



Financial Statements
June 30, 2021 and 2020

The Diocese of Crookston Catholic Community Foundation

The Diocese of Crookston Catholic Community Foundation

Table of Contents

June 30, 2021 and 2020

Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position.....	3
Statements of Activities and Functional Expenses	4
Statements of Cash Flows	6
Notes to Financial Statements	7



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, 2021 and 2020, 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, 2021 and 2020, 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 "Erik Bailly LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota

March 11, 2022

The Diocese of Crookston Catholic Community Foundation

Statements of Financial Position

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents	\$ 870,079	\$ 553,272
Investments	19,984,971	15,605,931
Notes receivable	2,660,107	3,099,759
Other receivables	104	-
Cash surrender value of life insurance	<u>30,873</u>	<u>30,873</u>
Total assets	<u><u>\$ 23,546,134</u></u>	<u><u>\$ 19,289,835</u></u>
Liabilities and Net Assets		
Liabilities		
Funds invested for others	\$ 10,601,451	\$ 8,042,605
Grants and collections held for others	286,095	243,159
Charitable gift annuities payable	<u>102,692</u>	<u>105,337</u>
Total liabilities	<u>10,990,238</u>	<u>8,391,101</u>
Net Assets		
Without donor restrictions	34,477	(13,032)
With donor restrictions	<u>12,521,419</u>	<u>10,911,766</u>
Total net assets	<u>12,555,896</u>	<u>10,898,734</u>
Total liabilities and net assets	<u><u>\$ 23,546,134</u></u>	<u><u>\$ 19,289,835</u></u>

The Diocese of Crookston Catholic Community Foundation
Statement of Activities and Functional Expenses
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support			
Donations	\$ -	\$ 736,510	\$ 736,510
Interest and dividends on investments and notes receivable	123,911	126,633	250,544
Unrealized and realized gains on investments	-	2,666,802	2,666,802
Change in split interest agreements - annuities	(1,748)	(9,111)	(10,859)
Net assets released from restrictions Satisfaction of donor restrictions	1,911,181	(1,911,181)	-
Total revenues and support	2,033,344	1,609,653	3,642,997
Expenses			
Program earnings distributed	1,911,181	-	1,911,181
Management and general			
Administrative fee	60,000	-	60,000
Professional fees	11,800	-	11,800
Other	2,854	-	2,854
Total expenses	1,985,835	-	1,985,835
Change in Net Assets	47,509	1,609,653	1,657,162
Net Assets, Beginning of Year	(13,032)	10,911,766	10,898,734
Net Assets, End of Year	\$ 34,477	\$ 12,521,419	\$ 12,555,896

The Diocese of Crookston Catholic Community Foundation

Statement of Activities and Functional Expenses

Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
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	549,504	(549,504)	-
Total revenues and support	762,508	540,807	1,303,315
Expenses			
Program earnings distributed	549,504	-	549,504
Management and general			
Administrative fee	60,000	-	60,000
Professional fees	12,818	-	12,818
Other	5,620	-	5,620
Total expenses	627,942	-	627,942
Change in Net Assets	134,566	540,807	675,373
Net Assets, Beginning of Year	(147,598)	10,370,959	10,223,361
Net Assets, End of Year	\$ (13,032)	\$ 10,911,766	\$ 10,898,734

The Diocese of Crookston Catholic Community Foundation

Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Activities		
Change in net assets	\$ 1,657,162	\$ 675,373
Adjustments to reconcile change in net assets to net cash used for operating activities		
Unrealized and realized gain on investments	(2,666,802)	(549,768)
Actuarial (gain) loss on recomputation of annuity benefit obligations	10,859	(125,087)
Changes in operating assets and liabilities		
Other receivables	(104)	48
Grants and collections held for others	42,936	(59,530)
Net Cash used for Operating Activities	<u>(955,949)</u>	<u>(58,964)</u>
Investing Activities		
Purchase of investments	(8,083,943)	(4,756,924)
Proceeds from sale of investments	8,930,551	5,693,402
Collection of notes receivable	623,412	379,678
Issuance of notes receivable	(183,760)	(1,100,000)
Net Cash from Investing Activities	<u>1,286,260</u>	<u>216,156</u>
Financing Activities		
Payments on charitable gift annuities	(13,504)	(15,517)
Net Cash used for Financing Activities	<u>(13,504)</u>	<u>(15,517)</u>
Net Change in Cash and Cash Equivalents	316,807	141,675
Cash and Cash Equivalents, Beginning of Year	<u>553,272</u>	<u>411,597</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 870,079</u></u>	<u><u>\$ 553,272</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 discount rates 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, 2021 and 2020

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.

The Diocese of Crookston Catholic Community Foundation

Notes to Financial Statements

June 30, 2021 and 2020

Subsequent Events

The Foundation has evaluated subsequent events through March 11, 2022, 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 statement of financial position date, comprise the following:

	2021	2020
Cash and cash equivalents	\$ 870,079	\$ 553,272
Investments	19,984,971	15,605,931
Notes receivable	2,660,107	3,099,759
Cash surrender value of life insurance	30,873	30,873
Total assets	23,546,030	19,289,835
Less amounts not available to be used within one year		
Net assets with restrictions	(12,521,419)	(10,911,766)
Funds invested for others	(10,601,451)	(8,042,605)
Grants and collections held for others	(286,095)	(243,159)
Total Liquidity and Availability	\$ 137,065	\$ 92,305

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 and mutual funds 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, 2021 and 2020

The following table presents assets and liabilities measured at fair value on a recurring basis, at June 30, 2021:

	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)
Equities				
Basic material	\$ 406,389	\$ 406,389	\$ -	\$ -
Consumer cyclical	1,461,747	1,461,747	-	-
Consumer non-cyclical	378,015	378,015	-	-
Energy	377,521	377,521	-	-
Financial	1,314,723	1,314,723	-	-
Healthcare	1,038,236	1,038,236	-	-
Industrials	942,562	942,562	-	-
Technology	3,351,265	3,351,265	-	-
Utility	144,270	144,270	-	-
Mutual Funds				
Mutual fund-equity	1,238,803	1,238,803	-	-
Mutual funds-international	3,270,044	3,270,044	-	-
Bonds				
Asset backed bonds	42,099	-	42,099	-
Collateralized mortgage obligation	3,281	-	3,281	-
Corporate bonds	2,074,267	-	2,074,267	-
Foreign bonds	11,411	-	11,411	-
Mortgage backed bonds	1,291,340	-	1,291,340	-
Mortgage fund bonds	1,156,948	1,156,948	-	-
US Federal Securities	751,627	-	751,627	-
US Government Securities	543,765	543,765	-	-
Alerus financial money market	186,658	186,658	-	-
Total assets, at fair value	<u>\$ 19,984,971</u>	<u>\$ 15,810,946</u>	<u>\$ 4,174,025</u>	<u>\$ -</u>
Funds invested for others	<u>\$ (10,601,451)</u>	<u>\$ (8,387,251)</u>	<u>\$ (2,214,200)</u>	<u>\$ -</u>

The Diocese of Crookston Catholic Community Foundation

Notes to Financial Statements

June 30, 2021 and 2020

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)
Equities				
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	-	-
Mutual funds				
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	-	-
Bonds				
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	-	-
Total assets, at fair value	<u>\$ 15,605,931</u>	<u>\$ 13,047,745</u>	<u>\$ 2,558,186</u>	<u>\$ -</u>
Funds invested for others	<u>\$ (8,042,605)</u>	<u>\$ (6,724,229)</u>	<u>\$ (1,318,376)</u>	<u>\$ -</u>

The Diocese of Crookston Catholic Community Foundation

Notes to Financial Statements

June 30, 2021 and 2020

Note 4 - Net Investment Return

Net investment return consists of the following for years ended June 30, 2021 and 2020:

	2021	2020
Interest and dividends on investments and notes receivable	\$ 341,179	\$ 341,742
Unrealized and realized gains on investments	4,863,710	953,032
Total income on investments and notes receivable	5,204,889	1,294,774
Less income allocated to funds invested for others	(2,287,543)	(516,671)
Investment income reported by the Foundation	<u>\$ 2,917,346</u>	<u>\$ 778,103</u>
Classified on the report as follows:		
Interest and dividends on investments and notes receivable	\$ 250,544	\$ 228,335
Unrealized and realized gains on investments	2,666,802	549,768
	<u>\$ 2,917,346</u>	<u>\$ 778,103</u>

For the years ended June 30, 2021 and 2020 total income on investments and notes receivable is net of investment expenses of \$65,285 and \$57,580, respectively.

Note 5 - Notes Receivable

At June 30, 2021 and 2020 the balance of notes receivable was \$2,660,107 and \$3,099,759, 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, 2021 and 2020 management deemed no allowance necessary.

The Diocese of Crookston Catholic Community Foundation

Notes to Financial Statements

June 30, 2021 and 2020

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, 2021 and 2020 the Foundation had the following funds held for others:

	2021	2020
Mount St. Benedict Grant - Individual Scholarships	\$ 58,878	\$ 60,053
Cash surrender value of life insurance	30,873	30,873
The Perfect Fit Proceeds	28,821	-
Catholic Relief Services	26,112	10,446
Local Human Development	23,955	28,085
Black & Indian Collection	17,545	20,344
Catholic Home Missions	15,309	5,355
Local Communications Project	15,063	13,528
Sexual Abuse Victim Help	14,435	14,435
Local Anti-Poverty-Rice Bowl	9,965	7,933
Holy Land	8,822	2,037
Argyle Food Shelf-Anonymous Gift	4,401	8,151
Propagation of the Faith	3,669	50
Fund for the Unborn	3,474	3,474
Catholic Communications	3,304	1,194
Catholic University	3,304	1,127
Latin America	3,287	2,755
Extension Grant	3,000	3,000
Rice Bowl Collection	2,856	3,006
Project Genesis Donations	2,816	-
Retired Priest Collection-Father's Day	2,446	1,138
Church of Africa	1,069	2,161
Archdiocese for the Military Services	782	-
St. Mary's Mission Appeal	702	297
Retired Religious Fund	505	1,615
Campaign for Human Development	410	-
Holy Father	207	7,521
Other Collections	85	-
Central and Eastern Europe	-	5,468
Donations Received	-	5,000
Mission Coop	-	4,113
	<u>\$ 286,095</u>	<u>\$ 243,159</u>

The Diocese of Crookston Catholic Community Foundation

Notes to Financial Statements

June 30, 2021 and 2020

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, 2021 and 2020, 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, 2021, 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	\$ -	\$ 9,826,298	\$ 9,826,298
Accumulated investment gains	-	2,609,280	2,609,280
	<u>\$ -</u>	<u>\$ 12,435,578</u>	<u>\$ 12,435,578</u>

The Diocese of Crookston Catholic Community Foundation

Notes to Financial Statements

June 30, 2021 and 2020

As of June 30, 2020, 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	\$ -	\$ 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>

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, 2021 and 2020.

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, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 10,815,750	\$ 10,815,750
Investment income	-	2,794,499	2,794,499
Contributions	-	736,510	736,510
Appropriation of endowment assets for expenditure	-	(1,911,181)	(1,911,181)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 12,435,578</u>	<u>\$ 12,435,578</u>

The Diocese of Crookston Catholic Community Foundation

Notes to Financial Statements

June 30, 2021 and 2020

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>

Note 8 - Net Assets with Donor Restrictions

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

	2021	2020
Subject to the Passage of Time Annuities	<u>\$ 85,841</u>	<u>\$ 96,016</u>
Endowments		
Unspent appreciation of Endowment funds which must be appropriated for expenditure before use	<u>2,609,280</u>	<u>1,725,962</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	3,141,230	2,525,608
Continuing education of priests - Diocese	206,848	206,129
Newman ministry - Diocese	29,133	29,133
Catholic education	693,845	693,845
Faith for Tomorrow	2,303,263	2,303,263
Youth ministry - Diocese	11,308	11,308
Parish catholic education	870,039	870,039
St. Joseph's - Moorhead	1,493,518	1,373,349
Other	449,408	449,408
	<u>9,826,298</u>	<u>9,089,788</u>
Total endowments	<u>12,435,578</u>	<u>10,815,750</u>
	<u>\$ 12,521,419</u>	<u>\$ 10,911,766</u>

The Diocese of Crookston Catholic Community Foundation

Notes to Financial Statements

June 30, 2021 and 2020

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, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Satisfaction of purpose restrictions		
Grants paid out	\$ 352,569	\$ 152,135
Restricted-purpose spending rate distributions and appropriations		
Distributions paid out	<u>1,558,612</u>	<u>397,369</u>
	<u>\$ 1,911,181</u>	<u>\$ 549,504</u>

Note 9 - Related Party Transactions

The Foundation has common board members with the Diocese of Crookston. The Foundation provides investment custody and management services for the Diocese of Crookston.

The Foundation paid the Diocese of Crookston \$60,000 for both years ending June 30, 2021 and 2020 for accounting and administrative services. As of June 30, 2021 and 2020, the Foundation had a note receivable for \$213,519 and \$224,056, 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 \$4,159,891 and \$3,534,147 for the year ended June 30, 2021 and 2020, providing distributed earnings of \$907,128 and \$225,258 for the years ended June 30, 2021 and 2020.

The Perfect Fit capital campaign was started in June 2021 to help the Diocese of Crookston raise money for a new building and create an endowment to help cover the operating costs of the new building. All pledges for the campaign are recorded on the books of the Diocese of Crookston, however, the cash received is being kept in the Foundation. Once the funds have been raised and the building is purchased, these funds will be transferred to the Diocese of Crookston. All funds raised in excess of the purchase price will go into an endowment owned by the Foundation. As of June 30, 2021, the Perfect Fit payable totaled \$28,821.