

**DIOCESE OF BISMARCK
BISMARCK, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE 6-MONTHS ENDED DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

The Most Reverend David D. Kagan
Diocese of Bismarck
Bismarck, North Dakota

Opinion

We have audited the accompanying financial statements of Diocese of Bismarck (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the 6-months then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Diocese of Bismarck as of December 31, 2022, and the changes in its net assets and its cash flows for the 6-months then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Diocese of Bismarck 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 Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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



BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

May 19, 2023

DIOCESE OF BISMARCK
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

ASSETS

Cash and cash equivalents	\$ 1,293,501
Accounts/pledges receivable, net of allowance for doubtful accounts	1,195,092
Interest receivable	42,473
Due from related parties	365,442
Prepaid expenses	25,907
Investments	24,895,744
Mutual investment	227,757
Notes receivable	109,603
Land, buildings and equipment, net of accumulated depreciation	<u>6,559,785</u>
Total assets	<u><u>\$ 34,715,304</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 411,752
Deferred revenue	1,012,509
Health care payable	178,746
Annuities payable	1,682,962
Funds held for others	521,279
Total liabilities	<u>3,807,248</u>

NET ASSETS

Without donor restrictions	22,594,110
Without donor restrictions - board designated	<u>8,313,946</u>
Total net assets	<u>30,908,056</u>
Total liabilities and net assets	<u><u>\$ 34,715,304</u></u>

See Notes to the Financial Statements

DIOCESE OF BISMARCK
STATEMENT OF ACTIVITIES
FOR THE 6-MONTHS ENDED DECEMBER 31, 2022

SUPPORT AND REVENUE

Contributions and bequests - God's Share	\$ 456,921
Contributions and bequests - other	997,593
Distributions from Catholic Foundation	1,278,194
Grant income	2,133
Mineral rights lease and royalty revenue	660,417
Investment income	148,774
Net realized and unrealized gain on investments	21,468
Insurance	351,759
Rent and other revenue	104,044
Admin fee revenue	225,377
Department income	351,593
Total support and revenue	<u>4,598,273</u>

EXPENSES

Program services	
Pastoral	1,607,349
Religious personnel development	660,535
Religious personnel services	264,086
Education	516,488
Social services	157,340
Program administration	48,299
Total program services	<u>3,254,097</u>
Supporting services	
General administration	1,009,846
Fundraising	433,161
Total supporting services	<u>1,443,007</u>
Total expenses	<u>4,697,104</u>

**NET CHANGE IN NET ASSETS WITHOUT
DONOR RESTRICTIONS**

(98,831)

**NET ASSETS WITHOUT DONOR
RESTRICTIONS, BEGINNING OF YEAR**

31,006,887

**NET ASSETS WITHOUT DONOR
RESTRICTIONS, END OF YEAR**

\$ 30,908,056

See Notes to the Financial Statements

DIOCESE OF BISMARCK
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE 6-MONTHS ENDED DECEMBER 31, 2022

	Program Services									
	Pastoral	Religious Personnel Development	Religious Personnel Services	Education	Social Services	Program Administration	Total Program Services	General and Administration	Fundraising	Total Expenses
Salaries and benefits	\$ 438,763	\$ 118,247	\$ 63,163	\$ 50,308	\$ 105,206	\$ -	\$ 775,687	\$ 470,624	\$ 99,591	\$ 1,345,902
Dues, registration, professional development	169,498	76,158	3,004	90,544	11,402	-	350,606	20,215	312,294	683,115
Office expenses	760,460	7,459	4,273	1,279	12,180	-	785,651	146,366	4,930	936,947
Postage	41,585	419	94	797	539	-	43,434	3,892	1,438	48,764
Telephone expenses	1,492	-	-	-	144	-	1,636	7,709	-	9,345
Utilities	-	-	8,594	-	1,006	-	9,600	23,572	-	33,172
Building, grounds, maintenance supply	806	-	11,893	-	9,000	-	21,699	39,030	-	60,729
Travel	18,142	24,402	2,312	9,515	128	-	54,499	2,748	5,593	62,840
Priest care	-	-	152,725	-	-	-	152,725	-	-	152,725
Food and groceries	16,129	2,439	9,603	18,917	9,493	-	56,581	1,517	1,487	59,585
Insurance expense	-	-	8,395	-	-	-	8,395	42,763	-	51,158
Education	-	431,411	-	343,377	-	-	774,788	-	-	774,788
Depreciation	-	-	-	-	-	-	-	124,293	-	124,293
Professional fees	147,809	-	-	-	-	-	147,809	127,117	-	274,926
Funds released to programs	-	-	-	-	-	48,299	48,299	-	-	48,299
Bank and credit card processing fees	794	-	-	761	5,742	-	7,297	-	196	7,493
Miscellaneous	11,871	-	30	990	2,500	-	15,391	-	7,632	23,023
Total expenses	<u>\$ 1,607,349</u>	<u>\$ 660,535</u>	<u>\$ 264,086</u>	<u>\$ 516,488</u>	<u>\$ 157,340</u>	<u>\$ 48,299</u>	<u>\$ 3,254,097</u>	<u>\$ 1,009,846</u>	<u>\$ 433,161</u>	<u>\$ 4,697,104</u>

See Notes to the Financial Statements

DIOCESE OF BISMARCK
STATEMENT OF CASH FLOWS
FOR 6-MONTHS ENDED DECEMBER 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (98,831)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation expense	124,293
Realized and unrealized (gain) loss on investments	(4,810)
Change in equity in the undistributed (gain) loss on mutual investment	50,569
Effects on operating cash flow due to changes in:	
Accounts/pledges receivable	(418,309)
Interest receivable	(6,393)
Prepaid expenses	133,580
Due from related parties	(241,432)
Accounts payable and accrued expenses	175,801
Deferred revenue	(6,161)
Health care payable	(378,829)
Funds held for others	325,496
	<hr/>
Net cash provided (used) by operating activities	(345,026)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(1,200,160)
Proceeds from sale of investments	849,693
Purchase of property and equipment	(106,264)
Collection of notes receivable	13,869
	<hr/>
Net cash provided (used) by investing activities	(442,862)

NET CHANGE IN CASH AND CASH EQUIVALENTS

(787,888)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

2,081,389

CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 1,293,501

SUPPLEMENTAL DISCLOSURE

Schedule of Noncash Transactions	
Increase (decrease) in annuities payable and investments	\$ 67,227

See Notes to the Financial Statements

DIOCESE OF BISMARCK
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

Organization

In evaluating how to define the Diocese of Bismarck (Diocese) for financial reporting purposes, management has considered all potential related institutions and organizations providing services at the Diocesan level of administration which are fiscally responsible to the Diocese of Bismarck.

The financial statements do not include the assets, liabilities and operations of the parishes, schools or other separately incorporated and administered operations of the Roman Catholic Church within the Diocese. In addition, the financial statements do not include the operations and activities of various religious orders, lay societies, and religious organizations which operate within the Diocese, but which are not fiscally responsible to the Diocese.

Basis of accounting

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America, ("GAAP"), as codified by the Financial Accounting Standards Board.

Financial statement presentation

The financial statements of the Diocese of Bismarck have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Diocese of Bismarck to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of Diocese of Bismarck's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Diocese of Bismarck or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. As of December 31, 2022, the Diocese did not have any net assets with donor restrictions.

Contributions

Under ASU Topic 958, the Diocese recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The Diocese currently does not have any conditional promises to give.

DIOCESE OF BISMARCK
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

Depending on the existence and/or nature of any donor restrictions, contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the absence or existence and nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenue recognition

Under ASU Topic 606 the Diocese recognizes revenue from management and accounting services provided to various entities, including the Catholic Foundation of Western North Dakota and the Parish Expansion Fund of the Diocese of Bismarck. Management services include investment management, assistance with audited financial statements and disbursement of funds. Accounting services include monthly internal financial reports, investment schedules and related accounting data. Fees for these services are based off a percentage of the quarterly end market value and hourly rates for any incidental work provided. Admin fee revenue is recognized over time as the services are provided.

Department income is for accounting services provided to the parishes, Dakota Catholic Action (DCA) newspaper subscription income, and registration fees for conferences. The Diocese will pay for expenses for conferences for the parishes and then are reimbursed by the parishes with no mark up. The accounting services are recognized over time as the services are provided. DCA subscriptions are purchased by the Parishes and then are distributed out to all parish members. Revenue for these subscriptions is recognized over time as the newspaper is published and distributed. Registration fees are recognized at a point in time when the expenses that will be reimbursed are paid by the Diocese.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding assets whose use is limited or restricted.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

The Diocese recognizes gains, losses, and ordinary income on investments in the designation or restriction owning the investment. It is the policy of the Diocese to include restricted investment income, whose restrictions are met in the same reporting period, as unrestricted investment income.

DIOCESE OF BISMARCK
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

Receivable and allowance for uncollectible receivables

Accounts receivable are uncollateralized obligations due under normal trade terms requiring payment within 30 days from the invoice date. The receivables are non-interest bearing. Payments on accounts receivable are applied to the earliest unpaid amounts, unless specifically identified. The carrying amount of the accounts receivable is reduced by an amount that reflects management's best estimate of the amounts that will not be collected.

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give (pledges) that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in the contribution revenue.

Fair value measurements

GAAP established a framework for measuring fair value which applies to all assets and liabilities that are being measured and reported on a fair value basis. It defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosure about fair value measurements.

When fair value measurements are required, various data is used in determining those values. This statement requires that assets and liabilities that are carried at fair value must be classified and disclosed in the following levels based on the nature of the data used.

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

The application of valuation techniques applied to similar assets and liabilities has been consistently applied. The following is a description of the valuation methodologies used for instruments measured at fair value:

Investments

The fair value of investments is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

DIOCESE OF BISMARCK
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

Annuities payable

The Diocese enters into written gift annuity agreements and agrees to pay to the donors an annuity on a monthly, quarterly, semi-annual, or annual basis beginning on a set date and for the lifetime of the donor and/or their designated beneficiaries. The Diocese is discharged from payment of the annuity upon the death(s) of the designated recipient(s). The balance of the donated funds is then distributed to the organization described in the gift annuity agreement. Annuities payable are valued based on the fair market value of the underlying investment(s) reduced by the discounted cash flow of estimated payments to the donor based on their expected life.

Land, buildings and equipment, and depreciation

Property and equipment are stated at cost, for items purchased and fair market value at the date of the gifts, if donated. Fixed assets are being depreciated over estimated useful lives from 5 to 75 years, using a straight-line method.

The Diocese capitalizes purchases of property and equipment with a cost greater than \$5,000 and a useful life greater than one year, except for computer equipment which is capitalized regardless of cost. The Diocese also capitalizes expenditures for major additions and improvements that extend the useful lives of property and equipment. Routine expenditures for repairs and maintenance are charged to expense as incurred.

Income taxes

The Diocese is exempt from federal income tax under provisions of Section 501(c)(3) of the Internal Revenue Code. The Diocese is deemed to be a church related organization and as such is not required to file an annual informational tax return to the Internal Revenue Service or the State of North Dakota.

The Diocese's policy is to evaluate the likelihood that its uncertain tax positions will prevail upon examination based on the extent to which those positions have substantial support within the Internal Revenue Code and Regulations, Revenue Rulings, court decisions, and other evidence.

Functional expense allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated are based on the actual direct expenditures and cost allocations based on estimates made by management.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

DIOCESE OF BISMARCK
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

NOTE 2 CONCENTRATIONS OF CREDIT RISK

Accounts receivable are due from Catholic parishes and associated individuals located in western North Dakota.

The Diocese's cash balances are maintained in various bank deposit accounts. The amounts on deposit are insured by Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. The Diocese has not experienced any losses in such accounts nor does the Diocese believe it is exposed to any significant credit risk on cash accounts.

NOTE 3 REVENUE RECOGNITION IN ACCORDANCE WITH FASB ASC 606

Accounts receivable from admin fee contracts with customers were as follows:

	<u>12/31/2022</u>	<u>6/30/2022</u>
Receivables from contracts		
with customers - admin fee	\$ 78,376	\$ 70,494

Disaggregation of revenue for department income was as follows:

Registration fees	\$ 213,060
Dakota Catholic Action subscriptions	232
Accounting services	117,036
Miscellaneous	<u>21,265</u>
Total department income	<u><u>\$ 351,593</u></u>

NOTE 4 ACCOUNTS/PLEDGES RECEIVABLE

Accounts/pledges receivable at December 31, 2022, consist of the following:

Due from Parishes for:	
Priests health insurance	\$ 163,642
Other entities	101,880
Pledges receivable - God's Share	151,114
Property insurance	323,947
Other receivables	<u>494,678</u>
Total due from Parishes	1,235,261
Allowance for doubtful accounts	<u>(40,169)</u>
	<u><u>\$ 1,195,092</u></u>

Pledges receivable - God's Share are due within one year or less.

DIOCESE OF BISMARCK
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

NOTE 5 NOTES RECEIVABLE

Notes receivables at December 31, 2022 consist of the following:

Payor	Rate	Maturity Date	Maturity Balance	Security
Church of Christ the King School Promissory	2.99%	12/1/29	<u>\$ 109,603</u>	Unsecured

Future principal payments are as follows:

6-Months Ending June 30, 2023	\$ 7,074
Year Ending June 30,	
2024	14,469
2025	14,908
2026	15,360
2027	15,825
2028	16,305
Thereafter	25,662
	<u>\$ 109,603</u>

NOTE 6 INVESTMENTS

Investments are stated at fair value and are summarized as follows as of December 31, 2022:

	Cost	Fair Value
Equities:		
U.S. large cap	\$ 2,247,733	\$ 5,453,447
U.S. mid cap	1,056,963	1,805,284
U.S. small cap	292,380	397,227
International developed/emerging markets	637,576	822,316
Mutual funds:		
U.S. large cap	26,152	26,152
U.S. mid cap	15,207	15,207
U.S. small cap	20,636	20,636
International developed/emerging markets	6,061	6,061
Fixed income	307,850	307,850
Fixed income:		
Investment grade taxable	5,041,876	4,653,636
International developed	89,054	80,393
Fixed income other	34,965	34,710
Other	11,272,825	11,272,825
	<u>\$ 21,049,278</u>	<u>\$ 24,895,744</u>

The Diocese had a realized gain of \$23,907 and an unrealized loss of \$2,439 for the 6-months ended December 31, 2022.

DIOCESE OF BISMARCK
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

NOTE 7 FAIR VALUE MEASUREMENTS

Financial instruments measured at fair value on a recurring basis as of December 31, 2022 are summarized as follows:

Description	Total Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities:				
U.S. large cap	\$ 5,453,447	\$ 5,453,447	\$ -	\$ -
U.S. mid cap	1,805,284	1,805,284	-	-
U.S. small cap	397,227	397,227	-	-
International developed/ emerging markets	822,316	822,316	-	-
Mutual funds:				
U.S. large cap	26,152	26,152	-	-
U.S. mid cap	15,207	15,207	-	-
U.S. small cap	20,636	20,636	-	-
International developed/ emerging markets	6,061	6,061	-	-
Fixed income	307,850	307,850	-	-
Fixed income:				
Investment grade taxable	4,653,636	-	4,653,636	-
International developed	80,393	-	80,393	-
Fixed income - other	34,710	-	34,710	-
Other	11,272,825	-	11,272,825	-
Total investments at fair value	<u>\$ 24,895,744</u>	<u>\$ 8,854,180</u>	<u>\$ 16,041,564</u>	<u>\$ -</u>
Annuities payable	<u>\$ 1,682,962</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,682,962</u>

The following table sets forth a summary of changes in the fair value of the Diocese of Bismarck's level 3 financial instruments which consist entirely of annuities payable for the 6-months ended December 31, 2022:

Balance, beginning of year	\$ 1,615,735
Total gains (losses) (realized/unrealized) included in increase (decrease) in net assets	-
Purchases	131,357
Sales	(64,130)
Balance, end of year	<u>\$ 1,682,962</u>

DIOCESE OF BISMARCK
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

Qualitative information about Significant Unobservable Inputs Used in Level 3 Fair Value Measurements

The following table represents the Diocese's Level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments, and the significant unobservable inputs and the ranges of values for those inputs.

<u>Instrument</u>	<u>Fair Value</u>	<u>Principle Valuation Technique</u>	<u>Unobservable Inputs</u>	<u>Range of Significant Input Values</u>	<u>Weighted Average</u>
Annuity Payable	\$1,682,962	Discounted Cash Flow	Discount Rate	5.0% - 10.0%	7.50%

NOTE 8 CATHOLIC UMBRELLA POOL II MUTUAL INVESTMENT

The Diocese of Bismarck purchases liability insurance coverage from the Catholic Mutual group (CMG) located in Omaha, Nebraska. On July 1, 1989, CMG created an excess liability pool called the Catholic Umbrella Pool II (CUP II). The Diocese of Bismarck is a charter member of CUP II. The primary purpose of the pool was to provide a self-insurance fund for small or medium sized dioceses for the Roman Catholic Church in North America. CUP II provides approximately 50% of an additional \$4 million layer of liability insurance coverage for the 48 participating dioceses. In addition to the above coverage, CUP II has a 5% participation for coverage in excess of \$1,500,000 up to \$5,000,000 for mortality certificates and up to \$20,000,000 for liability certificates.

As of July 1, 1995, CUP II attained its goal and assumed 100% of the individual casualty claims exceeding \$1,500,000 to a limit of \$5,000,000 for the 48 dioceses. Participating dioceses are liable for any losses beyond the Pool's responsibilities to fund such losses. Outstanding claims of approximately \$227,757 have been made against CUP II as of December 31, 2022.

Participating dioceses share in the operating and investment income and expenses of CUP II based on the contributions for each fiscal year. Participants are liable for claims and expenses incurred during the fiscal years in which they participate in CUP II.

The Diocese of Bismarck's equity in the Pool was \$227,757 as of December 31, 2022. CUP II has established a dividend policy to distribute the participant's equity of a fiscal year after 10 years. The Executive Committee reviews this policy annually. There was no dividend for the 6-months ended December 31, 2022.

DIOCESE OF BISMARCK
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

NOTE 9 LAND, BUILDINGS AND EQUIPMENT

Land, buildings, and equipment consist of the following as of December 31, 2022:

	Cost	Accumulated Depreciation	Net
Future parish sites	\$ 155,053	\$ -	\$ 155,053
Land and improvements	742,582	-	742,582
Building and improvements	7,503,254	1,953,027	5,550,227
Technological equipment	538,757	482,195	56,562
Furniture and fixtures	684,017	654,198	29,819
Other equipment	147,868	139,580	8,288
Vehicles	74,974	57,720	17,254
	<u>\$ 9,846,505</u>	<u>\$ 3,286,720</u>	<u>\$ 6,559,785</u>

Depreciation expense for the 6-months ended December 31, 2022, was \$124,293.

NOTE 10 NET ASSET WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions include net assets that have been designated by the Board of Directors:

Insurance Fund	\$ 663,721
Expansion General Fund - Designated	3,467,378
Administrative facilities	1,794,760
Program and services	1,347,363
Clergy needs	250,000
Reserve Fund for Contingency	(15,000)
Risk management	26,673
Kateri Tekawitha	9,600
Binations	48,528
Summer Program/Rev. M. Mullner Search	7,933
Vocations	41,383
Human Development	20,869
Deacon Education	5,000
J Kenney Estate for Emmaus	194,758
Payroll reserve	357,654
Fr. Kramer Estate	93,326
Total	<u>\$ 8,313,946</u>

DIOCESE OF BISMARCK
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

NOTE 11 LIQUIDITY AND AVAILABILITY

The Diocese monitors its liquidity so that it is able to meet its operating needs and other commitments. The following table reflects the Diocese's financial assets due within one year of the statement of financial position as of December 31, 2022 for general expenditures:

Cash and cash equivalents	\$ 1,293,501
Accounts/pledges receivable	1,195,092
Interest receivable	42,473
Investments	24,895,744
Notes receivable collectible within one year	<u>14,255</u>
Total financial assets	<u>27,441,065</u>
Less those unavailable for general expenditures within one year, due to:	
Board designations	<u>(8,313,946)</u>
Financial assets available to meet general expenditures within one year	<u><u>\$ 19,127,119</u></u>

NOTE 12 FUNDS HELD FOR OTHERS

The Diocese serves as custodian for many collections in the Diocese. The normal function of the Diocese in these cases is to collect and remit to the proper parties the proceeds from these collections.

NOTE 13 RETIREMENT PLAN

The Diocese has adopted a deferred compensation 401(k) Retirement Savings Plan and Trust for the exclusive benefit of all eligible employees and their beneficiaries. Employees are immediately eligible at hire to receive discretionary contributions to the Plan if the employee is of age 21, or upon reaching age 21. Employees are also permitted to make voluntary contributions up to a maximum amount set by the Federal Government, and a maximum amount and percentage allowable by the IRS. The Diocese contributed 2% with up to a 3% match contribution. Retirement expense for the 6-months ended December 31, 2022 was \$94,347.

NOTE 14 RELATED PARTY

The Diocese of Bismarck is affiliated with the Parish Expansion Fund of the Diocese of Bismarck (Parish Expansion Fund) through some common members of their Boards of Directors. The Parish Expansion Fund provides a lending and depository function for the parishes and related entities of the Diocese. On December 31, 2022, the Diocese has \$121,569 due from the Parish Expansion Fund.

Effective January 1, 2023 the Diocese will go through a corporate restructure. During the 6-month period the Diocese gave money to the new entity Bismarck Diocese to have some start up cash. On December 31, 2022, the Diocese has \$252,796 due from the Bismarck Diocese.

DIOCESE OF BISMARCK
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

NOTE 15 LINE OF CREDIT

The Diocese has an available \$250,000 unsecured revolving line of credit note with U.S. Bank. Interest is due monthly with an interest rate equal to U.S. Prime Rate, plus 0.25%. On December 31, 2022, there was no outstanding balance on this line of credit.

The Diocese has an available \$3,500,000 unsecured line of credit with Bravera Bank. Interest is due monthly with an interest rate equal to U.S. Prime Rate. The line of credit matures on August 5, 2023. On December 31, 2022, there was no outstanding balance on this line of credit.

NOTE 16 INCOME TAXES

It is the opinion of management that the Diocese has no significant uncertain tax positions that would be subject to change upon examination. The Diocese is not required to file form 990 or form 990-T.

NOTE 17 SUBSEQUENT EVENTS

Effective January 1, 2023, the Diocese of Bismarck went through a corporate restructure to follow canonical law more closely. The two new entities consist of The Diocese of Bismarck Trustee, Inc. (the Trust) and Bismarck Diocese (the Association). The Trust will house the stable assets, including investments and property, and the Association will be the operating entity.

No other significant events have occurred subsequent to the Diocese's 6-month end. Subsequent events have been evaluated through May 19, 2023, which is the date these financial statements were available to be issued.

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

The Most Reverend David D. Kagan
Diocese of Bismarck
Bismarck, North Dakota

We have audited the financial statements of the Diocese of Bismarck as of and for the 6-months ended December 31, 2022, and our report dated May 19, 2023, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

The Schedule of Changes in Net Assets without Donor Restrictions – Board Designated and Schedule of Changes in Funds Held for Others are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

May 19, 2023

DIOCESE OF BISMARCK
SCHEDULE OF CHANGES IN NET ASSETS
WITHOUT DONOR RESTRICTIONS – BOARD DESIGNATED
FOR THE 6-MONTHS ENDED DECEMBER 31, 2022

	Balance 6/30/2022	Transfers/ Additions	Transfers/ Disbursements	Balance 12/31/2022
(1a) Loss retention	\$ 346,962	\$ 321,489	\$ 4,730	\$ 663,721
(1b) Risk management	-	175,473	148,800	26,673
(2) Expansion general fund - designated	3,467,378	-	-	3,467,378
(3) Administrative facilities	1,794,760	-	-	1,794,760
(4) Program and services	1,347,363	-	-	1,347,363
(5) Clergy needs	250,000	-	-	250,000
Reserve fund for contingency	-	-	15,000	(15,000)
Kateri Tekawitha	9,600	-	-	9,600
Binations	41,279	7,249	-	48,528
Summer program/Rev. M. Mullner search	9,564	125	1,756	7,933
Vocations	55,435	22,916	36,968	41,383
Human development	20,869	-	-	20,869
Deacon education	5,115	-	115	5,000
J Kenney Estate for Emmaus	194,758	-	-	194,758
Payroll reserve	323,998	33,656	-	357,654
Rev. Thomas Kramer Estate Fund for Special Purposes	110,826	-	17,500	93,326
	<u>\$ 7,977,907</u>	<u>\$ 560,908</u>	<u>\$ 224,869</u>	<u>\$ 8,313,946</u>

The purpose of these designations are as follows:

- (1) This designation includes the net activity of the diocesan Offices of Insurance, Parish Resources and Internal Audit, these three offices are in place for risk mitigation at the parish level. For the Office of Insurance it reflects the diocesan fee charged to parishes for insurance, operation of that office and deductibles on insurance claims; for the Office of Parish Resources it reflects the net amount of charges to individual parishes for accounting/ payroll services and operation of that office; for the Office of Internal Audit it reflects the operation of that office.
- (2) This designation is to reserve funds to provide the parish expansion fund an adequate loan pool.
- (3) This designation is to reserve funds for future replacement and acquisition of fixed assets, church sites, and Diocesan administrative facilities. Designation of current earnings is added to the fund at the discretion of the Bishop.
- (4) This designation is to reserve funds for future Diocesan administrative programs and supporting services. Designation of current earnings is added to the fund at the discretion of the Bishop.
- (5) This designation is to reserve funds for continued support and assistance for clergy needs. Designation of current earnings is added to the fund at the discretion of the Bishop.

DIOCESE OF BISMARCK
SCHEDULE OF CHANGES IN FUNDS HELD FOR OTHERS
FOR THE 6-MONTHS ENDED DECEMBER 31, 2022

	Balance 6/30/2022	Additions	Transfers/ Disbursements	Balance 12/31/2022
Campaign for Human Development	\$ -	\$ 1,545	\$ -	\$ 1,545
Indian and Black Missions	487	8,479	4,722	4,244
Operation Rice Bowl	2,267	5,050	5,051	2,266
Mass Stipends Fund	16,414	8,935	7,615	17,734
National Religious Retirement Office	341	26,314	1,944	24,711
Peter's Pence Collection	69	23,306	16,373	7,002
Propagation of Faith	-	26,674	744	25,930
Holy Land Collections	2,312	8,744	7,434	3,622
Archdiocese Military Service	284	17,784	2,002	16,066
Bishop Ryan High School	4,861	1,371	452	5,780
Disaster Relief Fund	2,064	61,763	180	63,647
L-T Care Fund - Priest	151,909	219,770	55,359	316,320
Corazon Fund - Family Ministry	11,080	3,513	4,636	9,957
Catholic Leadership	1,310	-	-	1,310
Cust- Women's Lenten Retreat	2,385	-	-	2,385
Miscellaneous	-	20,434	1,674	18,760
	<u>\$ 195,783</u>	<u>\$ 433,682</u>	<u>\$ 108,186</u>	<u>\$ 521,279</u>