



Financial Statements
June 30, 2022 and 2021

Diocese of Crookston, Inc.

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Independent Auditor's Report

To the Board of Directors
Diocese of Crookston, Inc.
Crookston, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Diocese of Crookston, Inc. (the Diocese), 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 Organization 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 Diocese 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 Diocese'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 Diocese'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 Diocese'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

Diocese of Crookston, Inc.
Statements of Financial Position - Assets
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,615,534	\$ 1,980,314
Receivables		
Accounts receivable	452,352	381,700
Promises to give, net	933,131	81,469
Due from related parties	131,623	28,821
Current portion of notes receivable	2,708	685
Prepaid expenses	32,174	21,166
Catholic umbrella pool investment	121,549	147,353
Investments with related parties	163,032	-
Cash restricted to building project	<u>9,000,000</u>	<u>-</u>
Total current assets	<u>12,452,103</u>	<u>2,641,508</u>
Noncurrent Assets		
Property and equipment	1,797,857	1,635,927
Less accumulated depreciation	<u>(988,638)</u>	<u>(967,610)</u>
Net property and equipment	<u>809,219</u>	<u>668,317</u>
Endowment		
Investments	334,444	391,022
Beneficial interest in assets held in the Diocese of Crookston Catholic Community Foundation	3,613,014	4,159,891
Notes receivable, net of current maturities	12,292	-
Promises to give, net of current maturities	<u>713,607</u>	<u>15,000</u>
Total noncurrent assets	<u>5,482,576</u>	<u>5,234,230</u>
Total assets	<u><u>\$ 17,934,679</u></u>	<u><u>\$ 7,875,738</u></u>

Diocese of Crookston, Inc.
Statements of Financial Position - Liabilities and Net Assets
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 164,845	\$ 161,268
Deferred revenue	20,656	25,162
Other payables	30,281	24,127
Accrued vacation benefits payable	42,480	33,061
Group insurance plan payables	181,004	189,032
Current maturities of long-term debt	<u>12,116</u>	<u>11,853</u>
Total current liabilities	<u>451,382</u>	<u>444,503</u>
Long-term debt, less current maturities	<u>188,662</u>	<u>201,667</u>
Total liabilities	<u>640,044</u>	<u>646,170</u>
Net Assets		
Without donor restrictions		
Undesignated	905,442	1,002,734
Designated - invested in property and equipment net of related debt	608,441	454,797
Designated for group insurance fund	<u>354,656</u>	<u>383,893</u>
Total net assets without donor restrictions	<u>1,868,539</u>	<u>1,841,424</u>
With donor restrictions	<u>15,426,096</u>	<u>5,388,144</u>
Total net assets	<u>17,294,635</u>	<u>7,229,568</u>
Total liabilities and net assets	<u><u>\$ 17,934,679</u></u>	<u><u>\$ 7,875,738</u></u>

Diocese of Crookston, Inc.
Statements of Activities
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support			
Annual appeal	\$ 871,481	\$ -	\$ 871,481
Parish assessments	799,988	-	799,988
Grants and donations	545,550	107,919	653,469
Capital Campaign	1,811	10,473,546	10,475,357
In-kind contributions	-	200,000	200,000
Program service revenue			
Office specific income	646,058	-	646,058
Retired priests special collections	73,072	-	73,072
Group insurance plan	173,396	-	173,396
Investment income	(343)	(56,579)	(56,922)
Distributions from and change in value of beneficial interests	113,390	(546,877)	(433,487)
Other income	15,330	-	15,330
Net assets released from restrictions	140,057	(140,057)	-
	<u>3,379,790</u>	<u>10,037,952</u>	<u>13,417,742</u>
Total revenues and support			
Expenses			
Program services expense			
Chancery	628,430	-	628,430
Office of vocations	243,613	-	243,613
Office of catholic schools	155,448	-	155,448
Office of formation in discipleship	477,797	-	477,797
Office of worship	66,122	-	66,122
Office of communications	237,435	-	237,435
Tribunal	69,390	-	69,390
Retired priests collection	73,201	-	73,201
Group insurance plan	210,492	-	210,492
	<u>2,161,928</u>	<u>-</u>	<u>2,161,928</u>
Total program expenses			
Fundraising and development			
Capital campaign	347,354	-	347,354
Other fundraising and development	210,080	-	210,080
	<u>557,434</u>	<u>-</u>	<u>557,434</u>
Total fundraising and development			
Management and general	633,313	-	633,313
	<u>3,352,675</u>	<u>-</u>	<u>3,352,675</u>
Total expenses			
Change in Net Assets	27,115	10,037,952	10,065,067
Net Assets, Beginning of Year	1,841,424	5,388,144	7,229,568
Net Assets, End of Year	<u>\$ 1,868,539</u>	<u>\$ 15,426,096</u>	<u>\$ 17,294,635</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	254,623	46,158	300,781
Capital Campaign	45,000	28,598	73,598
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			
Capital campaign	46,925	-	46,925
Other fundraising and development	229,916	-	229,916
	<u>276,841</u>	<u>-</u>	<u>276,841</u>
Total fundraising and development			
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 Functional Expenses
Year Ended June 30, 2022

	Program Services						
	Chancery	Office of Vocations	Office of Catholic Schools	Office of Formation in Discipleship	Office of Worship	Office of Communications	Tribunal
Compensation	\$ 129,551	\$ 24,511	\$ 45,213	\$ 236,714	\$ 38,857	\$ 70,434	\$ 41,701
Overhead	35,248	4,332	9,039	36,463	12,155	24,308	18,231
Grants	-	-	88,750	-	-	-	-
Conferences, Conventions and Meetings	7,810	704	2,135	4,669	1,104	-	348
Office Expenses	15,267	4,107	165	25,151	2,745	837	1,045
Newman Center	90,700	-	-	-	-	-	-
Utilities	16,064	85	854	2,565	854	2,610	1,281
Programs	71,742	3,489	4,964	128,810	7,090	127,699	5,892
Software Expense	-	-	-	-	-	6,919	-
Depreciation	20,590	-	-	-	-	-	-
Food Expense	31,195	3,863	-	-	-	-	-
Travel	29,790	8,044	1,582	39,536	977	198	272
Legal and Accounting Fees	10,255	-	-	-	-	-	-
Maintenance	1,535	-	-	-	-	-	-
Help for Priests	45,550	-	-	-	-	-	-
Automotive	7,639	-	-	143	-	-	-
Subscriptions/Membership Dues	44,830	1,099	2,506	2,269	2,340	1,555	620
Counseling	320	-	-	-	-	-	-
Advertising and Promotion	6,273	284	240	1,477	-	2,875	-
Ordinations	-	2,685	-	-	-	-	-
Self-Insurance Plans	-	-	-	-	-	-	-
Seminarian Support	-	190,410	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Episcopal Retirement Support	12,000	-	-	-	-	-	-
Miscellaneous	52,071	-	-	-	-	-	-
	<u>\$ 628,430</u>	<u>\$ 243,613</u>	<u>\$ 155,448</u>	<u>\$ 477,797</u>	<u>\$ 66,122</u>	<u>\$ 237,435</u>	<u>\$ 69,390</u>

Diocese of Crookston, Inc.
Statements of Functional Expenses
Year Ended June 30, 2022

	Program Services				Fundraising and Development			
	Retired Priests Collection	Group Insurance Plan	Program Services Subtotal	Management and General	Capital Campaign	Other Fundraising and Development	Fundraising and Development Subtotal	Total
Compensation	\$ -	\$ 5,908	\$ 592,889	\$ 184,621	\$ -	\$ 109,956	\$ 109,956	\$ 887,466
Overhead	-	-	139,776	37,806	-	16,888	16,888	194,470
Grants	-	-	88,750	-	-	-	-	88,750
Conferences, Conventions and Meetings	-	-	16,770	1,483	-	-	-	18,253
Office Expenses	-	1,486	50,803	46,296	4,829	59,115	63,944	161,043
Newman Center	-	-	90,700	-	-	-	-	90,700
Utilities	-	-	24,313	44,163	-	854	854	69,330
Programs	-	37,873	387,559	8,770	154,925	-	154,925	551,254
Software Expense	-	-	6,919	40,939	-	16,483	16,483	64,341
Depreciation	-	-	20,590	35,683	-	-	-	56,273
Food Expense	-	-	35,058	2,191	-	-	-	37,249
Travel	-	-	80,399	5,792	1,750	123	1,873	88,064
Legal and Accounting Fees	-	-	10,255	32,500	-	-	-	42,755
Maintenance	-	-	1,535	59,158	-	-	-	60,693
Help for Priests	73,201	-	118,751	-	-	-	-	118,751
Automotive	-	-	7,782	4,112	-	-	-	11,894
Subscriptions/Membership Dues	-	-	55,219	1,490	-	-	-	56,709
Counseling	-	-	320	-	-	-	-	320
Advertising and Promotion	-	-	11,149	3,839	517	3,509	4,026	19,014
Ordinations	-	-	2,685	-	-	-	-	2,685
Self-Insurance Plans	-	165,225	165,225	-	-	-	-	165,225
Seminarian Support	-	-	190,410	-	-	-	-	190,410
Interest	-	-	-	5,174	-	-	-	5,174
Episcopal Retirement Support	-	-	12,000	-	-	-	-	12,000
Miscellaneous	-	-	52,071	119,296	185,333	3,152	188,485	359,852
	<u>\$ 73,201</u>	<u>\$ 210,492</u>	<u>\$ 2,161,928</u>	<u>\$ 633,313</u>	<u>\$ 347,354</u>	<u>\$ 210,080</u>	<u>\$ 557,434</u>	<u>\$ 3,352,675</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	1,024	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	84,458	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	917	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	-	-	-	-
	<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				Fundraising and Development			
	Retired Priests Collection	Group Insurance Plan	Program Services Subtotal	Management and General	Capital Campaign	Other Fundraising and Development	Fundraising and Development Subtotal	Total
Compensation	\$ -	\$ 5,796	\$ 576,881	\$ 140,981	\$ -	\$ 118,629	\$ 118,629	\$ 836,491
Overhead	-	-	135,387	41,285	-	17,659	17,659	194,331
Grants	-	-	83,550	-	-	-	-	83,550
Conferences, Conventions and Meetings	-	-	14,368	1,160	-	100	100	15,628
Office Expenses	-	1,412	33,264	16,930	252	64,620	64,872	115,066
Newman Center	-	-	90,700	-	-	-	-	90,700
Utilities	-	-	22,691	35,687	-	1,229	1,229	59,607
Programs	-	34,542	209,931	1,668	46,532	-	46,532	258,131
Software Expense	-	-	7,236	42,734	-	16,463	16,463	66,433
Depreciation	-	-	16,230	82,052	-	-	-	98,282
Food Expense	-	-	8,959	1,533	-	17	17	10,509
Travel	-	-	31,685	1,335	-	656	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	-	-	48,448	1,474	-	1,200	1,200	51,122
Counseling	-	-	640	-	-	-	-	640
Advertising and Promotion	-	-	4,332	700	141	5,794	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	-	-	19,719	22,001	-	3,549	3,549	45,269
	<u>\$ 81,078</u>	<u>\$ 177,422</u>	<u>\$ 1,872,269</u>	<u>\$ 459,526</u>	<u>\$ 46,925</u>	<u>\$ 229,916</u>	<u>\$ 276,841</u>	<u>\$ 2,608,636</u>

Diocese of Crookston, Inc.
Statements of Cash Flows
For the Year Ended June 30, 2022

	<u>2022</u>	<u>2021</u>
Operating Activities		
Change in net assets	\$ 10,065,067	\$ 1,953,827
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	56,273	98,282
(Gain) loss on disposed equipment	(44,129)	779
Change in beneficial interest	546,877	(625,744)
Realized and unrealized gain (loss) on investments	83,780	(74,821)
Contributions restricted to building project	(9,000,000)	-
Forgiveness of Paycheck Protection Program	-	(216,700)
Changes in operating assets and liabilities		
Accounts receivable and promises to give	(1,620,921)	(137,935)
Due from related parties	(102,802)	(21,586)
Prepaid expenses	(11,008)	(8,540)
Catholic umbrella pool investment	25,804	(8,903)
Accounts payable	3,577	94,109
Deferred revenue	(4,506)	(589)
Other payables and accrued vacation	15,573	15,974
Group insurance plan payables	(8,028)	4,226
Net Cash from Operating Activities	<u>5,557</u>	<u>1,072,379</u>
Investing Activities		
Purchase of property and equipment	(212,722)	(4,584)
Proceeds from sale of property and equipment	59,676	-
Collection of notes receivable	685	658
Issuance of note receivable	(15,000)	-
Purchase of investments	(190,234)	(18,088)
Distribution from investments	-	3,500
Net Cash used for Investing Activities	<u>(357,595)</u>	<u>(18,514)</u>
Financing Activities		
Collections of contributions restricted to building project	9,000,000	-
Principal payment on long-term debt	(12,742)	(10,536)
Net Cash from (used for) Financing Activities	<u>8,987,258</u>	<u>(10,536)</u>
Net Increase in Cash and Cash Equivalents	8,635,220	1,043,329
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	<u>1,980,314</u>	<u>936,985</u>
Cash, Cash Equivalents, and Restricted Cash, End of Year	<u>\$ 10,615,534</u>	<u>\$ 1,980,314</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	<u>\$ 5,174</u>	<u>\$ 4,623</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, Mahanomen, Hubbard, Clay, and Becker.

Cash, Cash Equivalents, and Restricted Cash

All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

The following table provided a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position to the sum of the corresponding amounts within the statements of cash flows.

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	1,615,534	1,980,314
Cash Restricted to Building Project	<u>9,000,000</u>	<u>-</u>
Total cash, cash equivalents, and restricted cash	<u><u>\$ 10,615,534</u></u>	<u><u>\$ 1,980,314</u></u>

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, 2022 and 2021.

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, 2022 and 2021, the allowance was \$193,801 and \$7,707.

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, 2022 and 2021.

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, 2022 and 2021, the Diocese received \$113,390 and \$907,128, respectively, from the Foundation. The Diocese has recorded its remaining interest in the Foundation as an asset totaling \$3,613,014 and \$4,159,891 at June 30, 2022 and 2021, 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.

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, 2022 and 2021.

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, 2022:

	2022	2021
Deferred Revenue, Beginning of Year	\$ 25,162	\$ 25,751
Revenue recognized that was included in deferred revenue at the beginning of year	(25,162)	(25,751)
Increase in deferred revenue due to cash received during the period	20,656	25,162
Deferred Revenue, End of Year	<u>\$ 20,656</u>	<u>\$ 25,162</u>

In-Kind Contributions

In-kind contributions include donated land, which is recorded at the respective fair values of the goods or services received (Note 9). 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 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.

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 \$9,985,000 and \$1,490,500, 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.

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.

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.

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:

	<u>2022</u>	<u>2021</u>
Cash, Cash Equivalents, and Restricted Cash	\$ 10,615,534	\$ 1,980,314
Receivables		
Accounts receivable	452,352	381,700
Promises to give, net	1,646,738	96,469
Due from related parties	131,623	28,821
Notes receivable	15,000	685
Investments With Related Parties	163,032	-
Other Assets	121,549	147,353
Endowment		
Investments	334,444	391,022
Beneficial interest	<u>3,613,014</u>	<u>4,159,891</u>
	17,093,286	7,186,255
Less Amounts Not Available to be Used Within One Year		
Long-term portion of notes receivable	(12,292)	-
Amounts related to Perfect Fit project	(10,702,144)	(28,598)
Designated for group insurance fund	(354,656)	(383,893)
Endowment		
Investments	(334,444)	(391,022)
Beneficial interest	<u>(3,613,014)</u>	<u>(4,159,891)</u>
	<u>\$ 2,076,736</u>	<u>\$ 2,222,851</u>

Long-term portion of note receivables will not be available within the next year. Promises to give and cash related to the Perfect Fit project are not available for general expenditures.

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, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Personal Notes From Priests	\$ 15,000	\$ 685
Less current maturities	<u>(2,708)</u>	<u>(685)</u>
Notes receivable, less current maturities	<u><u>\$ 12,292</u></u>	<u><u>\$ -</u></u>

The notes are due in installments, maturing in 2027 with an interest rate of 5.00%. The Diocese does not have collateral for these notes.

Note 4 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Within One Year	\$ 1,224,404	\$ 90,578
In One to Five Years	<u>713,607</u>	<u>15,000</u>
	1,938,011	105,578
Less Discount to Net Present Value at a Rate of 3.25% - 4.00%	(97,472)	(1,402)
Less Allowance for Uncollectable Promises to Give	<u>(193,801)</u>	<u>(7,707)</u>
	<u><u>\$ 1,646,738</u></u>	<u><u>\$ 96,469</u></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, 2022:

	Total	Fair Value Measurements at June 30, 2022 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	\$ 3,613,014	\$ 2,847,055	\$ 765,959	\$ -
Operating Investments				
Diocese of Crookston Catholic				
Community Foundation	163,032	128,469	34,563	-
At NAV				
Mission Diocese Fund	334,444	-	-	-
	<u>\$ 4,110,490</u>	<u>\$ 2,975,524</u>	<u>\$ 800,522</u>	<u>\$ -</u>

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>

Investments in certain entities that calculated NAV per share are as follows at June 30, 2022:

Investment	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Endowment Investments				
Mission Diocese Fund	\$ 334,444	\$ -	Monthly	N/A

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

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, 2022 and 2021:

	2022	2021
Land and Improvements	\$ 107,897	\$ 107,897
Buildings	1,317,371	1,213,154
Equipment and Furnishings	341,003	314,876
Construction in Progress	31,586	-
	1,797,857	1,635,927
Less Accumulated Depreciation	(988,638)	(967,610)
	<u>\$ 809,219</u>	<u>\$ 668,317</u>

Depreciation expense for the year ended June 30, 2022 and 2021 was \$56,273 and \$98,282, respectively. As of June 30, 2022 and 2021, there was \$27,927 and \$26,415 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, 2022 and 2021 consists of the following:

	2022	2021
2.20% note payable, due in monthly installments of \$1,367, including interest, to October 2036, secured by property	\$ 200,778	\$ 213,520
Less current maturities	(12,116)	(11,853)
Long-term debt, less current maturities	<u>\$ 188,662</u>	<u>\$ 201,667</u>

The aggregate amounts of future minimum principal payments on long-term debt as of June 30, 2022 are as follows:

Years Ending June 30,	Amount
2023	\$ 12,116
2024	12,386
2025	12,661
2026	12,942
2027	13,230
Thereafter	<u>137,443</u>
Total	<u>\$ 200,778</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 \$2,243,185 at June 30, 2022. If the respective parish does not repay the loan, the Diocese is liable for the unpaid balance.

Note 9 - 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
		Standard industry pricing for similar spaces			
Property	Land		Monetized	\$ 200,000	\$ -

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

Note 10 - 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, 2022 and 2021, 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 2022 is for the plan's year end at June 30, 2022, 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 2022 contributions.

The Company has listed in its plans' Form 5500 as providing more than 0.07% 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	2022	Pending/ Implemented	2022	Surcharge Imposed	
Christian Brothers Employee Employee Retirement Trust	36-2671613 #333	Yellow as of 6/30/2022	Implemented	\$ 43,117	No	N/A
Pension Fund	Plan Number	2021	Pending/ Implemented	2021	Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
Christian Brothers Employee Employee Retirement Trust	36-2671613 #333	Yellow as of 6/30/2021	Implemented	\$ 43,783	No	N/A

Note 11 - Leases

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

Future minimum lease payments are as follows:

Years Ending June 30,	Amount
2023	\$ 17,820
2024	17,820
2025	17,820
2026	17,820
2027	16,335
	<u>\$ 87,615</u>

Lease expense totaled \$21,098 and \$17,790 for the years ended June 30, 2022 and 2021, respectively.

Note 12 - 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, 2022 and 2021, 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, 2022, 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	\$ -	\$ 4,019,132	\$ 4,019,132
Accumulated investment losses	-	(71,674)	(71,674)
	<u>\$ -</u>	<u>\$ 3,947,458</u>	<u>\$ 3,947,458</u>

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>

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. At June 30, 2022, funds with original gift values of \$3,765,850, fair values of \$3,613,014, and deficiencies of \$152,837 were reported in net assets with donor restrictions. No endowment funds were underwater as of June 30, 2021.

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. For endowments, the beneficial interest will pay out the average market value of the endowment over the six most recent earnings periods, multiplied by the distribution rate of 2%.

Diocese of Crookston, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

Changes in endowment net assets for the year ended June 30, 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - June 30, 2021	\$ -	\$ 4,550,913	\$ 4,550,913
Change in Beneficial Interest in Investments	-	(433,487)	(433,487)
Distributions of beneficial interest	-	(113,390)	(113,390)
Investment Income			
Investment income	-	12,769	12,769
Net unrealized loss	-	(69,347)	(69,347)
Endowment Net Assets - June 30, 2022	<u>\$ -</u>	<u>\$ 3,947,458</u>	<u>\$ 3,947,458</u>

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>

Note 13 - 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 Expenditure for Specified Purpose		
Perfect Fit	\$ 9,131,623	\$ -
Seminarian Endowment	586,799	687,638
Office of Catholic Schools	97,918	-
Cont Ed Priests Endowment	55,870	60,220
Formation in Discipleship	23,657	50,417
Educational Training	10,000	-
Office of Communications	2,250	2,250
Adult, Emerging Adult, and Youth Education	-	8,108
	<u>9,908,117</u>	<u>808,633</u>
Subject to the Passage of Time		
Promises to give, for Perfect Fit	<u>1,570,521</u>	<u>28,598</u>
Endowments		
Unspent appreciation of Endowment funds which must be appropriated for expenditure before use	<u>(71,674)</u>	<u>629,112</u>
Perpetual in Nature, Earnings From Which are Subject to endowment spending policy appropriation		
Beneficial Interest- Education for Seminarians	3,238,088	3,141,230
Beneficial Interest- General	280,000	280,000
Beneficial Interest- Continuing Education	207,321	206,848
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>4,019,132</u>	<u>3,921,801</u>
Total endowments	<u>3,947,458</u>	<u>4,550,913</u>
	<u>\$ 15,426,096</u>	<u>\$ 5,388,144</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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Satisfaction of Purpose Restrictions		
Seminarian Education	\$ 100,839	\$ 3,500
Formation in Discipleship	26,760	10,000
Adult, Emerging Adult and Youth Education	8,108	-
Continuing Education	4,350	-
Retired priests	-	17,715
CHM Grant	-	82,500
	<u> </u>	<u> </u>
Total net assets released from restrictions	<u>\$ 140,057</u>	<u>\$ 113,715</u>

Note 14 - Related Party Transactions

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

The Diocese received \$76,000 and \$60,000 from the Foundation for the years ending June 30, 2022 and 2021, respectively, for accounting and administrative services. The Diocese had one note payable outstanding with the Foundation, with balances totaling \$200,778 and \$213,519 at June 30, 2022 and 2021, 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 \$3,613,014 and \$4,159,891 for the year ended June 30, 2022 and 2021, which provided 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 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, 2022 and 2021, the Perfect Fit receivable from the Foundation totaled \$131,623 and \$28,821, respectively.

The Foundation holds investment funds for the Diocese, 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.

Note 15 - Subsequent Events

On July 1, 2022, the Diocese entered into an agreement with the Sisters of St. Benedict of Crookston (SSBC) to purchase a building for \$12,000,000 for the Perfect Fit campaign, with \$10,000,000 due upon execution of the purchase agreement. The remaining \$2,000,000 is due within 18 months of the execution of the agreement. The Diocese also entered into an agreement to lease a portion of the building to SSBC through July 31, 2032.

The Diocese has evaluated subsequent events through March 28, 2023, the date which the financial statements were available to be issued.