



Financial Statements  
June 30, 2020 and 2019

# The Diocese of Crookston Catholic Community Foundation

# The Diocese of Crookston Catholic Community Foundation

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June 30, 2020 and 2019

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## **Independent Auditor's Report**

The Board of Directors  
The Diocese of Crookston Catholic Community Foundation  
Crookston, Minnesota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The Diocese of Crookston Catholic Community Foundation, (a non-profit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Diocese of Crookston Catholic Community Foundation as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota

March 5, 2021

The Diocese of Crookston Catholic Community Foundation  
Statements of Financial Position  
June 30, 2020 and 2019

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	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 553,272	\$ 411,597
Investments	15,605,931	15,390,519
Notes receivable	3,099,759	2,379,437
Other receivables	-	48
Cash surrender value of life insurance	<u>30,873</u>	<u>30,873</u>
Total assets	<u><u>\$ 19,289,835</u></u>	<u><u>\$ 18,212,474</u></u>
Liabilities and Net Assets		
Liabilities		
Funds invested for others	\$ 8,042,605	\$ 7,440,483
Grants and collections held for others	243,159	302,689
Charitable gift annuities payable	<u>105,337</u>	<u>245,941</u>
Total liabilities	<u>8,391,101</u>	<u>7,989,113</u>
Net Assets		
Without donor restrictions	(13,032)	(147,598)
With donor restrictions	<u>10,911,766</u>	<u>10,370,959</u>
Total net assets	<u>10,898,734</u>	<u>10,223,361</u>
Total liabilities and net assets	<u><u>\$ 19,289,835</u></u>	<u><u>\$ 18,212,474</u></u>

# The Diocese of Crookston Catholic Community Foundation

## Statement of Activities and Functional Expenses

Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and Support			
Donations	\$ -	\$ 400,125	\$ 400,125
Interest and dividends on investments and notes receivable	79,191	149,144	228,335
Unrealized and realized gains on investments	104	549,664	549,768
Change in split interest agreements - annuities	133,709	(8,622)	125,087
Net assets released from restrictions Satisfaction of donor restrictions	<u>549,504</u>	<u>(549,504)</u>	<u>-</u>
Total revenues and support	<u>762,508</u>	<u>540,807</u>	<u>1,303,315</u>
Expenses			
Program earnings distributed	549,504	-	549,504
Management and general			
Administrative fee	60,000	-	60,000
Professional fees	12,818	-	12,818
Other	<u>5,620</u>	<u>-</u>	<u>5,620</u>
Total expenses	<u>627,942</u>	<u>-</u>	<u>627,942</u>
Change in Net Assets	134,566	540,807	675,373
Net Assets, Beginning of Year	<u>(147,598)</u>	<u>10,370,959</u>	<u>10,223,361</u>
Net Assets, End of Year	<u><u>\$ (13,032)</u></u>	<u><u>\$ 10,911,766</u></u>	<u><u>\$ 10,898,734</u></u>

# The Diocese of Crookston Catholic Community Foundation

## Statement of Activities and Functional Expenses

Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and Support			
Donations	\$ -	\$ 167,136	\$ 167,136
Interest and dividends on investments and notes receivable	94,355	143,704	238,059
Unrealized and realized gains on investments	528	229,180	229,708
Change in split interest agreements - annuities	(31,308)	(17,681)	(48,989)
Net assets released from restrictions Satisfaction of donor restrictions	<u>182,378</u>	<u>(182,378)</u>	<u>-</u>
Total revenues and support	<u>245,953</u>	<u>339,961</u>	<u>585,914</u>
Expenses			
Program earnings distributed	182,378	-	182,378
Management and general			
Administrative fee	60,000	-	60,000
Professional fees	23,011	-	23,011
Other	<u>12,510</u>	<u>-</u>	<u>12,510</u>
Total expenses	<u>277,899</u>	<u>-</u>	<u>277,899</u>
Change in Net Assets	(31,946)	339,961	308,015
Net Assets, Beginning of Year	<u>(115,652)</u>	<u>10,030,998</u>	<u>9,915,346</u>
Net Assets, End of Year	<u><u>\$ (147,598)</u></u>	<u><u>\$ 10,370,959</u></u>	<u><u>\$ 10,223,361</u></u>

# The Diocese of Crookston Catholic Community Foundation

## Statements of Cash Flows Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from (used for) Operating Activities		
Change in net assets	\$ 675,373	\$ 308,015
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Unrealized and realized gain on investments	(549,768)	(229,708)
Actuarial (gain) loss on recomputation of annuity benefit obligations	(125,087)	48,989
Loss on disposal of property held for sale	-	8,325
Cash surrender value	-	(2,873)
Changes in operating assets and liabilities		
Other receivables	48	(10)
Accounts payable	-	(8,000)
Grants and collections held for others	(59,530)	80,252
Net cash from (used for) operating activities	<u>(58,964)</u>	<u>204,990</u>
Cash Flows used for Investing Activities		
Purchase of investments	(4,756,924)	(4,201,175)
Proceeds from sale of investments	5,693,402	4,254,420
Collection of notes receivable	379,678	210,421
Issuance of notes receivable	(1,100,000)	(280,000)
Net cash from (used for) investing activities	<u>216,156</u>	<u>(16,334)</u>
Cash Flows used for Financing Activities		
Payments on charitable gift annuities	(15,517)	(66,692)
Net cash used for financing activities	<u>(15,517)</u>	<u>(66,692)</u>
Net Change in Cash and Cash Equivalents	141,675	121,964
Cash and Cash Equivalents, Beginning of Year	<u>411,597</u>	<u>289,633</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 553,272</u></u>	<u><u>\$ 411,597</u></u>



## **Note 1 - Summary of Significant Accounting Policies**

### **Organization**

The Diocese of Crookston Catholic Community Foundation (Foundation) was organized on December 16, 1993, to receive donations of real and personal property including money by gift, grant, devise or bequest from any individual, foundation, corporation or government agency. The Foundation is operated exclusively for religious, charitable and educational purposes under Sections 170(c)(2) and 501(c)(3) of the Internal Revenue Code of 1986 as amended. It is operated and conducted in conformance with the Code of Canon Law of the Roman Catholic Church and the laws, theology, philosophy, teaching and doctrines of the Roman Catholic Church and the Diocese of Crookston. Donations are used to advance the ministries of the Catholic community within the Diocese of Crookston.

### **Basis of Accounting**

The Foundation uses the accrual basis of accounting. Under this method, income is recorded when earned and expenses are recorded when incurred.

### **Financial Information**

The accompanying financial statements are presented that the assets are sequenced according to their nearness of conversion to cash, and liabilities are sequenced according to nearness of their maturity and resulting use of cash.

### **Cash and Cash Equivalents**

The Foundation considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to the permanent endowment and other long-term purposes are excluded from this definition.

### **Receivables and Credit Policies**

Notes receivable are secured by mortgages and/or guarantees by the Diocese of Crookston. Management reviews all notes receivable balances periodically and adjusts the allowance accounts based on current economic conditions and past experiences. The Foundation has not experienced losses on these receivables in the past. All notes receivables are considered collectible.

### **Investments**

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Investment income is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management fees and custodial fees.

### **Cash Surrender Value of Life Insurance**

A donor transferred ownership of a life insurance policy to the Foundation with the stipulation that the Foundation will forward the amounts received from the policy to charities designated by the donor. The cash surrender value of the life insurance policy is recorded in grants and collections held for others as an agency type transaction.

### **Charitable Gift Annuities**

Under charitable gift annuity contracts, the Foundation receives immediate and unrestricted title to contributed assets and agrees to make fixed recurring payments over the stipulated period. Contributed assets are recorded at fair value on the date of receipt. The related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discounts rate designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the annuity liability is recorded as an unrestricted or restricted contribution as directed by the donor. In subsequent years, the liability for future payments to the donor is reduced by payments made to the specified beneficiaries and is adjusted to reflect amortization of the discount and changes in actuarial assumptions at the end of the year. Upon termination of the annuity contract, the remaining liability is removed and recognized as income.

### **Funds Invested for Others**

The Foundation acts as trustee for funds transferred from various organizations for investment management and administrative purposes. The funds are distributed back to these organizations upon their request. The Foundation records the deposits as a liability in the statement of financial position. The assets are included in cash and cash equivalents and investments on the statement of financial position.

### **Grants and Collections Held for Others**

The Foundation acts as custodian for various parishes and other entities. The Foundation collects and distributes the funds to the intended recipient as requested. The Foundation records the deposits as a liability in the statement of financial position. The assets are included in cash and cash equivalents and cash surrender value of life insurance on the statement of financial position.

### **Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-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 (or certain grantor) restrictions.

# The Diocese of Crookston Catholic Community Foundation

Notes to Financial Statements

June 30, 2020 and 2019

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*Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) restrictions. Some donor (or grantor) 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 restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Foundation reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 statements of activities as net assets released from restrictions. Net assets are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resources was restricted has been fulfilled, or both.

## **Revenue and Revenue Recognition**

Revenue is recognized when earned. The Foundation recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a 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 met.

## **Income Tax**

The Foundation is exempt from federal income tax under provisions of Section 501(c)(3) of the Internal Revenue Code of 1986 and by virtue thereof is also exempt from the payment of an income tax to the state of Minnesota.

## **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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. Actual results could differ from those estimates and those differences could be material.

## **Financial Instruments and Credit Risk**

The Foundation manages deposit concentration risk by placing cash and investments with financial institutions believed by management to be creditworthy. To date, the Foundation has not experienced losses in any of these accounts. Credit risk associated with notes receivable are considered to be limited due to high historical collection rates. Investments are made by diversified investment managers whose performance is monitored by management. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management, the Investment Committee, and the Foundations board believe that the investment policies and guidelines are prudent for the long-term welfare of the Foundation.

### **Functional Expenses and Natural Classification**

The costs of program and supporting services activities have been detailed on a functional and natural basis in the statements of activities. The program expenses are generally directly attributable to a functional category with no significant allocations between program service activities and supporting service activities.

### **Change in Accounting Principle**

#### *Contributions Received and Contributions Made*

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. This standard assists the Foundation in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Foundation has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

#### *Revenues from Contracts and Customers*

In May 2014, the FASB issued ASU 2014-09, *Revenues from Contracts with Customers (Topic 606)*. The guidance provides a principles-based approach for determining revenue recognition and supersedes all existing guidance, such as current transaction and industry-specific revenue recognition guidance. The core principle of ASU 2014-09 is that an entity will recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (payment) to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 identifies a five-step process in order to recognize revenue. In addition, there is also more comprehensive guidance for transactions such as service revenue, contract modifications and multiple-element arrangements.

The Foundation has adopted Topic 606 using the modified retrospective approach. The Foundation has applied the above practical expedients consistently to all contracts within all reporting periods presented. The Foundation does not believe the effect of applying these expedients has a material impact on the amounts presented or disclosed. There was no cumulative effect of a change in accounting principle recorded but did result in changes to footnote disclosures.

The Foundation has adopted these standards as management believes the standard improves the usefulness and understandability of the Foundation's financial reporting.

### **Subsequent Events**

The Foundation has evaluated subsequent events through March 5, 2021, the date which the financial statements were available to be issued.

# The Diocese of Crookston Catholic Community Foundation

Notes to Financial Statements

June 30, 2020 and 2019

## **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 statement of financial position date, comprise the following:

	2020	2019
Cash and cash equivalents	\$ 553,272	\$ 411,597
Investments	15,605,931	15,390,519
Notes receivable	3,099,759	2,379,437
Cash surrender value of life insurance	30,873	30,873
<b>Total assets</b>	<b>19,289,835</b>	<b>18,212,426</b>
Less amounts not available to be used within one year		
Net assets with restrictions	(10,911,766)	(10,370,959)
Funds invested for others	(8,042,605)	(7,440,483)
Grants and collections held for others	(243,159)	(302,689)
<b>Total Liquidity and Availability</b>	<b>\$ 92,305</b>	<b>\$ 98,295</b>

Endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes. Donor-restricted endowment funds are not available for general expenditure.

As part of a liquidity management plan, cash in excess of daily requirements is invested in various money market funds.

**Note 3 - Fair Value Measurements and Disclosures**

Certain assets and liabilities are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Foundation develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Foundation's assessment of the quality, risk or liquidity profile of the asset or liability.

A significant portion of the Foundation's investment assets are classified within Level 1 because they are comprised of individual equities with readily determinable fair values based on daily redemption values. The Foundation invests in fixed income bonds/securities traded in the financial markets. Those fixed income bonds/securities are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions and are classified within Level 2. Conversely, the funds invested for others are reported at fair value at the underlying investment balance.

# The Diocese of Crookston Catholic Community Foundation

Notes to Financial Statements

June 30, 2020 and 2019

The following table presents assets and liabilities measured at fair value on a recurring basis, at June 30, 2020:

	Fair Value Measurements at Report Date Using			
	Total	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Equities</b>				
Basic material	\$ 201,694	\$ 201,694	\$ -	\$ -
Consumer cyclical	1,147,111	1,147,111	-	-
Consumer non-cyclical	610,991	610,991	-	-
Energy	236,944	236,944	-	-
Financial	859,457	859,457	-	-
Healthcare	1,111,979	1,111,979	-	-
Industrials	632,742	632,742	-	-
Technology	3,220,564	3,220,564	-	-
Telecommunications	85,060	85,060	-	-
Utility	220,029	220,029	-	-
<b>Mutual funds</b>				
Mutual fund-equity	1,441,984	1,441,984	-	-
Mutual funds-international	2,709,676	2,709,676	-	-
Mutual fund bonds	461,222	461,222	-	-
<b>Bonds</b>				
Asset backed bonds	47,774	-	47,774	-
Collateralized mortgage obligation	4,142	-	4,142	-
Corporate bonds	1,016,724	-	1,016,724	-
Foreign bonds	11,890	-	11,890	-
Mortgage backed bonds	847,841	-	847,841	-
US Federal Securities	24,021	-	24,021	-
US Government Securities	605,794	-	605,794	-
Alerus financial money market	108,292	108,292	-	-
<b>Total assets, at fair value</b>	<b>\$ 15,605,931</b>	<b>\$ 13,047,745</b>	<b>\$ 2,558,186</b>	<b>\$ -</b>
<b>Funds invested for others</b>	<b>\$ (8,042,605)</b>	<b>\$ (6,724,229)</b>	<b>\$ (1,318,376)</b>	<b>\$ -</b>

# The Diocese of Crookston Catholic Community Foundation

## Notes to Financial Statements

June 30, 2020 and 2019

The following table presents assets and liabilities measured at fair value on a recurring basis, at June 30, 2019:

	Fair Value Measurements at Report Date Using			
	Total	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Equities</b>				
Basic material	\$ 176,085	\$ 176,085	\$ -	\$ -
Consumer cyclical	1,231,177	1,231,177	-	-
Consumer non-cyclical	504,829	504,829	-	-
Energy	254,698	254,698	-	-
Financial	984,012	984,012	-	-
Healthcare	1,044,139	1,044,139	-	-
Industrials	664,343	664,343	-	-
Technology	1,957,948	1,957,948	-	-
Telecommunications	94,968	94,968	-	-
Utility	156,052	156,052	-	-
<b>Mutual funds</b>				
Mutual fund-equity	2,161,050	2,161,050	-	-
Mutual funds-international	2,484,184	2,484,184	-	-
Mutual fund bonds	721,814	721,814	-	-
<b>Bonds</b>				
Asset backed bonds	106,759	-	106,759	-
Collateralized mortgage obligation	4,672	-	4,672	-
Commercial mortgage backed	67,494	-	67,494	-
Corporate bonds	1,309,605	-	1,309,605	-
Foreign bonds	11,962	-	11,962	-
Mortgage backed bonds	582,900	-	582,900	-
US Federal Securities	36,017	-	36,017	-
US Government Securities	725,822	-	725,822	-
Alerus financial money market	109,989	109,989	-	-
<b>Total assets, at fair value</b>	<b>\$ 15,390,519</b>	<b>\$ 12,545,288</b>	<b>\$ 2,845,231</b>	<b>\$ -</b>
<b>Funds invested for others</b>	<b>\$ (7,440,483)</b>	<b>\$ (6,064,968)</b>	<b>\$ (1,375,515)</b>	<b>\$ -</b>



# The Diocese of Crookston Catholic Community Foundation

Notes to Financial Statements

June 30, 2020 and 2019

## **Note 4 - Net Investment Return**

Net investment return consists of the following for years ended June 30, 2020 and 2019:

	2020	2019
Interest and dividends on investments and notes receivable	\$ 341,742	\$ 345,353
Unrealized and realized gains on investments	953,032	400,598
	<u>1,294,774</u>	<u>745,951</u>
Total income on investments and notes receivable	1,294,774	745,951
Less income allocated to funds invested for others	(516,671)	(278,184)
	<u>778,103</u>	<u>467,767</u>
Investment income reported by the Foundation	<u>\$ 778,103</u>	<u>\$ 467,767</u>
Classified on the report as follows:		
Interest and dividends on investments and notes receivable	\$ 228,335	\$ 238,059
Unrealized and realized gains on investments	549,768	229,708
	<u>\$ 778,103</u>	<u>\$ 467,767</u>

For the years ended June 30, 2020 and 2019 total income on investments and notes receivable is net of investment expenses of \$57,580 and \$57,429, respectively.

## **Note 5 - Notes Receivable**

At June 30, 2020 and 2019 the balance of notes receivable was \$3,099,759 and \$2,379,437, respectively. The interest rates are at the current value of the 5-year government bonds, rounded to the nearest tenth of a percent, plus one full percentage point, and are subject to change every three years currently ranging from 2.2% to 3.5% and are due over various time periods from 2 to 20 years. The notes receivable are secured by mortgages and/or guarantees by the Diocese of Crookston. An allowance for doubtful accounts is recorded annually based on historical experience and management's evaluation of notes receivable at the end of each year. As of June 30, 2020 and 2019 management deemed no allowance necessary.

# The Diocese of Crookston Catholic Community Foundation

Notes to Financial Statements

June 30, 2020 and 2019

## **Note 6 - Grants and Collections Held for Others**

The Foundation acts as custodian for various other agencies that disburse funds through the Foundation for specific ministries, parishes, and other entities. As of June 30, 2020 and 2019 the Foundation had the following funds held for others:

	2020	2019
Mount St. Benedict Grant - Individual Scholarships	\$ 60,053	\$ 11,310
Cash surrender value of life insurance	30,873	30,873
Local Human Development	28,085	21,703
Black & Indian Collection	20,344	5
Sexual Abuse Victim Help	14,435	19,435
Local Communications Project	13,528	8,264
Catholic Relief Services	10,446	35,441
Argyle Food Shelf-Anonymous Gift	8,151	4,501
Local Anti-Poverty-Rice Bowl	7,933	5,602
Holy Father	7,521	1,016
Central and Eastern Europe	5,468	6,478
Catholic Home Missions	5,355	18,373
Donations Received	5,000	-
Mission Coop	4,113	3,355
Fund for the Unborn	3,474	3,474
Rice Bowl Collection	3,006	6,047
Extension Grant	3,000	30,000
Latin America	2,755	1,282
Church of Africa	2,161	10
Holy Land	2,037	12,035
Retired Religious Fund	1,615	538
Catholic Communications	1,194	6,734
Retired Priest Collection-Father's Day	1,138	5,075
Catholic University	1,127	6,734
St. Mary's Mission Appeal	297	1,147
Propagation of the Faith	50	-
Mount St. Benedict Grant - Camp	-	20,900
Latendresse Gift	-	19,032
Seminarian Matching Grant	-	12,500
Red Lake Organ Donations	-	7,000
Proceeds from Sale of Stock	-	3,500
Campaign for Human Development	-	225
Other Special Collections	-	100
	<u>\$ 243,159</u>	<u>\$ 302,689</u>

# The Diocese of Crookston Catholic Community Foundation

Notes to Financial Statements

June 30, 2020 and 2019

## Note 7 - Endowment Funds

The Foundation's endowment (the Endowment) consists of approximately 95 individual funds established by donors to provide annual funding for specific activities and general operations. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the Minnesota 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, unless there are explicit donor stipulations to the contrary. At June 30, 2020 and 2019, there were no such donor stipulations. As a result of this interpretation, net assets with donor restrictions are classified at (a) the original value of gifts donated to the Endowment, (b) the original value of subsequent gifts donated 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. The remaining portion of the donor-restricted endowment is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by in a manner consistent with the standard of prudence prescribed by UPMIFA. The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

As of June 30, 2020, the Foundation had the following endowment net asset composition by type of fund:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 9,089,788	\$ 9,089,788
Accumulated investment gains	-	1,725,962	1,725,962
	<u>\$ -</u>	<u>\$ 10,815,750</u>	<u>\$ 10,815,750</u>

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As of June 30, 2019, the Foundation had the following endowment net asset composition by type of fund:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 8,689,665	\$ 8,689,665
Accumulated investment gains	-	1,585,777	1,585,777
	<u>\$ -</u>	<u>\$ 10,275,442</u>	<u>\$ 10,275,442</u>

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. No endowment funds were underwater as of June 30, 2020 and 2019.

## Investment and Spending Policies

Investment and spending policies for the Endowment were adopted that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets to provide the necessary capital to fund the spending policy and to cover the costs of managing the Endowment investments. The target annual rate of return is that of a five-year moving average of various market indexes. Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation has adopted investment and spending policies for the Endowment. The Foundation pays out interest and dividends earned on the endowments twice a year. The Foundation will payout unrealized gains when the accumulated unrealized gain for the endowment is greater than 15% of the corpus of the endowment. The payout is equal to the amount over 15%.

Changes in endowment net assets for the fiscal year ended June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 10,275,442	\$ 10,275,442
Investment income	-	689,687	689,687
Contributions	-	400,125	400,125
Appropriation of endowment assets for expenditure	-	(549,504)	(549,504)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 10,815,750</u>	<u>\$ 10,815,750</u>

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Changes in endowment net assets for the fiscal year ended June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 9,921,065	\$ 9,921,065
Investment income	-	369,619	369,619
Contributions	-	167,136	167,136
Appropriation of endowment assets for expenditure	-	(182,378)	(182,378)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 10,275,442</u>	<u>\$ 10,275,442</u>

## **Note 8 - Net Assets with Donor Restrictions**

Net with donor restrictions are restricted for the following purposes or periods.

	2020	2019
Subject to the Passage of Time Annuities	<u>\$ 96,016</u>	<u>\$ 95,517</u>
Endowments		
Unspent appreciation of Endowment funds which must be appropriated for expenditure before use	<u>1,725,962</u>	<u>1,585,777</u>
Perpetual in nature, earnings from which are subject to endowment spending policy appropriation		
General endowments	347,706	347,706
General endowments - Diocese	280,000	280,000
Education of seminarians- Diocese	2,525,608	2,397,923
Continuing education of priests- Diocese	206,129	205,529
Newman ministry- Diocese	29,133	29,133
Catholic education	693,845	693,845
Faith for Tomorrow	2,303,263	2,303,264
Youth ministry- Diocese	11,308	11,308
Parish catholic education	870,039	870,039
St. Joseph's - Moorhead	1,373,349	1,101,510
Other	<u>449,408</u>	<u>449,408</u>
	<u>9,089,788</u>	<u>8,689,665</u>
Total endowments	<u>10,815,750</u>	<u>10,275,442</u>
	<u>\$ 10,911,766</u>	<u>\$ 10,370,959</u>

# The Diocese of Crookston Catholic Community Foundation

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Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or events specified by the donors as follows for the years ended June 30, 2020 and 2019.

	2020	2019
Satisfaction of purpose restrictions		
Grants paid out	\$ 152,135	\$ 105,579
Restricted-purpose spending rate distributions and appropriations		
Distributions paid out	397,369	76,799
	<u>\$ 549,504</u>	<u>\$ 182,378</u>

## Note 9 - Related Party Transactions

The Foundation's has common board members with Our Northland Diocese (OND) and the Diocese of Crookston. The Foundation provides investment custody and management services for Our Northland Diocese and the Diocese of Crookston.

The Foundation paid the Diocese of Crookston \$60,000 for the years ended June 30, 2020 and 2019 for accounting and administrative services. As of June 30, 2020 and 2019, the Foundation had a note receivable for \$224,056 and \$235,325, respectively, outstanding from the Diocese of Crookston. The note is interest bearing and secured with a mortgage. The Diocese makes monthly payments on this note.

The Diocese of Crookston had beneficial interest in endowments owned and held by the Foundation in the amount of \$3,534,147 and \$3,406,280 for the year ended June 30, 2020 and 2019, providing distributed earnings of \$225,258 and \$45,077 for the years ended June 30, 2020 and 2019.

The Foundation holds investment funds for Our Northland Diocese, which totaled \$104,699 and \$105,550 at June 30, 2020 and 2019, respectively. The Foundation pays earnings semiannually, at a variable rate determined by the interest, dividends and gains or losses on its investments.

## Note 10 - Contingencies

On March 11, 2020, the World Health Organization ("WHO") recognized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had an adverse impact upon many sectors of the economy, liquidity, and capital resources and is actively working to minimize the current and future impact of the unprecedented situation. As of the date of issuance of these financial statements, the current and future full impact of the Organization is not known.