



Financial Statements
June 30, 2022 and 2021

The Diocese of Crookston Catholic Community
Foundation

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Diocese of Crookston Catholic Community Foundation (Foundation), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities of the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 the Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities of 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 the Foundation'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 the Foundation'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.

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

Fargo, North Dakota
March 28, 2023

The Diocese of Crookston Catholic Community Foundation
Statements of Financial Position
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents	\$ 1,076,138	\$ 870,079
Investments	17,600,757	19,984,971
Notes receivable	2,243,185	2,660,107
Other receivables	-	104
Cash surrender value of life insurance	<u>30,873</u>	<u>30,873</u>
Total assets	<u><u>\$ 20,950,953</u></u>	<u><u>\$ 23,546,134</u></u>
Liabilities and Net Assets		
Liabilities		
Funds invested for others	\$ 9,703,799	\$ 10,601,451
Grants and collections held for others	528,524	286,095
Charitable gift annuities payable	<u>100,211</u>	<u>102,692</u>
Total liabilities	<u>10,332,534</u>	<u>10,990,238</u>
Net Assets		
Without donor restrictions	36,923	34,477
With donor restrictions	<u>10,581,496</u>	<u>12,521,419</u>
Total net assets	<u>10,618,419</u>	<u>12,555,896</u>
Total liabilities and net assets	<u><u>\$ 20,950,953</u></u>	<u><u>\$ 23,546,134</u></u>

The Diocese of Crookston Catholic Community Foundation

Statement of Activities and Functional Expenses

Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and Support			
Donations	\$ -	\$ 114,460	\$ 114,460
Interest and dividends on investments and notes receivable	100,888	156,725	257,613
Unrealized and realized losses on investments	-	(1,724,372)	(1,724,372)
Change in split interest agreements - annuities	(2,718)	(8,739)	(11,457)
Net assets released from restrictions Satisfaction of donor restrictions	<u>477,997</u>	<u>(477,997)</u>	<u>-</u>
Total revenues (losses) and support	<u>576,167</u>	<u>(1,939,923)</u>	<u>(1,363,756)</u>
Expenses			
Program earnings distributed	477,997	-	477,997
Management and general			
Administrative fee	76,000	-	76,000
Professional fees	12,950	-	12,950
Other	<u>6,774</u>	<u>-</u>	<u>6,774</u>
Total expenses	<u>573,721</u>	<u>-</u>	<u>573,721</u>
Change in Net Assets	2,446	(1,939,923)	(1,937,477)
Net Assets, Beginning of Year	<u>34,477</u>	<u>12,521,419</u>	<u>12,555,896</u>
Net Assets, End of Year	<u><u>\$ 36,923</u></u>	<u><u>\$ 10,581,496</u></u>	<u><u>\$ 10,618,419</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	\$ -	\$ 605,008	\$ 605,008
In-Kind Donations	-	131,502	131,502
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

Statements of Cash Flows Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating Activities		
Change in net assets	\$ (1,937,477)	\$ 1,657,162
Adjustments to reconcile change in net assets to net cash used for operating activities		
Unrealized and realized (gain) loss on investments	793,562	(2,666,802)
Actuarial loss on recomputation of annuity benefit obligations	11,023	10,859
Contributions restricted to endowment	(114,460)	(736,510)
Changes in operating assets and liabilities		
Other receivables	104	(104)
Grants and collections held for others	242,429	42,936
Net Cash used for Operating Activities	<u>(1,004,819)</u>	<u>(1,692,459)</u>
Investing Activities		
Purchase of investments	(9,304,509)	(8,083,943)
Proceeds from sale of investments	9,997,509	8,930,551
Collection of notes receivable	651,922	623,412
Issuance of notes receivable	(235,000)	(183,760)
Net Cash from Investing Activities	<u>1,109,922</u>	<u>1,286,260</u>
Financing Activities		
Payments on charitable gift annuities	(13,504)	(13,504)
Collections of contributions restricted to endowment	114,460	736,510
Net Cash from Financing Activities	<u>100,956</u>	<u>723,006</u>
Net Change in Cash and Cash Equivalents	206,059	316,807
Cash and Cash Equivalents, Beginning of Year	<u>870,079</u>	<u>553,272</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 1,076,138</u></u>	<u><u>\$ 870,079</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.

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.

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.

The Diocese of Crookston Catholic Community Foundation

Notes to Financial Statements

June 30, 2022 and 2021

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.

In-Kind Contributions

In-kind contributions includes a donated house, which is recorded at the respective fair values of the goods or services received (Note 8). Contributed goods are recorded at fair value at the date of donation.

The Organization's policy is to sell contributed assets immediately upon receipt unless the asset is restricted for use in a specific program by the donor.

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.

The Company maintains its cash in bank deposit accounts which exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. At June 30, 2022, and June 30, 2021, the Company had approximately \$400,000 and \$228,000, respectively, in excess of FDIC-insured limits. The Company has arrangements with the bank that provide guarantees on these excess funds by sweeping the money into other insured banks.

The Diocese of Crookston Catholic Community Foundation

Notes to Financial Statements

June 30, 2022 and 2021

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 Policy

As of July 1, 2021, the Organization adopted the provisions of Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities* (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The standard requires enhanced presentation and disclosure of contributed nonfinancial assets. Management has adopted the amendments of this update on a retrospective basis because it provides increased and more transparent disclosure around contributed nonfinancial assets.

Subsequent Events

The Foundation has evaluated subsequent events through March 28, 2023, 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:

	2022	2021
Cash and Cash Equivalents	\$ 1,076,138	\$ 870,079
Investments	17,600,757	19,984,971
Notes Receivable	2,243,185	2,660,107
Cash Surrender Value of Life Insurance	30,873	30,873
Total assets	<u>20,950,953</u>	<u>23,546,030</u>
Less Amounts Not Available to be Used Within One Year		
Net assets with restrictions	(10,581,496)	(12,521,419)
Funds invested for others	(9,703,799)	(10,601,451)
Grants and collections held for others	<u>(528,524)</u>	<u>(286,095)</u>
Total Liquidity and Availability	<u>\$ 137,134</u>	<u>\$ 137,065</u>

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, 2022 and 2021

The following table presents assets and liabilities measured at fair value on a recurring basis, at June 30, 2022:

	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	\$ 200,196	\$ 200,196	\$ -	\$ -
Consumer cyclical	1,078,120	1,078,120	-	-
Consumer non-cyclical	424,641	424,641	-	-
Energy	455,376	455,376	-	-
Financial	1,057,724	1,057,724	-	-
Healthcare	1,028,657	1,028,657	-	-
Industrials	612,337	612,337	-	-
Technology	2,923,259	2,923,259	-	-
Utility	256,045	256,045	-	-
Mutual Funds				
Mutual fund-equity	1,054,768	1,054,768	-	-
Mutual funds-international	2,911,322	2,911,322	-	-
Bonds				
Asset backed bonds	31,793	-	31,793	-
Collateralized mortgage obligation	2,242	-	2,242	-
Corporate bonds	1,832,181	-	1,832,181	-
Foreign bonds	10,366	-	10,366	-
Mortgage backed bonds	1,085,426	-	1,085,426	-
Mortgage fund bonds	1,303,235	1,303,235	-	-
US Federal Securities	763,741	-	763,741	-
US Government Securities	448,684	448,684	-	-
Alerus Financial Money Market (at Cost)	120,644	-	-	-
Total assets, at fair value	\$ 17,600,757	\$ 13,754,364	\$ 3,725,749	\$ -
Funds Invested for Others	\$ (9,703,799)	\$ (7,583,173)	\$ (2,054,112)	\$ -

The Diocese of Crookston Catholic Community Foundation

Notes to Financial Statements

June 30, 2022 and 2021

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 (at Cost)	186,658	-	-	-
 Total assets, at fair value	 \$ 19,984,971	 \$ 15,624,288	 \$ 4,174,025	 \$ -
 Funds Invested for Others	 \$ (10,601,451)	 \$ (8,288,234)	 \$ (2,214,200)	 \$ -

The Diocese of Crookston Catholic Community Foundation

Notes to Financial Statements

June 30, 2022 and 2021

Note 4 - Net Investment Return (Loss)

Net investment return (loss) consists of the following for years ended June 30, 2022 and 2021:

	2022	2021
Interest and Dividends on Investments and Notes Receivable	\$ 394,794	\$ 341,179
Unrealized and Realized Gains on Investments	<u>(3,268,536)</u>	<u>4,863,710</u>
Total income on investments and notes receivable	(2,873,742)	5,204,889
Less income allocated to funds invested for others	<u>1,406,983</u>	<u>(2,287,543)</u>
Investment income reported by the Foundation	<u><u>\$ (1,466,759)</u></u>	<u><u>\$ 2,917,346</u></u>
Classified on the report as follows:		
Interest and dividends on investments and notes receivable	\$ 257,613	\$ 250,544
Unrealized and realized gains on investments	<u>(1,724,372)</u>	<u>2,666,802</u>
	<u><u>\$ (1,466,759)</u></u>	<u><u>\$ 2,917,346</u></u>

For the years ended June 30, 2022 and 2021 total income on investments and notes receivable is net of investment expenses of \$56,318 and \$65,285, respectively.

Note 5 - Notes Receivable

The Foundation assists various parishes and other entities by providing funds. Note agreements are signed between the parishes and the Foundation. As of June 30, 2022 and 2021, the outstanding balance of notes receivable was \$2,243,185 and \$2,660,107, 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 0.0% to 3.5% and are due over various time periods from 1 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. There were no indicators of the need for an allowance during the years ended June 30, 2022 and 2021.

The Diocese of Crookston Catholic Community Foundation

Notes to Financial Statements

June 30, 2022 and 2021

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, 2022 and 2021 the Foundation had the following funds held for others:

	2022	2021
Donations Received	\$ 100,334	\$ -
The Perfect Fit Proceeds From Sale of Land	100,000	-
Central and Eastern Europe	53,935	-
The Perfect Fit Proceeds	31,623	28,821
Cash surrender value of life insurance	30,873	30,873
Catholic Relief Services	30,057	26,112
Local Human Development	29,664	23,955
Black & Indian Collection	22,179	17,545
Catholic Home Missions	20,029	15,309
Local Communications Project	18,269	15,063
Sexual Abuse Victim Help	14,435	14,435
Holy Land	13,477	8,822
Local Anti-Poverty-Rice Bowl	10,120	9,965
Rice Bowl Collection	7,247	2,856
Other Collections	4,095	85
Retired Religious Fund	3,727	505
Argyle Food Shelf-Anonymous Gift	3,651	4,401
Holy Father	3,620	207
Catholic Communications	3,583	3,304
Latin America	3,543	3,287
Fund for the Unborn	3,474	3,474
Catholic University	3,433	3,304
Extension Grant	3,000	3,000
Disaster Relief	2,926	-
Propagation of the Faith	2,813	3,669
Retired Priest Collection-Father's Day	2,095	2,446
Church of Africa	1,611	1,069
Chrism Mass Collection	1,583	-
Archdiocese for the Military Services	1,537	782
Campaign for Human Development	1,058	410
St. Mary's Mission Appeal	1,037	702
Project Genesis Donations	893	2,816
Parish Giving	48	-
Mount St. Benedict Grant - Individual Scholarships	-	58,878
Other Special Collections	(1,445)	-
	<u>\$ 528,524</u>	<u>\$ 286,095</u>

The Diocese of Crookston Catholic Community Foundation

Notes to Financial Statements

June 30, 2022 and 2021

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 date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2022 and 2021, there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the Endowment, (b) any accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The following factors are considered 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, 2022, endowment net asset composition by type of fund is as follows:

	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	\$ -	\$ 9,940,758	\$ 9,940,758
Accumulated investment gains	-	593,580	593,580
	<u>\$ -</u>	<u>\$ 10,534,338</u>	<u>\$ 10,534,338</u>

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Notes to Financial Statements

June 30, 2022 and 2021

As of June 30, 2021, endowment net asset composition by type of fund is as follows:

	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>

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. At June 30, 2022, funds with original gift values of \$9,940,758, fair values of \$9,609,463 and deficiencies of \$331,296 were reported in net assets with donor restrictions. No endowment funds were underwater as of June 30, 2021.

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 and other investments. The Foundation pays out interest and dividends twice a year. For endowments, the Foundation will pay out the average market value of the endowment over the six most recent earnings periods, multiplied by the distribution rate of 2%. For other investments, the Foundation will pay out all realized gains, and will also pay out unrealized gains when the accumulated unrealized gain for the investment is greater than 15% of the corpus of the investment. The payout is equal to the amount over 15%.

The Diocese of Crookston Catholic Community Foundation

Notes to Financial Statements

June 30, 2022 and 2021

Changes in endowment net assets for the fiscal year ended June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ -	\$ 12,435,578	\$ 12,435,578
Investment Income	-	(1,537,703)	(1,537,703)
Contributions	-	114,460	114,460
Appropriation of Endowment Assets for Expenditure	-	(477,997)	(477,997)
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ 10,534,338</u>	<u>\$ 10,534,338</u>

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>

Note 8 - In-Kind Contributions

For the years ended June 30, 2022 and 2021, in-kind contributions recognized within the statements of activities included the following:

Non-Financial Contributions Category	Type of Contributions for Beneficiaries	Valuation	Monetized or Utilized	2022	2021
Property	House	Standard industry pricing for similar spaces	Monetized	-	131,502

There were no in-kind contributions received in the year ended June 30, 2022. In-kind contributions received in the year ended June 30, 2021 were restricted in perpetuity for the endowment.

The Diocese of Crookston Catholic Community Foundation

Notes to Financial Statements

June 30, 2022 and 2021

Note 9 - Net Assets with Donor Restrictions

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

	<u>2022</u>	<u>2021</u>
Subject to the Passage of Time		
Annuities	<u>\$ 47,158</u>	<u>\$ 85,841</u>
Endowments		
Unspent appreciation of Endowment funds which must be appropriated for expenditure before use	<u>593,580</u>	<u>2,609,280</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	3,238,089	3,141,230
Continuing education of priests - Diocese	207,321	206,848
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	1,505,484	1,493,518
Other	<u>454,570</u>	<u>449,408</u>
	<u>9,940,758</u>	<u>9,826,298</u>
Total endowments	<u>10,534,338</u>	<u>12,435,578</u>
	<u><u>\$ 10,581,496</u></u>	<u><u>\$ 12,521,419</u></u>

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, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Satisfaction of Purpose Restrictions		
Grants paid out	\$ 263,360	\$ 352,569
Restricted-Purpose Spending Rate Distributions and Appropriations		
Distributions paid out	<u>214,637</u>	<u>1,558,612</u>
	<u><u>\$ 477,997</u></u>	<u><u>\$ 1,911,181</u></u>

Note 10 - 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 \$76,000 and \$60,000 for the years ending June 30, 2022 and 2021, respectively, for accounting and administrative services. As of June 30, 2022 and 2021, the Foundation had a note receivable for \$200,778 and \$213,519, 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 \$3,613,014 and \$4,159,891 for the year ended June 30, 2022 and 2021, providing distributed earnings of \$113,390 and \$907,128 for the years ended June 30, 2022 and 2021.

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, 2022 and 2021, the Perfect Fit payable totaled \$131,623 and \$28,821, respectively.

The Foundation holds investment funds for the Diocese of Crookston, Inc., which totaled \$163,032 and \$0 at June 30, 2022 and 2021, respectively. The Foundation pays earnings semiannually, at a variable rate determined by the interest, dividends and gains or losses on its investments.