



Financial Statements
June 30, 2021 and 2020

Diocese of Crookston, Inc.

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Independent Auditor's Report

The Board of Directors
Diocese of Crookston, Inc.
Crookston, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of Diocese of Crookston, Inc., (a non-profit organization), which comprise the statement of financial position as of June 30, 2021 and 2020, and the related statements of activities, statements of functional expenses, and cash flows for the year 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 Diocese of Crookston, Inc. 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

Diocese of Crookston, Inc.
Statements of Financial Position – Assets
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,980,314	\$ 936,985
Receivables		
Accounts receivable	381,700	281,811
Promises to give, net	96,469	58,423
Due from related parties	28,821	7,235
Current portion of notes receivable	685	657
Prepaid expenses	21,166	12,626
Catholic umbrella pool investment	<u>147,353</u>	<u>138,450</u>
Total current assets	<u>2,656,508</u>	<u>1,436,187</u>
Noncurrent Assets		
Property and equipment	1,635,927	1,635,264
Less accumulated depreciation	<u>(967,610)</u>	<u>(872,470)</u>
Net property and equipment	<u>668,317</u>	<u>762,794</u>
Endowment		
Investments	391,022	301,613
Beneficial interest in assets held in the Diocese of Crookston Catholic Community Foundation	4,159,891	3,534,147
Notes receivable, net of current maturities	<u>-</u>	<u>686</u>
Total noncurrent assets	<u>5,219,230</u>	<u>4,599,240</u>
Total assets	<u><u>\$ 7,875,738</u></u>	<u><u>\$ 6,035,427</u></u>

Diocese of Crookston, Inc.
Statements of Financial Position – Liabilities and Net Assets
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 161,268	\$ 67,159
Deferred revenue	25,162	25,751
Other payables	24,127	11,794
Accrued vacation benefits payable	33,061	29,420
Group insurance plan payables	189,032	184,806
Paycheck protection program refundable advance	-	216,700
Current maturities of long-term debt	<u>11,853</u>	<u>11,595</u>
Total current liabilities	<u>444,503</u>	<u>547,225</u>
Long-term debt, less current maturities	<u>201,667</u>	<u>212,461</u>
Total liabilities	<u>646,170</u>	<u>759,686</u>
Net Assets		
Without donor restrictions		
Undesignated	1,002,734	329,024
Undesignated - invested in property and equipment net of related debt	454,797	538,738
Designated for group insurance fund	<u>383,893</u>	<u>367,411</u>
Total net assets without donor restrictions	<u>1,841,424</u>	<u>1,235,173</u>
With donor restrictions	<u>5,388,144</u>	<u>4,040,568</u>
Total net assets	<u>7,229,568</u>	<u>5,275,741</u>
Total liabilities and net assets	<u><u>\$ 7,875,738</u></u>	<u><u>\$ 6,035,427</u></u>

Diocese of Crookston, Inc.
Statements of Activities
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support			
Annual appeal	\$ 945,940	\$ -	\$ 945,940
Parish assessments	785,004	-	785,004
Grants and donations	299,623	74,756	374,379
Forgiveness of paycheck protection program	216,700	-	216,700
Program service revenue			
Office specific income	320,087	-	320,087
Retired priests special collections	63,235	-	63,235
Group insurance plan	192,766	-	192,766
Investment income	31,578	92,521	124,099
Distributions from and change in value of beneficial interests	238,858	1,294,014	1,532,872
Other income	7,381	-	7,381
Net assets released from restrictions	113,715	(113,715)	-
	<u>3,214,887</u>	<u>1,347,576</u>	<u>4,562,463</u>
Total revenues and support			
Expenses			
Program services expense			
Chancery	630,846	-	630,846
Office of vocations	172,771	-	172,771
Office of catholic schools	133,541	-	133,541
Office of formation in discipleship	313,457	-	313,457
Office of worship	57,457	-	57,457
Office of communications	231,627	-	231,627
Tribunal	74,070	-	74,070
Retired priests collection	81,078	-	81,078
Group insurance plan	177,422	-	177,422
	<u>1,872,269</u>	<u>-</u>	<u>1,872,269</u>
Total program expenses			
Fundraising and development	276,841	-	276,841
Management and general	459,526	-	459,526
	<u>2,608,636</u>	<u>-</u>	<u>2,608,636</u>
Total expenses			
Change in Net Assets	606,251	1,347,576	1,953,827
Net Assets, Beginning of Year	1,235,173	4,040,568	5,275,741
Net Assets, End of Year	<u>\$ 1,841,424</u>	<u>\$ 5,388,144</u>	<u>\$ 7,229,568</u>

Diocese of Crookston, Inc.
Statements of Activities
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support			
Annual appeal	\$ 837,786	\$ -	\$ 837,786
Parish assessments	766,056	-	766,056
Grants and donations	264,623	107,117	371,740
Program service revenue			
Office specific income	218,774	-	218,774
Retired priests special collections	48,929	17,715	66,644
Group insurance plan	169,179	-	169,179
Investment income	5,507	(4,615)	892
Distributions from and change in value of beneficial interests	145,671	207,454	353,125
Other income	14,978	-	14,978
Net assets released from restrictions	77,528	(77,528)	-
	<u>2,549,031</u>	<u>250,143</u>	<u>2,799,174</u>
Total revenues and support			
Expenses			
Program services expense			
Chancery	754,815	-	754,815
Office of vocations	138,096	-	138,096
Office of catholic schools	137,391	-	137,391
Office of formation in discipleship	403,539	-	403,539
Office of worship	65,935	-	65,935
Tribunal	74,922	-	74,922
Retired priests collection	49,289	-	49,289
Group insurance plan	156,354	-	156,354
	<u>1,780,341</u>	<u>-</u>	<u>1,780,341</u>
Total program expenses			
Fundraising and development	213,806	-	213,806
Management and general	493,519	-	493,519
	<u>2,487,666</u>	<u>-</u>	<u>2,487,666</u>
Total expenses			
Change in Net Assets	61,365	250,143	311,508
Net Assets, Beginning of Year	1,173,808	3,790,425	4,964,233
Net Assets, End of Year	<u>\$ 1,235,173</u>	<u>\$ 4,040,568</u>	<u>\$ 5,275,741</u>

Diocese of Crookston, Inc.
Statements of Functional Expenses
Year Ended June 30, 2021

	Program Services						
	Chancery	Office of Vocations	Office of Catholic Schools	Office of Formation in Discipleship	Office of Worship	Office of Communications	Tribunal
Compensation	\$ 140,000	\$ 16,929	\$ 36,565	\$ 186,903	\$ 37,780	\$ 109,751	\$ 43,157
Overhead	34,141	4,265	8,686	35,318	11,773	23,545	17,659
Grants	-	-	83,550	-	-	-	-
Conferences, conventions and meetings	1,416	795	85	10,275	185	178	1,434
Office expenses	9,891	3,894	-	14,053	1,683	66,202	1,307
Newman Center	90,700	-	-	-	-	-	-
Utilities	14,848	82	819	2,458	819	2,436	1,229
Programs	30,011	2,640	387	48,427	2,554	-	6,912
Software expense	-	-	-	-	-	7,236	-
Depreciation	16,230	-	-	-	-	-	-
Food expense	7,101	1,858	-	-	-	-	-
Travel	15,414	942	1,340	11,500	429	-	2,060
Legal and accounting fees	27,930	-	-	-	-	-	-
Maintenance	792	-	-	-	-	-	-
Help for Priests	167,672	-	-	-	-	-	-
Automotive	3,118	-	-	122	-	-	-
Subscriptions/membership dues	39,795	902	1,365	2,923	2,234	17,046	312
Counseling	640	-	-	-	-	-	-
Advertising and promotion	188	-	584	1,478	-	2,082	-
Self-insurance plans	-	-	-	-	-	-	-
Seminarian support	-	139,864	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Episcopal retirement support	12,000	-	-	-	-	-	-
Miscellaneous	18,959	600	160	-	-	3,151	-
	<u>\$ 630,846</u>	<u>\$ 172,771</u>	<u>\$ 133,541</u>	<u>\$ 313,457</u>	<u>\$ 57,457</u>	<u>\$ 231,627</u>	<u>\$ 74,070</u>

Diocese of Crookston, Inc.
Statements of Functional Expenses
Year Ended June 30, 2021

	Program Services					
	Retired Priests Collection	Group Insurance Plan	Program Services Subtotal	Management and General	Fundraising and Development	Total
Compensation	\$ -	\$ 5,796	\$ 576,881	\$ 140,981	\$ 118,629	\$ 836,491
Overhead	-	-	135,387	41,285	17,659	194,331
Grants	-	-	83,550	-	-	83,550
Conferences, conventions and meetings	-	-	14,368	1,160	100	15,628
Office expenses	-	1,412	98,442	16,930	64,872	180,244
Newman Center	-	-	90,700	-	-	90,700
Utilities	-	-	22,691	35,687	1,229	59,607
Programs	-	34,542	125,473	1,668	46,532	173,673
Software expense	-	-	7,236	42,734	16,463	66,433
Depreciation	-	-	16,230	82,052	-	98,282
Food expense	-	-	8,959	1,533	17	10,509
Travel	-	-	31,685	1,335	656	33,676
Legal and accounting fees	-	-	27,930	28,948	-	56,878
Maintenance	-	-	792	31,629	-	32,421
Help for Priests	81,078	-	248,750	-	-	248,750
Automotive	-	-	3,240	4,786	-	8,026
Subscriptions/membership dues	-	-	64,577	1,474	1,200	67,251
Counseling	-	-	640	-	-	640
Advertising and promotion	-	-	4,332	700	5,935	10,967
Self-insurance plans	-	135,672	135,672	-	-	135,672
Seminarian support	-	-	139,864	-	-	139,864
Interest	-	-	-	4,623	-	4,623
Episcopal retirement support	-	-	12,000	-	-	12,000
Miscellaneous	-	-	22,870	22,001	3,549	48,420
	<u>\$ 81,078</u>	<u>\$ 177,422</u>	<u>\$ 1,872,269</u>	<u>\$ 459,526</u>	<u>\$ 276,841</u>	<u>\$ 2,608,636</u>

Diocese of Crookston, Inc.
Statements of Functional Expenses
Year Ended June 30, 2020

	Program Services						
	Chancery	Office of Vocations	Office of Catholic Schools	Office of Formation in Discipleship	Office of Worship	Tribunal	Retired Priests Collection
Compensation	\$ 145,556	\$ 16,786	\$ 35,610	\$ 170,554	\$ 47,131	\$ 47,006	\$ -
Overhead	31,286	3,718	8,149	32,365	10,788	16,183	-
Grants	-	-	83,900	-	-	-	-
Conferences, conventions and meetings	1,914	-	1,155	599	240	-	-
Office expenses	8,988	437	75	18,532	991	1,360	-
Newman Center	90,700	-	-	-	-	-	-
Utilities	15,657	81	815	2,446	815	1,223	-
Programs	34,016	1,485	5,014	115,287	1,467	6,740	-
Software expense	-	-	-	-	-	-	-
Depreciation	14,895	-	-	-	-	-	-
Food expense	9,091	653	-	-	-	-	-
Travel	14,924	4,000	1,073	59,770	2,049	2,160	-
Legal and accounting fees	103,829	-	-	-	-	-	-
Maintenance	922	-	-	-	-	-	-
Help for Priests	207,232	-	-	-	-	-	43,761
Automotive	3,262	-	-	-	-	-	-
Subscriptions/membership dues	40,543	951	1,350	2,432	2,254	250	-
Counseling	1,565	-	-	-	-	-	-
Advertising and promotion	-	255	185	1,554	200	-	-
Ordinations	-	130	-	-	-	-	-
Self-insurance plans	-	-	-	-	-	-	-
Seminarian support	-	109,000	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Episcopal retirement support	12,000	-	-	-	-	-	5,528
Miscellaneous	18,435	600	65	-	-	-	-
	<u>\$ 754,815</u>	<u>\$ 138,096</u>	<u>\$ 137,391</u>	<u>\$ 403,539</u>	<u>\$ 65,935</u>	<u>\$ 74,922</u>	<u>\$ 49,289</u>

Diocese of Crookston, Inc.
Statements of Functional Expenses
Year Ended June 30, 2020

	Program Services				
	Group Insurance Plan	Program Services Subtotal	Management and General	Fundraising and Development	Total
Compensation	\$ 5,644	\$ 468,287	\$ 318,534	\$ 114,837	\$ 901,658
Overhead	-	102,489	44,232	15,104	161,825
Grants	-	83,900	-	-	83,900
Conferences, conventions and meetings	-	3,908	2,743	3,621	10,272
Office expenses	1,110	31,493	6,409	57,743	95,645
Newman Center	-	90,700	-	-	90,700
Utilities	-	21,037	15,228	1,141	37,406
Programs	34,962	198,971	6,724	-	205,695
Software expense	-	-	30,677	14,691	45,368
Depreciation	-	14,895	8,182	-	23,077
Food expense	-	9,744	1,643	286	11,673
Travel	141	84,117	2,115	745	86,977
Legal and accounting fees	-	103,829	11,903	-	115,732
Maintenance	-	922	2,688	-	3,610
Help for Priests	-	250,993	-	-	250,993
Automotive	-	3,262	-	-	3,262
Subscriptions/membership dues	-	47,780	1,331	-	49,111
Counseling	-	1,565	-	-	1,565
Advertising and promotion	-	2,194	1,000	2,360	5,554
Ordinations	-	130	-	-	130
Self-insurance plans	114,497	114,497	-	-	114,497
Seminarian support	-	109,000	-	-	109,000
Interest	-	-	5,235	-	5,235
Episcopal retirement support	-	17,528	-	-	17,528
Miscellaneous	-	19,100	34,875	3,278	57,253
	<u>\$ 156,354</u>	<u>\$ 1,780,341</u>	<u>\$ 493,519</u>	<u>\$ 213,806</u>	<u>\$ 2,487,666</u>

See Notes to Financial Statements

Diocese of Crookston, Inc.
Statements of Cash Flows
For the Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>
Operating Activities		
Change in net assets	\$ 1,953,827	\$ 311,508
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation	98,282	49,692
Loss on disposed equipment	779	-
Change in beneficial interest	(625,744)	(127,867)
Realized and unrealized gain on investments	(74,821)	8,325
Forgiveness of Paycheck Protection Program	(216,700)	-
Changes in operating assets and liabilities		
Accounts receivable and promises to give	(137,935)	257,551
Due from related parties	(21,586)	(682)
Prepaid expenses	(8,540)	29,600
Catholic umbrella pool investment	(8,903)	7,367
Accounts payable	94,109	(1,637,313)
Deferred revenue	(589)	(47,931)
Other payables and accrued vacation	15,974	833
Group insurance plan payables	4,226	(68,434)
Net Cash from (used for) Operating Activities	<u>1,072,379</u>	<u>(1,217,351)</u>
Investing Activities		
Purchase of property and equipment	(4,584)	(18,046)
Collection of notes receivable	658	630
Purchase of investments	(18,088)	(3,711)
Distribution from investments	3,500	-
Net Cash used for Investing Activities	<u>(18,514)</u>	<u>(21,127)</u>
Financing Activities		
Proceeds from paycheck protection program refundable advance	-	216,700
Principal payment on long-term debt	(10,536)	(11,270)
Net Cash from (used for) Financing Activities	<u>(10,536)</u>	<u>205,430</u>
Net Increase in Cash and Cash Equivalents	1,043,329	(1,033,048)
Cash and Cash Equivalents, Beginning of Year	936,985	1,970,033
Cash and Cash Equivalents, End of Year	<u>\$ 1,980,314</u>	<u>\$ 936,985</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	<u>\$ 4,623</u>	<u>\$ 5,235</u>

Note 1 - Principal Activity and Significant Accounting Policies**Organization**

The Diocese of Crookston, Inc. (the Diocese) is a religious corporation formed under the laws of the State of Minnesota. The purpose of the Diocese is to promote the educational, spiritual, and other interests of the Catholic Church within the Diocese and to manage the temporal affairs of the Roman Catholic Church in fulfilling that mission. The Diocese is exempt from taxes under Section 501(c)(3) of the Internal Revenue code. The territorial limits are comprised of the following counties of the state of Minnesota: Kittson, Roseau, Lake of the Woods, Marshall, Polk, Red Lake, Pennington, Clearwater, Beltrami, Norman, Mahnomen, Hubbard, Clay, and Becker.

Cash and Cash Equivalents

The Diocese 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.

Receivables and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due for group insurance transactions and diocesan assessments. The Diocese determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. There was no allowance recorded as of June 30, 2021 and 2020.

Promises to Give

Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. The Diocese determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At June 30, 2021 and 2020, the allowance was \$7,707 and \$16,426.

Group Insurance Plan Payable

The Diocese acts as an administrator of the insurance plans for all parishes within the Diocese. Group insurance plan payable consists of premiums billed to parishes that haven't been paid to the insurance companies. The Diocese also acts as the administrator of the Catholic Umbrella Pool II (CUP II). The Diocese records their portion of the participants equity in the pool as a liability in the group insurance plan payable line on the statement of financial position. If the pool were to terminate the funds would be returned to the various parishes.

Property and Equipment

Property and equipment additions over \$1,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from five to forty, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. The Diocese has determined that there were no impaired assets during the years ended June 30, 2021 and 2020.

Beneficial Interest in Assets Held by Diocese of Crookston Catholic Community Foundation

The Diocese has a beneficial interest in assets held by the Diocese of Crookston Catholic Community Foundation (Foundation). The funds were received from donors who restricted the income for the benefit of the Diocese. Distributions from the funds are made in accordance with spending policies adopted by the Foundation's board. Income earned will be transferred to the Diocese for use as amounts are expended by the Diocese for purposes specified by the donors. During the years ended June 30, 2021 and 2020, the Diocese received \$907,128 and \$225,258, respectively, from the Foundation. The Diocese has recorded its remaining interest in the Foundation as an asset totaling \$4,159,891 and \$3,534,147 at June 30, 2021 and 2020, respectively.

Investments

The Diocese records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at fair value in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

Paycheck Protection Program (PPP) Refundable Advance

The Diocese was granted a \$216,700 loan under the PPP administered by a Small Business Administration (SBA) approved partner. The loan was uncollateralized and was fully guaranteed by the Federal government. The Diocese elected to account for the funding as a conditional contribution by applying ASC 958- 605, *Not-for-Profit-Revenue Recognition*. The Diocese initially recorded the loan as a refundable advance and subsequently recognized contribution revenue in accordance with guidance for conditional contributions, that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Diocese has recognized \$216,700 as contribution revenue for the year ended June 30, 2021.

Accrued Vacation Benefits Payable

Employees are compensated upon termination for unused vacation hours.

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 governing board has designated, from net assets without donor restrictions, net assets for investment in property and equipment and net assets for insurance fund.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) 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 Diocese reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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.

Revenue Recognition

The Diocese recognizes contributions when cash, securities, grants 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 substantially met. There were no conditional promises to give received during the years ended June 30, 2021 and 2020.

Revenue is recognized when earned. A portion of the Diocese's revenue is derived from program and camp fees. Amounts received are recognized as revenue when the programs and camps have occurred.

The following table provides information about changes in deferred revenue for the year ended June 30, 2021:

	2021	2020
Deferred revenue, beginning of year	\$ 25,751	\$ 73,682
Revenue recognized that was included in deferred revenue at the beginning of year	(25,751)	(73,682)
Increase in deferred revenue due to cash received during the period	25,162	25,751
Deferred revenue, end of year	<u>\$ 25,162</u>	<u>\$ 25,751</u>

Income Taxes

As a religious organization, the Diocese is a nonprofit entity and is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3). The Diocese is deemed to be a church related organization and as such is not required to file an annual information tax return to the Internal Revenue Service or 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 Diocese manages deposit concentration risk by placing cash and investments with financial institutions believed by management to be creditworthy. To date, the Diocese has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates. Investments are made by diversified investment managers whose performance is monitored by management and the board of the Diocese of Crookston Catholic Community Foundation. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Diocesan Finance Council believe that the investment policies and guidelines are prudent for the long-term welfare of the Diocese.

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include utilities and depreciation, which are allocated on a square footage basis, as well as compensation, overhead, office expenses, and other, which are allocated on the basis of estimates of time and effort.

Reclassification

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassification had no impact on previously reported net assets.

Subsequent Events

The Diocese 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 expenditures, 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	\$ 1,980,314	\$ 936,985
Receivables		
Accounts receivable	381,700	281,811
Promises to give, net	96,469	58,423
Due from related parties	28,821	7,235
Notes receivable	685	1,343
Other assets	147,353	138,450
Endowment		
Investments	391,022	301,613
Beneficial interest	4,159,891	3,534,147
	<u>7,186,255</u>	<u>5,260,007</u>
Less amounts not available to be used within one year		
Long-term portion of notes receivable	-	(686)
Designated for group insurance fund	(383,893)	(367,411)
Endowment		
Investments	(391,022)	(301,613)
Beneficial interest	(4,159,891)	(3,534,147)
	<u>\$ 2,251,449</u>	<u>\$ 1,056,150</u>

Endowment funds consist of donor-restricted investments and beneficial interest funds with donor-restricted contributions. Income from donor-restricted endowments is restricted to specific purpose, with the exceptions of the amounts available for general use. Donor-restricted endowment funds and funds designated for group insurance are not available for general expenditures.

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

Note 3 - Notes Receivable

Notes receivable at June 30, 2021 and 2020, consist of the following:

	2021	2020
Seminarian academic notes	\$ 685	\$ 1,343
Less current maturities	<u>(685)</u>	<u>(657)</u>
Notes receivable, less current maturities	<u>\$ -</u>	<u>\$ 686</u>

The notes are due in installments, maturing in 2022 with an interest rate of 4.25%. The Diocese does not have collateral for this note.

Note 4 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2021 and 2020:

	2021	2020
Within one year	\$ 90,578	\$ 74,849
In one to five years	<u>15,000</u>	<u>-</u>
	105,578	74,849
Less discount to net present value at a rate of 3.25%	(1,402)	-
Less allowance for uncollectable promises to give	<u>(7,707)</u>	<u>(16,426)</u>
	<u>\$ 96,469</u>	<u>\$ 58,423</u>

Note 5 - 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 Diocese 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 Diocese 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 Diocese's assessment of the quality, risk, or liquidity profile of the asset or liability.

A significant portion of the Diocese'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 Diocese 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.

The fair value of the beneficial interest in assets held by the foundation is based on the fair value of fund investments as reported by the foundation.

Net Asset Value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, is used to estimate the fair values of certain hedge funds, private equity funds, funds of funds, and limited partnerships which do not have readily determinable fair values. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy.

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

	Total	Fair Value Measurements at June 30, 2021 Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Endowment investments				
Beneficial interests in investment				
Investments held by Diocese				
of Crookston Catholic				
Community Foundation	\$ 4,159,891	\$ 3,619,105	\$ 540,786	\$ -
At NAV				
Mission Diocese Fund	391,022	-	-	-
	<u>\$ 4,550,913</u>	<u>\$ 3,619,105</u>	<u>\$ 540,786</u>	<u>\$ -</u>

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

	Total	Fair Value Measurements at June 30, 2020 Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Endowment investments				
Beneficial interests in investment				
Investments held by Diocese				
of Crookston Catholic				
Community Foundation	\$ 3,534,147	\$ 3,074,708	\$ 459,439	\$ -
At NAV				
Mission Diocese Fund	301,613	-	-	-
	<u>\$ 3,835,760</u>	<u>\$ 3,074,708</u>	<u>\$ 459,439</u>	<u>\$ -</u>

Investments in certain entities that calculated NAV per share are as follows at June 30, 2021:

Investment	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Endowment Investments				
Mission Diocese Fund	\$ 391,022	\$ -	Monthly	N/A

Investments in certain entities that calculated NAV per share are as follows at June 30, 2019:

Investment	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Endowment Investments				
Mission Diocese Fund	\$ 301,613	\$ -	Monthly	N/A

Mission Diocese Fund – Formed to allow Mission Dioceses to pool their long-term assets in a fund that can access world-class fund managers at reasonable fees.

Note 6 - Property and Equipment

Following is a summary of property and equipment owned by the Diocese at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Land and improvements	\$ 107,897	\$ 107,897
Buildings	1,213,154	1,213,154
Equipment and furnishings	314,876	314,213
	<u>1,635,927</u>	<u>1,635,264</u>
Less accumulated depreciation	<u>(967,610)</u>	<u>(872,470)</u>
	<u><u>\$ 668,317</u></u>	<u><u>\$ 762,794</u></u>

Depreciation expense for the year ended June 30, 2021 and 2020 was \$98,282 and \$49,692, respectively. As of June 30, 2021 and 2020, there was \$26,415 and \$26,615 of depreciation expense that was allocated to the different programs and is included in the overhead expense line on the statement of functional expenses.

Note 7 - Long-Term Debt

Long-term debt at June 30, 2021 and 2020 consists of the following:

	<u>2021</u>	<u>2020</u>
2.20% note payable, due in monthly installments of \$1,367, including interest, to October 2036, secured by property	\$ 213,520	\$ 224,056
Less current maturities	<u>(11,853)</u>	<u>(11,595)</u>
Long-term debt, less current maturities	<u><u>\$ 201,667</u></u>	<u><u>\$ 212,461</u></u>

The aggregate amounts of future minimum principal payments on long-term debt as of June 30, 2021 are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2022	\$ 11,853
2023	12,116
2024	12,386
2025	12,661
2026	12,942
Thereafter	<u>151,562</u>
Total	<u><u>\$ 213,520</u></u>

Note 8 - Contingent Liabilities

The Diocese is contingently liable as the guarantor of multiple loans obtained by its parishes. The outstanding balances of these loans totaled \$2,460,978 at June 30, 2021. If the respective parish does not repay the loan, the Diocese is liable for the unpaid balance.

Note 9 - Multi-Employer Pension Plan

The Diocese contributes to a multiemployer defined benefit pension plan under the terms of the employee benefit policy that cover its employees. The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If the participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the Company chooses to stop participating in some of its multiemployer plans, it may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Company's participation in these plans for the annual period ended June 30, 2021 and 2020, is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2021 is for the plan's year end at June 30, 2021, respectively. The zone status is based on information that the Diocese received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and the plans in the green zone are at least 80 percent funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. There have been no significant changes that affect the comparability of 2021 contributions.

The Company has listed in its plans' Form 5500 as providing more than 0.09% of the total contributions for the following plans and plan years:

Pension Protection Act Zone Status				Company Contributions		Expiration Date of Collective Bargaining Agreement
EIN/Pension			FIP/RP Status			
Pension Fund	Plan Number	2021	Pending/Implemented	2021	Surcharge Imposed	
Christian Brothers Employee Retirement Trust	36-2671613 #333	Yellow as of 6/30/2021	Implemented	\$ 43,783	No	N/A
Pension Fund	Plan Number	2020	Pending/Implemented	2020	Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
Christian Brothers Employee Retirement Trust	36-2671613 #333	Yellow as of 6/30/2020	Implemented	\$ 45,073	No	N/A

Note 10 - Leases

The Diocese leases printers and telephones under various operating leases expiring at various dates through 2022.

Future minimum lease payments are as follows:

	<u>Years Ending June 30,</u>	
2022		\$ 18,463
2023		<u>8,922</u>
		<u>\$ 27,385</u>

Lease expense totaled \$17,790 and \$18,229 for the years ended June 30, 2021 and 2020, respectively.

Note 11 - Endowment Funds

The Diocese's endowment (the Endowment) consists of one individual fund 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 Diocese's Board of Directors 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, the Diocese 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 and (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 Diocese
- The investment policies of the Diocese

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

	<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	\$ -	\$ 3,921,801	\$ 3,921,801
Accumulated investment gains	-	629,112	629,112
	<u>\$ -</u>	<u>\$ 4,550,913</u>	<u>\$ 4,550,913</u>

As of June 30, 2020, endowment net assets composition by type of fund is as follows:

	<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	\$ -	\$ 3,305,460	\$ 3,305,460
Accumulated investment gains	-	530,689	530,689
	<u>\$ -</u>	<u>\$ 3,836,149</u>	<u>\$ 3,836,149</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 Diocese 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 Policy

Since inception of the endowment, the Diocese has not had a routine spending policy for the endowment, however, starting in 2021, an annual disbursement of \$3,500 will happen.

The beneficial interest pays out interest and dividends earned on the endowments twice a year. The beneficial interest 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%. The Diocese's spending policy is such that the corpus of the endowment will be maintained in perpetuity.

Diocese of Crookston, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

Changes in endowment net assets for the year ended June 30, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - June 30, 2020	\$ -	\$ 3,836,149	\$ 3,836,149
Change in beneficial interest in investments	-	1,532,872	1,532,872
Distributions of beneficial interest	-	(910,628)	(910,628)
Investment income			
Investment income	-	17,700	17,700
Net unrealized gains	-	74,820	74,820
Endowment net assets - June 30, 2021	<u>\$ -</u>	<u>\$ 4,550,913</u>	<u>\$ 4,550,913</u>

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - June 30, 2019	\$ -	\$ 3,712,897	\$ 3,712,897
Change in beneficial interest in investments	-	353,125	353,125
Distributions of beneficial interest	-	(225,258)	(225,258)
Investment income			
Investment income	-	3,710	3,710
Net unrealized loss	-	(8,325)	(8,325)
Endowment net assets - June 30, 2020	<u>\$ -</u>	<u>\$ 3,836,149</u>	<u>\$ 3,836,149</u>

Note 12 - Net Assets with Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Subject to Expenditure for Specified Purpose		
Cont Ed Priests Endowment	\$ 60,220	\$ 9,274
Seminarian Endowment	687,638	70,313
Formation in Discipleship	50,417	24,617
Adult, Emerging Adult, and Youth Education	8,108	-
Office of Communications	2,250	-
Retired Priest Collection	-	17,715
CHM Grant	-	82,500
	<u>808,633</u>	<u>204,419</u>
Subject to the Passage of Time		
Promises to give, for Perfect Fit	<u>28,598</u>	<u>-</u>
Endowments		
Unspent appreciation of Endowment funds which must be appropriated for expenditure before use	<u>629,112</u>	<u>530,689</u>
Perpetual in nature, earnings from which are subject to endowment spending policy appropriation		
Beneficial Interest- Education for Seminararians	3,141,230	2,525,608
Beneficial Interest- General	280,000	280,000
Beneficial Interest- Continuing Education	206,848	206,129
Beneficial Interest- Newman Ministry	29,133	29,133
Beneficial Interest- Youth Ministry	11,308	11,308
Seminarian Education	<u>253,282</u>	<u>253,282</u>
	<u>3,921,801</u>	<u>3,305,460</u>
Total endowments	<u>4,550,913</u>	<u>3,836,149</u>
	<u>\$ 5,388,144</u>	<u>\$ 4,040,568</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2021 and 2020:

	2021	2020
Satisfaction of purpose restrictions		
Retired priests	\$ 17,715	\$ -
CHM Grant	82,500	-
Formation in Discipleship	10,000	-
Seminarian Education	3,500	-
Priest Sabbatical	-	5,000
Continuing Education	-	10,000
Summer Camp	-	10,000
Padre Aplas	-	12,000
Phone System	-	7,428
Shepherding them Home	-	28,638
Human Dev	-	4,462
	<u>\$ 113,715</u>	<u>\$ 77,528</u>
Total net assets released from restrictions		
	<u>\$ 113,715</u>	<u>\$ 77,528</u>

Note 13 - Related Party Transactions

The Diocese of Crookston has common management with the Diocese of Crookston Catholic Community Foundation (Foundation).

The Diocese received \$60,000 from the Foundation for both years ending June 30, 2021 and 2020, for accounting and administrative services. The Diocese had one note payable outstanding with the Foundation, with balances totaling \$213,519 and \$224,056 at June 30, 2021 and 2020, respectively. This note bears interest of 2.20% and is secured by the discernment house. The Diocese makes monthly payments on this note.

The Diocese also has 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, which provided 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 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, 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. 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 receivable from the Foundation totaled \$28,821.