	6,881	74,661
Less: Allowance for doubtful promises	(2,010)	(23,865)
NET UNCONDITIONAL PROMISES TO GIVE	<u>\$ 4,871</u>	<u>\$ 50,796</u>

Bad debt expense relating to the unconditional promises to give for the years ended June 30, 2024 and 2023 was \$38,610 and \$0, respectively. Fundraising expenses for the Priests for Our Future - The Church is Alive were \$0 for the years ending June 30, 2024 and 2023.

During 2016, a capital campaign was launched by Camp Gray for capital improvements. These receivables include payments which range from less than one year to five years, are unconditional, and are recorded at net realizable value.

Unconditional promises to give for the Camp Gray capital campaign consist of the following at June 30:

	<u>2024</u>	<u>2023</u>
Unconditional promises to give	\$ 6,074,450	\$ 6,147,466
Less: Allowance for doubtful promises	-	-
SUBTOTAL	6,074,450	6,147,466
Total payments received	(6,074,450)	(6,074,450)
NET UNCONDITIONAL PROMISES TO GIVE	<u>\$ -</u>	<u>\$ 73,016</u>

The aggregate collection of unconditional promises to give is as follows as of June 30:

	<u>2024</u>	<u>2023</u>
Unconditional promises to give in less than one year	\$ -	\$ 20,280
Unconditional promises to give in one to five years	-	52,736
TOTAL UNCONDITIONAL PROMISES TO GIVE	-	73,016
Less: Allowance for doubtful promises	-	-
NET UNCONDITIONAL PROMISES TO GIVE	<u>\$ -</u>	<u>\$ 73,016</u>

The discount as of June 30, 2023 has not been calculated as it is deemed immaterial to the financial statements. Bad debt expense relating to the unconditional promises to give for the years ended June 30, 2024 and 2023 was \$32,381 and \$0, respectively. Fundraising expenses for the Camp Gray capital campaign were \$0 for the years ended June 30, 2024 and 2023.

The Diocesan Annual Catholic Appeal is an annual appeal to generate funding for ministries and services benefiting every Catholic in the Diocese of Madison. These receivables are due within less than one year, are unconditional, and are recorded at net realizable value.

ROMAN CATHOLIC DIOCESE OF MADISON, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
JUNE 30, 2024 AND 2023

NOTE 4 - Unconditional Promises to Give - Continued

Unconditional promises to give for the Diocesan Annual Catholic Appeal consist of the following at June 30:

	2024	2023
Unconditional promises to give	\$ 4,499,952	\$ 4,807,503
Less: Allowance for doubtful promises	<u>(128,791)</u>	<u>(140,736)</u>
SUBTOTAL	4,371,161	4,666,767
Total payments received	<u>(4,172,570)</u>	<u>(4,172,570)</u>
NET UNCONDITIONAL PROMISES TO GIVE	<u>\$ 198,591</u>	<u>\$ 494,197</u>

Fundraising expenses for the Annual Diocesan Appeal were \$202,040 and \$169,906 for the years ended June 30, 2024 and 2023, respectively.

NOTE 5 - Fair Value Measurements

Assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

Level 1: Fair value is determined using quoted market prices in active markets for identical assets and liabilities.

Level 2: Fair value is determined using observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Fair value is determined using unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Diocese and Affiliates performs a detailed analysis of the assets and liabilities that are carried at fair value in the consolidated financial statements.

Interest in Master Trust: The Diocese, the VEBA Trust Fund, the Self-Insurance Program, the Cemeteries and the Apostolate hold investments in a private Unitized Master Trust (the Master Trust) managed by a bank. Each participating corporation or accounting entity has a separate and individual interest in the Master Trust and each elects investment strategies based on a defined investment policy. The assets of each participant are totally restricted to the participant's stated purpose. The fair value of the Diocese and Affiliates' combined interest in the Master Trust is based on the fair value of the individual underlying securities in the Master Trust. The Master Trust invests primarily in common stocks, bonds, institutional exchange traded funds or mutual funds, or other assets including cash, which individually are primarily considered Level 2 investments.

Investments: The Gift Annuity Program, the Center and the Seminary each have separate investment accounts that invest primarily in common stocks, bonds, institutional exchange traded funds or mutual funds, or other assets including cash, which individually are primarily considered Level 1 and 2 investments.

Mutual Funds and Common Stocks: The fair value of the Diocese and Affiliates' investments in mutual funds and common stock are based on quoted market prices as these securities are actively traded on the New York Stock Exchange and NASDAQ and are considered level 1.

Other Investments: Investments in other investment funds (primarily pooled equity funds) are valued at fair value based on the applicable percentage ownership of the fund's net assets and are considered level 3.

ROMAN CATHOLIC DIOCESE OF MADISON, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
JUNE 30, 2024 AND 2023

NOTE 5 - Fair Value Measurements - Continued

Beneficial Interest in Perpetual Trust: Fair value of the Diocese and Affiliates' beneficial interest in perpetual trust is estimated as the fair value of the underlying trust assets and are considered level 3.

Investments in Foundation: Investments in Foundation are valued at the fair value of the Diocese and Affiliates' beneficial interests in the funds held for others in the Foundation and are considered level 3.

For the years ended June 30, 2024 and 2023, valuation techniques for investment securities have been consistent with the previous years.

The table below presents the balances of assets held for the Diocese and Affiliates measured at fair value on a recurring basis by level within the fair value hierarchy as of June 30:

	2024 FAIR VALUE	FAIR VALUE MEASUREMENTS AT REPORTING DATE USING		
		(LEVEL 1)	(LEVEL 2)	(LEVEL 3)
Interest in Master Trust	\$ 32,469,315	\$ -	\$ 32,469,315	\$ -
Money Market	200,958	-	200,958	-
Mutual Funds				
Fixed Income	2,397,797	205,040	2,192,757	-
Common Stock				
Large Cap	1,809,614	1,162,741	646,873	-
Mid Cap	453,912	267,540	186,372	-
Small Cap	343,688	159,461	184,227	-
International	515,734	255,449	260,285	-
Other	211,753	-	-	211,753
TOTAL INVESTMENTS	38,402,771	2,050,231	36,140,787	211,753
Beneficial interest in perpetual trust	574,736	-	-	574,736
Investments in Foundation	50,639,088	-	-	50,639,088
TOTAL	\$ 89,616,595	\$ 2,050,231	\$ 36,140,787	\$ 51,425,577
	2023 FAIR VALUE	FAIR VALUE MEASUREMENTS AT REPORTING DATE USING		
		(LEVEL 1)	(LEVEL 2)	(LEVEL 3)
Interest in Master Trust	\$ 28,091,630	\$ -	\$ 28,091,630	\$ -
Money Market	347,231	-	347,231	-
Mutual Funds				
Fixed Income	2,330,993	600,503	1,730,490	-
Common Stock				
Large Cap	1,493,621	861,389	632,232	-
Mid Cap	407,310	245,202	162,108	-
Small Cap	309,910	175,204	134,706	-
International	315,341	190,375	124,966	-
Other	178,452	-	-	178,452
TOTAL INVESTMENTS	33,474,488	2,072,673	31,223,363	178,452
Beneficial interest in perpetual trust	542,665	-	-	542,665
Investments in Foundation	46,572,592	-	-	46,572,592
TOTAL	\$ 80,589,745	\$ 2,072,673	\$ 31,223,363	\$ 47,293,709

ROMAN CATHOLIC DIOCESE OF MADISON, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
JUNE 30, 2024 AND 2023

NOTE 5 - Fair Value Measurements - Continued

The changes in Level 3 assets measured at fair value on a recurring basis are summarized as follows:

	<u>OTHER</u>	<u>BENEFICIAL INTEREST IN PERPETUAL TRUST</u>	<u>INVESTMENT IN FOUNDATION</u>
Balance, beginning	\$ 178,452	\$ 542,665	\$ 46,572,592
Increase (decrease) in value of assets	33,301	57,450	6,070,137
Distributions	-	(25,379)	(2,177,960)
Contributions	-	-	174,364
BALANCE, ENDING	<u>\$ 211,753</u>	<u>\$ 574,736</u>	<u>\$ 50,639,134</u>

NOTE 6 - Property and Equipment

Property and equipment consist of the following as of June 30:

	<u>2024</u>	<u>2023</u>
Land	\$ 1,143,839	\$ 1,143,839
Leasehold improvements	552,639	552,639
Land improvements	1,315,818	1,289,903
Buildings	33,587,591	33,347,759
Building improvements	3,930,088	3,930,088
Fixtures and equipment	4,090,229	4,094,937
Office equipment	1,187,444	1,187,451
Vehicles	411,284	338,951
Construction in progress	-	43,166
TOTAL PROPERTY AND EQUIPMENT	46,224,629	45,928,733
Less accumulated depreciation	<u>(17,180,943)</u>	<u>(16,021,283)</u>
NET PROPERTY AND EQUIPMENT	<u>\$29,037,989</u>	<u>\$29,907,450</u>

NOTE 7 - Gift Annuity Program

The Diocese and Affiliates has established a gift annuity program whereby donors make a charitable gift to the Diocese and Affiliates and in return receive an annual annuity in equal quarterly installments for their lifetime. Donors may elect to designate a portion of the charitable gift for a parish, school, or other approved charitable organization. Assets received under the charitable gift annuity agreements are recorded at fair value and in the appropriate net asset category based on donor stipulation when received. The present value of future payments is recognized as a liability, and the difference between the liability and the face value of the annuity is recognized as contributions. The Diocese and Affiliates maintains a segregated investment account for the gift annuity program.

ROMAN CATHOLIC DIOCESE OF MADISON, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
JUNE 30, 2024 AND 2023

NOTE 8 - Beneficial Interest in Perpetual Trust

The Diocese and Affiliates is the beneficiary of an irrevocable perpetual trust held by a bank trustee. These resources are neither in the possession of, nor under the control of the Diocese and Affiliates. The terms of the trust provide that the Apostolate is to receive a distribution of income from the trust, the amount and timing of which is at the discretion of the trustee. The beneficial interest in the trust is reported at fair value, which is estimated as the fair value of the underlying trust assets. As discussed in Note 5, because there are no observable market transactions for assets similar to the beneficial interest in the trust and because the trust cannot be redeemed, the valuation technique used by the Diocese and Affiliates is a Level 3 fair value measurement. These amounts are shown as net assets with donor restrictions on the June 30th consolidated statements of financial position.

	<u>2024</u>	<u>2023</u>
FMV of trust, beginning of year	\$ 2,170,658	\$ 2,103,493
Investment return:		
Investment income	59,428	50,169
Net realized and unrealized gains	203,271	166,288
Investment fees and expenses	<u>(32,898)</u>	<u>(31,431)</u>
TOTAL INVESTMENT RETURN	<u>229,801</u>	<u>185,026</u>
Appropriation for expenditure - spending rate	<u>(101,514)</u>	<u>(117,861)</u>
FMV of trust, end of year	2,298,945	2,170,658
Beneficial interest in trust	<u>25%</u>	<u>25%</u>
TOTAL VALUE	<u>\$ 574,736</u>	<u>\$ 542,665</u>

Annual distributions from the trust to the Diocese and Affiliates totaled \$25,184 and \$29,150 for the years ended June 30, 2024 and 2023, respectively.

NOTE 9 - Investments in Foundation

The Diocese and Affiliates has executed five contribution agreements and established three separate endowment funds within the Foundation, specifying itself as beneficiary. Under U.S. GAAP, a specified beneficiary should recognize its rights to the assets held by a recipient entity as an asset, regardless of whether or not the resource provider granted the recipient entity (the Foundation) variance power.

In 2014, the Diocese and Affiliates began a capital campaign as detailed below and in Note 10. Campaign materials state that the funds will be held in an endowment fund within the Foundation, but without variance power. As the Diocese and Affiliates has specified itself as beneficiary, under U.S. GAAP, these transfers are reciprocal, and thus, are recorded as contribution revenue by the Diocese and Affiliates and as an asset and a liability by the Foundation.

The combined value of the trusts created through reciprocal transfer and the endowment fund, totaled \$50,639,088 and 46,572,592 for the years ended June 30, 2024 and 2023, respectively.

Apostolate to the Handicapped Fund

In 2013, the Diocese and Affiliates through the Apostolate to the Handicapped, in consultation with and consent granted by the Diocesan Finance Council and College of Consultors, and considering it the best way to fulfill the intentions of the donor(s), entered into a contribution agreement with and transferred \$7 million to the Foundation to establish a term-endowment fund. At the time of the transfer, the Apostolate specified itself as beneficiary absent variance power.

ROMAN CATHOLIC DIOCESE OF MADISON, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
JUNE 30, 2024 AND 2023

NOTE 9 - Investments in Foundation - Continued

While this reciprocal transfer of funds is "board directed", the donor-imposed restrictions ensure that the funds will only be used for persons with disabilities. The Foundation's policy is to make annual distributions consistent with the then currently adopted spending policy. The current appropriation is five percent (5%). Annual distributions from the Foundation totaled \$362,686 and \$358,436 for the years ended June 30, 2024 and 2023, respectively.

Investments in Foundation are comprised of the following at June 30:

	<u>2024</u>	<u>2023</u>
Interest in Foundation, beginning of year	\$ 7,854,129	\$ 7,438,129
Investment return:		
Investment income	171,649	150,756
Net realized and unrealized gains	911,447	713,992
Investment fees and expenses	<u>(60,157)</u>	<u>(90,312)</u>
TOTAL INVESTMENT RETURN	<u>1,022,939</u>	<u>774,436</u>
Appropriation for expenditure - spending rate	<u>(362,686)</u>	<u>(358,436)</u>
INTEREST IN FOUNDATION, END OF YEAR	<u>\$ 8,514,382</u>	<u>\$ 7,854,129</u>

Queen of Apostles Vocation Fund

In 2016, a retired priest of the Diocese of Madison formally established a designated endowment fund on behalf of the Diocese and Affiliates for the benefit of forming seminarians preparing to be priests of the Diocese of Madison. During the lifetime of the donor, the fund shall accept gifts from the donor and shall have the ability to make distributions to the Diocese and Affiliates provided a minimum fund balance of \$10,000 is maintained. At the time of the original donor's death, it is expected that additional gifts shall be made and the fund shall convert to an endowment fund to be used in perpetuity for the benefit of forming seminarians preparing to be priests of the Diocese of Madison, subject to the currently adopted spending policy. Annual distributions from the Foundation totaled \$50,000 and \$-0- for the years ended June 30, 2024 and 2023, respectively.

Investments in Foundation are compromised of the following at June 30:

	<u>2024</u>	<u>2023</u>
Interest in Foundation, beginning of year	\$ 93,656	\$ 48,364
Investment return:		
Investment income	5,508	2,373
Net realized and unrealized gains	2,408	2,250
Investment fees and expenses	<u>(884)</u>	<u>(690)</u>
TOTAL INVESTMENT RETURN	<u>7,031</u>	<u>3,932</u>
Contributions	136,402	41,360
Appropriation for expenditure - spending rate	<u>(50,000)</u>	<u>-</u>
INTEREST IN FOUNDATION, END OF YEAR	<u>\$ 187,089</u>	<u>\$ 93,656</u>

ROMAN CATHOLIC DIOCESE OF MADISON, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
JUNE 30, 2024 AND 2023

NOTE 9 - Investments in Foundation - Continued

Priests for Our Future - The Church is Alive Fund

In 2014, the Diocese and Affiliates undertook a capital campaign to raise funds to defray the cost of recruiting, educating, training, and forming seminarians preparing to be priests of the Diocese of Madison. Accordingly, a permanent endowment fund was established and the Diocese and Affiliates directed that all donations be deposited to the Foundation for the benefit of the Diocese as beneficiary absent variance power. Neither the Foundation's officers nor any other person shall have authority to use the seminarian endowment fund's net contributions, net returns, or corpus for any other purpose.

The Foundation's policy is to make annual distributions consistent with the then currently adopted spending policy, which is five percent (5%). Annual distributions from the Foundation totaled \$1,722,492 and \$1,681,396 for the years ended June 30, 2024 and 2023, respectively.

The endowment fund at the Foundation are comprised of the following at June 30:

	<u>2024</u>	<u>2023</u>
Interest in Foundation, beginning of year	\$37,604,250	\$35,529,229
Investment return:		
Investment income	822,196	716,210
Net realized and unrealized gains	4,371,341	3,424,481
Investment fees and expenses	<u>(287,182)</u>	<u>(431,924)</u>
TOTAL INVESTMENT RETURN	<u>4,906,355</u>	<u>3,708,677</u>
Contributions	26,341	47,740
Appropriation for expenditure - spending rate	<u>(1,722,492)</u>	<u>(1,681,396)</u>
INTEREST IN FOUNDATION, END OF YEAR	<u>\$40,814,454</u>	<u>\$37,604,250</u>

Heart of Mercy Endowment Fund

In November 2016, the Diocese and Affiliates entered into a contribution agreement with and transferred \$500,000 to the Foundation to establish a term-endowment fund. At the time of the transfer, the Diocese specified itself as beneficiary absent variance power.

While this reciprocal transfer of funds is "board directed", the fund is to provide assistance to ministries and programs as directed by the Bishop of Madison, so as to address the Corporal and Spiritual Works of Mercy in the Diocese of Madison. These net assets are classified as "board restricted". Further, other individuals or entities are invited to make contributions to the fund, and those receipts are recorded as contribution revenue by the Diocese and Affiliates and the net assets are classified as "net assets with donor restrictions" to be held in perpetuity.

The Foundation's policy is to make annual distributions consistent with the then currently adopted spending policy, the current appropriation is five percent (5%). Annual distributions from the Foundation totaled \$42,782 and \$40,261 for the years ended June 30, 2024 and 2023.

ROMAN CATHOLIC DIOCESE OF MADISON, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
JUNE 30, 2024 AND 2023

NOTE 9 - Investments in Foundation - Continued

The endowment fund at the Foundation are comprised of the following at June 30:

	<u>2024</u>	<u>2023</u>
Interest in Foundation, beginning of year	\$ 952,974	\$ 866,716
Investment return:		
Investment income	21,063	17,915
Net realized and unrealized gains	110,951	86,884
Investment fees and expenses	<u>(7,456)</u>	<u>(8,270)</u>
TOTAL INVESTMENT RETURN	<u>124,558</u>	<u>96,529</u>
Contributions	11,055	29,990
Appropriation for expenditure - spending rate	<u>(42,782)</u>	<u>(40,261)</u>
INTEREST IN FOUNDATION, END OF YEAR	<u>\$ 1,045,805</u>	<u>\$ 952,974</u>

Bishop Robert C. Morlino Memorial Fund

Most Reverend Robert C. Morlino, Fourth Bishop of Madison died in November 2018. In December 2018, the Diocese and Affiliates established a non-endowed designated fund and the Diocese and Affiliates directed that all donations be deposited to the Foundation for the benefit of the Diocese, as beneficiary, absent variance power. The primary purpose of the fund is for the future construction of a chapel and crypt - a final resting place for any past or future Bishops of Madison, constructed in a new cathedral building or a diocesan-owned cemetery.

The Foundation's policy is to make annual distributions consistent with the then currently adopted spending policy, which is five percent (5%). Nonetheless, the Diocese and Affiliates will forego annual distributions in favor of increasing investment corpus.

The endowment fund at the Foundation are comprised of the following at June 30:

	<u>2024</u>	<u>2023</u>
Interest in Foundation, beginning of year	\$ 67,583	\$ 60,553
Investment return:		
Investment income	1,532	1,272
Net realized and unrealized gains	8,002	6,013
Investment fees and expenses	<u>(281)</u>	<u>(846)</u>
TOTAL INVESTMENT RETURN	<u>9,253</u>	<u>6,439</u>
Contributions	566	591
Appropriation for expenditure - spending rate	<u>-</u>	<u>-</u>
INTEREST IN FOUNDATION, END OF YEAR	<u>\$ 77,402</u>	<u>\$ 67,583</u>

ROMAN CATHOLIC DIOCESE OF MADISON, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
JUNE 30, 2024 AND 2023

NOTE 10 - Endowment Funds

As described in Note 9, the Diocese and Affiliates endowment funds were established and consist of donor restricted funds designated by the campaign solicitation materials as well as board designated funds to function as endowments.

Application of UPMIFA - The Diocese and Affiliates has interpreted the Wisconsin Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent any explicit donor stipulations to the contrary. As a result of this interpretation, the Diocese and Affiliates classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Diocese and Affiliates in a manner consistent with the standard of prudence prescribed by UPMIFA and the Foundation's distribution policy.

The Diocese and Affiliates considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purpose of the Diocese and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the organization, and (7) the investment policies of the Diocese and Affiliates.

Investment Policy -The funds are invested by and under the direction of the Foundation's investment committee with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the investment of a fund. Investments are diversified as to minimize the risk of large losses unless under the circumstances it is clearly prudent not to do so. Risk is present in all types of securities and investment styles and the Diocese and Affiliates and the Foundation's respective investment committees recognize some risk is necessary to produce long-term investment results. However, reasonable effort is made to control risk.

Spending Policy - The Foundation's policy is to make annual distributions consistent with the then currently adopted spending policy, the current appropriation is five percent (5%). Over the long term, the Diocese and Affiliates expects the current spending policy to allow its endowments to grow overtime. This is consistent with the Diocese's objective to maintain the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

Endowment Net Asset Composition by Type of Fund as of June 30, 2024:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Board-designated endowment funds	\$ 705,584	\$ -	\$ 705,584
Donor-restricted endowment funds:			
Original donor-restricted gift and amounts required to be maintained in perpetuity by donors	-	33,157,729	33,157,729
Accumulated investment gains	-	7,996,945	7,996,945
TOTAL	<u>\$ 705,584</u>	<u>\$ 41,154,674</u>	<u>\$ 41,860,258</u>

ROMAN CATHOLIC DIOCESE OF MADISON, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
JUNE 30, 2024 AND 2023

NOTE 10 - Endowment Funds - Continued

Endowment Net Asset Composition by Type of Fund as of June 30, 2023:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Board-designated endowment funds	\$ 624,850	\$ -	\$ 624,850
Donor-restricted endowment funds:			
Original donor-restricted gift and amounts required to be maintained in perpetuity by donors	-	33,120,332	33,120,332
Accumulated investment gains	-	4,812,041	4,812,041
TOTAL	<u>\$ 624,850</u>	<u>\$ 37,932,373</u>	<u>\$ 38,557,223</u>

Funds With Deficiencies - From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Diocese and Affiliates to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions. The deficiencies may result from unfavorable market fluctuations that have occurred. As of June 30, 2024 and 2023, the Diocese and Affiliates did not have any funds with deficiencies.

Changes in Endowment Net Assets for the Year Ended June 30, 2024:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 624,850	\$ 37,932,374	\$ 38,557,224
Investment return, net	80,734	4,950,178	5,030,912
Contributions	-	37,396	37,396
Appropriation of endowment assets pursuant to spending-rate policy	-	(1,765,274)	(1,765,274)
Other changes:			
Distribution from board-designated endowment pursuant to distribution policy	-	-	-
Endowment net assets, end of year	<u>\$ 705,584</u>	<u>\$ 41,154,674</u>	<u>\$ 41,860,258</u>

Changes in Endowment Net Assets for the Year Ended June 30, 2023:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 568,582	\$ 35,827,364	\$ 36,395,946
Investment return, net	61,207	3,743,997	3,805,204
Contributions	-	77,730	77,730
Appropriation of endowment assets pursuant to spending-rate policy	-	(1,716,718)	(1,716,718)
Other changes:			
Distribution from board-designated endowment pursuant to distribution policy	(4,939)	-	(4,939)
Endowment net assets, end of year	<u>\$ 624,850</u>	<u>\$ 37,932,373</u>	<u>\$ 38,557,223</u>

ROMAN CATHOLIC DIOCESE OF MADISON, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
JUNE 30, 2024 AND 2023

NOTE 11 - Deferred Revenue

Payments received during the year are for future programs and ministries including the Self-Insurance Program, prepaid burial interment and entombment, and the Center's capital lease. Deferred revenue consisted of the following at June 30:

	<u>2024</u>	<u>2023</u>
Unearned assessments - program	\$ 1,252,261	\$ 1,191,365
Unearned revenue - Cemeteries	2,264,918	2,112,941
Unearned revenue - Camp Gray	588,112	533,124
TOTAL	<u>\$ 4,105,291</u>	<u>\$ 3,837,430</u>

NOTE 12 - Notes Payable

The Diocese and Affiliates has a construction note payable to a bank with a remaining balance of \$370,327 and \$461,432 for the years ended June 30, 2024 and 2023, respectively. Annual principal and interest payments of \$160,843 began on October 28, 2018. In October 2022, the fixed interest rate decreased from 3.99% to 3.75%. This resulted in the principal and interest payment to decrease to \$47,877. The note is due on October 28, 2026. The note is collateralized by all inventory, equipment and fixtures at Camp Gray. Principal payments of \$91,105 and \$20,969 were made during the years ending June 30, 2024 and 2023, respectively. The Dioceses and Affiliates were in compliance with their debt covenant for the years ended June 30, 2024 and 2023.

Principal requirements for years following June 30, 2024, are as follows:

2025	\$ 20,611
2026	21,733
2027	327,983
TOTAL	<u>\$ 370,327</u>

In January 2020, Cemeteries entered into a direct financing, interest free, agreement for equipment in the amount of \$53,224. The term is 60 months with monthly payments of \$887. The balance on the note payable at June 30, 2024 and 2023 was \$6,210 and \$15,968, respectively.

Principal requirements for years following June 30, 2024, are as follows:

2025	\$ 6,210
TOTAL	<u>\$ 6,210</u>

In January 2015, Holy Name Heights, LLC entered into a loan for their building rehabilitation project with monthly payments of principal and interest of \$84,176. The interest rate on the loan is at 5.25%. The loan is due in August 2027. The balance on the loan at June 30, 2024 and 2023 was \$11,732,129 and \$12,105,150, respectively.

Principal requirements for years following June 30, 2024, are as follows:

2025	\$ 395,121
2026	416,673
2027	439,402
2028	10,480,933
SUBTOTAL	11,732,129
Less loan origination costs	(96,632)
TOTAL	<u>\$ 11,635,497</u>

ROMAN CATHOLIC DIOCESE OF MADISON, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
JUNE 30, 2024 AND 2023

NOTE 13 - Clergy Retirement Plan

The Diocese of Madison is the sponsor of the St. Raphael Society Clergy Retirement Plan of the Diocese of Madison (Retirement Fund), a single employer defined benefit plan (the Plan), as administered by the Trustees of the Plan. The Plan covers all priests ordained or incardinated into the Diocese of Madison and is funded through parish assessments and contributions from donors. The retirement program is a tax-qualified "church plan" in the form of an irrevocable trust and is subject to certain provisions of the Internal Revenue Code. The assets in the Retirement Fund will only be used to pay retirement benefits, and minimal administrative expenses.

The Bishop of Madison reserves to himself the right to alter, amend, modify, revoke, or terminate the Plan. However, no amendment of the Plan may reduce the lifetime benefit to which a member has a vested right. No Plan amendment may cause or permit the Retirement Fund to be diverted to any purpose other than to provide retirement benefits to members and pay related expenses as provided by the Plan.

Priests with 25 years of service and that have attained age 70 (normal retirement age) are eligible to retire and receive monthly retirement benefits. Benefits are based on a fixed benefit schedule established and updated by the Trustees of the Plan. There is a pro rata reduction of the retirement benefit for members with more than 10 but less than 25 years of service.

The actuarial present value of accumulated plan benefits is determined by an independent actuary. U.S. GAAP requires that the cost of member or participant pensions to be recognized over the member's respective service period and an asset be recognized when the fair value of plan assets exceeds the accumulated benefit obligations payable.

The following provides further information about the Plan as of June 30:

	<u>2024</u>	<u>2023</u>
Change in benefit obligation:		
Benefit obligation at beginning of the year	\$19,863,422	\$20,723,535
Service cost	491,305	528,517
Interest cost	998,309	944,565
Actuarial gain	(680,898)	(1,272,496)
Other changes	(21,327)	(20,146)
Benefit payments	<u>(1,180,414)</u>	<u>(1,040,553)</u>
Projected Benefit Obligation at End of the Year	<u>19,470,397</u>	<u>19,863,422</u>
Change in plan assets:		
Fair value of plan assets at beginning of the year	27,796,206	25,880,711
Actual return on assets	3,532,676	2,531,477
Assessments and donor contributions	69,074	444,717
Other changes	(21,327)	(20,146)
Benefit payments	<u>(1,180,414)</u>	<u>(1,040,553)</u>
Fair Value of Plan Assets at End of the Year	<u>30,196,215</u>	<u>27,796,206</u>
Excess (Deficit) of Plan Assets Over Projected Benefit Obligation Recognized in the Consolidated Statements of Financial Position	<u>\$10,725,818</u>	<u>\$ 7,932,784</u>

The accumulated benefit obligation for the defined benefit retirement plan was \$13,880,518 and \$14,020,366 as of June 30, 2024 and 2023, respectively.

ROMAN CATHOLIC DIOCESE OF MADISON, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
JUNE 30, 2024 AND 2023

NOTE 13 - Clergy Retirement Plan - Continued

The components of net periodic benefit cost and other changes in plan assets recognized in net assets were as follows for the year ended June 30:

	<u>2024</u>	<u>2023</u>
Components of net periodic benefit cost (gain):		
Service cost	\$ 491,305	\$ 528,517
Interest cost on projected benefit obligation	998,309	944,565
Expected return on plan assets	(1,627,169)	(1,514,603)
Amortized of net (gain)	<u>(2,586,404)</u>	<u>(2,289,370)</u>
PERIODIC BENEFIT (GAIN) RECOGNIZED	<u>\$ (2,723,959)</u>	<u>\$ (2,330,891)</u>

The net periodic benefit (gain) or cost on the clergy retirement plan as reported in the consolidated statements of functional expenses, and consists of the return on plan investments, administrative expenses, interest cost on the unpaid balance of the projected benefit obligation, and the change in actuarially computed retirement liability, as set forth in the table above.

The weighted average assumptions used to determine the benefit obligations and net periodic benefit cost were as follows at June 30:

	<u>2024</u>	<u>2023</u>
Weighted average assumptions used to determine benefit obligations		
Discount rate	5.60%	5.20%
Expected long-term rate of return on plan assets	6.00%	6.00%

The discount rate is based on the actuary's proprietary yield curve, under which the retirement plan's cash flows are matched against a series of spot rates derived from a market basket of high quality fixed income securities.

The long-term rate of return on assets was determined based on the average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the projected benefit obligation.

Plan Assets

The Plan's investments are held primarily in a separate investment account solely for the benefit of the Retirement Fund. The investment funds underlying securities consist of stocks, bonds, institutional exchange traded funds or mutual funds, or other assets including cash. The investment pool dedicated to fund pension obligations is considered a Level 2 security as defined by the fair value categories defined in Note 5, as the fair value is generally determined using observable market based inputs or unobservable inputs that are corroborated by market data.

The fair values of the Diocese of Madison's clergy retirement plan assets at June 30, 2024, by asset class are as follows:

	<u>TOTAL</u>	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>
Separate Investment Account	\$ 30,053,420	<u>\$ 22,637,724</u>	<u>\$ 7,415,696</u>	<u>\$ -</u>
Other Plan assets:				
Cash	41,270			
Other	101,524			
	<u>\$ 30,196,214</u>			

ROMAN CATHOLIC DIOCESE OF MADISON, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
JUNE 30, 2024 AND 2023

NOTE 13 - Clergy Retirement Plan - Continued

The fair values of the Diocese of Madison's clergy retirement plan assets at June 30, 2023, by asset class are as follows:

	<u>TOTAL</u>	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>
Separate Investment Account	\$ 37,370,744	<u>\$ 20,797,892</u>	<u>\$ 6,572,852</u>	<u>\$ -</u>
Other Plan assets:				
Cash	325,817			
Other	99,645			
	<u>\$ 27,796,206</u>			

The description of each level above is disclosed in Note 5.

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

YEARS ENDING <u>JUNE 30,</u>	
2025	\$ 1,265,139
2026	1,261,002
2027	1,258,855
2028	1,254,454
2029	1,250,517
2030-2034	6,317,359

Estimated contributions expected to be paid during the next fiscal year is \$0.

Tax Status

The Internal Revenue Service (IRS) has determined and informed the Plan Sponsor by a letter dated March 13, 2015, that the Plan was designed in accordance with the applicable regulations of the Internal Revenue Code (IRC), and that no further amendments were required. Accordingly, the Trustees of the Plan affirm that the Plan is currently designed and operated in compliance with the applicable requirements of the IRC, and the Plan continues to be tax-exempt.

NOTE 14 - Other Post-Employment Benefits (OPEB)

The Diocese of Madison is the sponsor of the Diocese of Madison Clergy Health and Welfare Trust Fund, established July 1, 2018 (VEBA Trust Fund), which constitutes a voluntary employees' beneficiary association (VEBA) as described in Code section 501(c)(9).

The VEBA Trust Fund is an irrevocable trust, with the Trustee holding, investing, and administering the money and property contributed to the VEBA Trust Fund only for the purposes described in actual plan document. Money or property contributed to the Fund cannot be used for, or diverted to, any other purpose and cannot be returned to the contributor.

Each arrangement or purpose under which benefits are provided is a "church plan" as defined in ERISA section 3(33). As provided in ERISA section 4(b)(2), therefore, each such arrangement is exempt from Title I of ERISA and this VEBA Fund is exempt from Title I of ERISA.

ROMAN CATHOLIC DIOCESE OF MADISON, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
JUNE 30, 2024 AND 2023

NOTE 14 - Other Post-Employment Benefits (OPEB) - Continued

The VEBA Trust Fund has three primary arrangements or purposes. The first purpose of the VEBA Trust Fund is hold and protect amounts until they are used to pay the Other Post-Employment Benefits (OPEB) costs for retired priests, which consists of supplemental Medicare health insurance coverage, prescription drug coverage, dental coverage, vision coverage, and long-term care insurance coverage. The second purpose of the VEBA Trust Fund is the discretionary provision of health and welfare benefits to clergy with special medical needs (not covered by insurance). Finally, the third purpose of the VEBA Trust Fund is for the provision of health, dental, vision and long-term care benefits to active priests, including the Reserve for Priest Health Insurance Deductible provided through a health reimbursement arrangement (HRA) administered by a third-party.

The following provides further information about the VEBA Trust Fund as of June 30:

	<u>2024</u>	<u>2023</u>
Change in benefit obligation:		
Benefit obligation at beginning of the year	\$ 6,311,670	\$ 6,866,451
Service cost	199,116	224,941
Interest cost	319,946	315,431
Actuarial (gain) or loss	(631,190)	(809,426)
Expenses paid	(28,440)	(29,055)
Voluntary clergy contributions (LTC)	24,222	10,192
Benefit payments	<u>(304,416)</u>	<u>(266,864)</u>
Projected Benefit Obligation at End of the Year	<u>5,890,908</u>	<u>6,311,670</u>
Change in plan assets:		
Fair value of VEBA assets at beginning of the year	4,149,212	3,132,950
Actual return on investments	719,845	340,028
Assessment and donor contributions	1,063,705	961,961
Voluntary clergy contributions (LTC)	24,222	10,192
Expenses paid	(28,440)	(29,055)
Benefit payments	<u>(304,416)</u>	<u>(266,864)</u>
Fair Value of Plan Assets at End of the Year	<u>\$ 5,624,128</u>	<u>\$ 4,149,212</u>
(Deficit) of projected benefit obligation over plan assets recognized in the consolidated statements of financial position	<u>\$ (266,780)</u>	<u>\$ (2,162,458)</u>

The components of net periodic benefit cost and other changes in benefit obligations recognized in net assets were as follows for the year ended June 30:

	<u>2024</u>	<u>2023</u>
Components of net periodic benefit cost (gain):		
Service cost	\$ 199,116	\$ 224,941
Interest cost on projected benefit obligation	319,946	315,431
Expected return on VEBA assets	(266,303)	(204,421)
Amortization of net (gain)	<u>(1,084,732)</u>	<u>(945,033)</u>
PERIODIC BENEFIT (GAIN) RECOGNIZED	<u>\$ (831,973)</u>	<u>\$ (609,082)</u>

The net periodic benefit (gain) or cost on the OPEB as reported in the consolidated statements of functional expenses consists of the return on VEBA investments, administrative expenses, interest costs on the unpaid balance of the projected benefit obligation and the change in actuarially computed benefit liability, as set forth in the table above.

ROMAN CATHOLIC DIOCESE OF MADISON, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
JUNE 30, 2024 AND 2023

NOTE 14 - Other Post-Employment Benefits (OPEB) - Continued

Plan Assets

The Plan's investments are held primarily in the Master Trust. The investment funds underlying securities consist of stocks, bonds, institutional exchange traded funds or mutual funds, or other assets including cash. The investment pool dedicated to fund OPEB obligations is considered a Level 2 security as defined by the fair value categories defined in Note 5, as the fair value is generally determined using observable market based inputs or unobservable inputs that are corroborated by market data.

The fair values of the Diocese of Madison's VEBA Trust Fund plan assets at June 30, 2024, by asset class are as follows:

	<u>TOTAL</u>	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>
Interest in Master Trust	\$ 5,306,588	<u>\$ -</u>	<u>\$ 5,306,588</u>	<u>\$ -</u>
Other Plan assets:				
Cash	317,541			
Other	<u>-</u>			
	<u>\$ 5,624,129</u>			

The fair values of the Diocese of Madison's VEBA Trust Fund plan assets at June 30, 2023, by asset class are as follows:

	<u>TOTAL</u>	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>
Interest in Master Trust	\$ 3,836,743	<u>\$ -</u>	<u>\$ 3,836,743</u>	<u>\$ -</u>
Other Plan assets:				
Cash	312,469			
Other	<u>-</u>			
	<u>\$ 4,149,212</u>			

The weighted average assumptions used to determine the benefit obligations and net periodic benefit cost at June 30 were as follows:

	<u>2024</u>	<u>2023</u>
Weighted average assumptions used to determine benefit obligations		
Discount rate	5.60%	5.20%
Expected long-term rate of return on plan assets	6.00%	6.00%

Assumed benefit cost trend rates have a significant effect on the amounts reported for healthcare (medical) and long-term care. Valuation of the other post-employment benefit obligations assumes healthcare and long-term care cost trend rates based on a graded scale, from 7.5 percent in 2024 down to 4.4 percent in 2041 and thereafter, and from 6.9 percent in 2023 down to 4.3 percent in 2040 and thereafter for participants pre-65 in age; from 6.0 percent in 2024 to 4.4 percent in 2041 and thereafter, and from 6.0 percent in 2023 down to 4.3 percent in 2040 and thereafter for participants post-65 in age. Finally, the actuarial assumptions project dental and vision cost trend rates on a graded scale at 4.75 percent and 3.0 percent thereafter, respectively in 2024, and 4.75 percent and 3.00 percent thereafter, respectively in 2023.

ROMAN CATHOLIC DIOCESE OF MADISON, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
JUNE 30, 2024 AND 2023

NOTE 14 - Other Post-Employment Benefits (OPEB) - Continued

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

YEARS ENDING JUNE 30,	
2025	\$ 323,344
2026	317,318
2027	324,390
2028	339,064
2029	350,724
2030-2034	1,907,242

Estimated contributions expected to be paid during the next fiscal year is \$905,500.

NOTE 15 - Net Assets

Net assets with donor restrictions are restricted for the following purposes or periods at June 30:

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specified purpose:		
Rice Bowl Collection	\$ 38,947	\$ 38,947
Respect Life	79,533	71,289
Apostolate to the Handicapped Programs	12,859,122	11,361,623
Diocese construction projects	272,197	272,197
Future construction of a chapel and crypt	77,402	67,583
Rural parish support	2,415,546	2,415,546
Diocesan Choir and Organ Recital Concert	37,436	38,113
Retired nuns	50,692	50,692
Fishing dock - Camp Gray	-	13,000
Athletic field - Camp Gray	-	4,450
Eucharistic Congress	66,239	30,304
Catholic Education Funds	385,967	343,382
Catholic Promotion of Human Development	60,326	36,899
St. Mother Teresa Mercy Funds	1,042	-
	<u>16,344,449</u>	<u>14,744,025</u>
Subject to the passage of time:		
Promises to give that have not been received	4,832	254,250
Annual Catholic Appeal	3,975,958	3,375,232
Beneficial interest in perpetual trust	574,737	542,665
	<u>4,555,527</u>	<u>4,172,147</u>
Endowments:		
Amounts required to be held in perpetuity	33,157,728	33,120,332
Earnings subject to appropriation and expenditure for specified purpose:		
Seminarian education and Office of Vocations Support	7,995,901	4,812,041
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$62,053,605</u>	<u>\$ 56,848,545</u>

ROMAN CATHOLIC DIOCESE OF MADISON, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
JUNE 30, 2024 AND 2023

NOTE 15 - Net Assets - Continued

Included in net assets without donor restrictions are amounts designated by the board for the following purposes at June 30:

	<u>2024</u>	<u>2023</u>
Quasi-endowment	<u>\$ 705,584</u>	<u>\$ 624,850</u>

The Diocese and Affiliates Board of Directors has designated funds be set aside to establish and maintain a quasi-endowment for the purpose of securing the long-term financial viability and continuing to meet the needs of the organization.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30:

	<u>2024</u>	<u>2023</u>
Expiration of time restrictions	\$ 3,375,232	\$ 4,434,976
Satisfaction of purpose restrictions:		
Catholic Promotion for Human Development	-	11,971
Respect life	71,289	5,375
Priest for Our Future campaign release and expense	1,891,579	1,681,396
Rural parish support	-	100,000
Diocesan Choir and Organ Recital Concert	3,500	500
Catholic Education Funds	45,308	74,472
Fishing dock - Camp Gray	13,000	-
Athletic field - Camp Gray	4,450	-
Camp Gray campaign	73,016	798,104
St. Mother Teresa Mercy Funds	42,782	35,322
TOTAL RESTRICTIONS RELEASED	<u>\$ 5,520,156</u>	<u>\$ 7,142,116</u>

NOTE 16 - Leasing Activities

The Diocese and Affiliates leases the Catholic Multicultural Center building to a parish for \$1 annually under a lease agreement in effect through December 31, 2022 and switched to month-to-month thereafter. Subsequent to year end, a new lease was signed through June 30, 2029. The fair value of the rent is estimated at \$250,000 for the years ended June 30, 2024 and 2023, and is included in miscellaneous income and grants, donations and religious dues expense in the consolidated statements of activities.

NOTE 17 - Defined Contribution Retirement Plan

The Diocese and Affiliates has an employer-sponsored defined contribution plan that covers all lay employees who have completed 1,000 hours of service during a plan year and who are at least twenty one (21) years of age. This plan falls under subsection 401(k) of the Internal Revenue Code. Employees are permitted to make contributions to the plan. The Diocese and Affiliates is required to contribute four percent (4.0%) of each eligible employee's compensation plus a matching contribution up to two percent (2.0%) of each eligible employee's compensation. Contributions to the plan totaled \$206,681 and \$192,508 for the years ended June 30, 2024 and 2023, respectively.

ROMAN CATHOLIC DIOCESE OF MADISON, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
JUNE 30, 2024 AND 2023

NOTE 17 - Defined Contribution Retirement Plan - Continued

In addition, Camp Gray has an employer-sponsored tax-advantaged retirement savings plan that covers all lay employees. This plan falls under subsection 403(b) of the Internal Revenue Code. Employees are permitted to make contributions to the plan. Camp Gray is required to contribute five percent (5.0%) of each eligible employee's compensation. Contributions to the plan totaled \$14,576 and \$19,213 for the years ended June 30, 2024 and 2023, respectively.

NOTE 18 - Related Party Transactions

For the years ending June 30, 2024 and 2023, the Diocese and Affiliates transferred approximately \$580,000 of proceeds from the Annual Catholic Appeal to Catholic Charities, a not-for-profit organization, which is related to the Diocese and Affiliates.

NOTE 19 - Redevelopment of Holy Name Seminary

The Project and Leased Premises: The former Bishop O'Connor Catholic Pastoral Center (the "Center") is owned by Holy Name Catholic Center, Inc., and leased to Holy Name Heights, LLC.

The leased premises, located at 702 South High Point Road, Madison, Wisconsin, consists of approximately ten (10) acres, an approximately 256,000 square foot building, and all parking and landscaped areas relating to the building. The building has been redeveloped into a mixed-use development including 53 residential apartments (94,000 square feet); one existing commercial kitchen operation (5,600 square feet); existing religious office space and chapel (78,000 square feet), leased to the Diocese and Affiliates and other not-for-profit entities for religious, worship, and charitable purposes; and common area (78,400 square feet).

The project was funded primarily by a ninety-nine percent (99.0%) tax credit investor and commercial debt. The Diocese and Affiliates owned one percent (1.0%) of Holy Name Heights, LLC; Holy Name Catholic Center, Inc. - 0.5% (one-half of one percent), and Holy Name Heights MM, LLC, (Holy Name Catholic Center, Inc., its sole member) - 0.5% (one-half of one percent), respectively. As per the project's operating agreement on December 31, 2021, (the projects flip date), the breakdown in ownership of the project became Holy Name Heights MM, LLC, (Holy Name Catholic Center, Inc., its sole member) - 94.5%, Holy Name Catholic Center, Inc. - 0.5% (one-half of one percent), and the Investor member- 5%. In June of 2022, the tax credit investor exercised their put option and sold their remaining five percent ownership interests to Holy Name Heights MM, LLC for \$173,557 in October 2022, thus the breakdown in ownership of the project became Holy Name Heights MM, LLC, (Holy Name Catholic Center, Inc., its sole member) - 99.5%, Holy Name Catholic Center, Inc. - 0.5% (one-half of one percent). The Non-member manager continued to manage the daily activities of the Project. The activity of Holy Name Heights, LLC has been included in these consolidated financials as of July 1, 2022.

Holy Name Heights MM, LLC, was a special purpose limited liability company, organized in 2014, and elected to be taxed as a corporation, and while separately accounted for, does not maintain cash, instead relying on Holy Name Catholic Center, Inc., its sole member. The appropriate "due to" and "due from" balances have been recorded. In December of 2022 Holy Name Heights MM, LLC was dissolved and Holy Name Catholic Center, Inc. became the 100% owner of Holy Name Heights, LLC.

ROMAN CATHOLIC DIOCESE OF MADISON, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
JUNE 30, 2024 AND 2023

NOTE 19 - Redevelopment of Holy Name Seminary - Continued

Forgiveness of Capital Lease and State Historic Tax Credit Mortgage Note: In 2015, Holy Name Catholic Center, Inc. (as landlord), and Holy Name Heights, LLC (as tenant), entered into an agreement to lease the Center to a tenant under a long-term capital lease for a term of sixty (60) years. Under U.S. GAAP, the transaction is recorded as a Direct Financing Lease. In 2015, Holy Name Catholic Center, Inc., received a cash payment of \$150,000 and recorded a direct financing lease receivable amounting to \$5,405,180, which represent the carrying cost of the leased property plus \$344,319 of unearned income which will be recognized over the term of the lease. Holy Name Heights, LLC, chose to finance the lease with an acquisition note in the sum of \$2,850,000, plus interest accrued at a rate of 2.67%, with payments commencing in 2033 through 2043. The acquisition note is secured by Lot 3 of the Ganser Heights Plat, Madison, Wisconsin, which is subordinate to the project's primary lender. In February of 2022, Holy Name Catholic Center, Inc. cancelled this note with a balance of \$2,850,000 plus accrued interest owed of \$538,511. As a result of the forgiveness of this capital lease, a loss was recognized of \$1,197,028 due to the future interest not being collected and is included in miscellaneous expense on the statements of functional expense for the year ended June 30, 2023.

Commercial Operating Lease: In 2015, the Roman Catholic Diocese of Madison, Inc., entered into a commercial lease with Holy Name Heights, LLC, for a term of approximately ten (10) years, commencing on April 1, 2015, to lease approximately 54,185 square feet of rentable space located in the Center (religious office use and chapel). Rent payments commenced on January 1, 2016, terminating on December 31, 2024, base rent of \$49,842 monthly, flat (no escalation) over the term of the lease, plus additional rent. As of July 1, 2022, this lease remains in effect, but all intercompany rental income and rental expense has been eliminated on the statements of activities for these consolidated financial statements.

Collateral Assignment and Pledge of Membership Interest to Primary Project Lender: Holy Name Catholic Center, Inc., for the benefit of the primary lender to Holy Name Heights, LLC, as collateral security for the prompt and complete payment of construction and long-term financing, (whether at the stated maturity, by acceleration or otherwise) of those obligations, as assignor, grants, pledges, assigns, transfers and sets over to primary lender a security interest in and to all of assignor's membership interest in Holy Name Heights, LLC.

NOTE 20 - Debt Guarantee

Subsequent to year end, the Diocese guaranteed a \$6,000,000 loan for the construction of the Cathedral that is being done by a parish within the Diocese. The Diocese would have to perform under the guarantee if the repayment of debt cannot be completed. The debt matures in July 2027.