



Financial Statements
June 30, 2023 and 2022

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, 2023 and 2022, 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 Diocese as of June 30, 2023 and 2022, 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 for 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.

Correction of Error

As discussed in Note 14 to the financial statements, certain errors resulting in overstatement of net assets without donor restrictions and understatement of net assets with donor restrictions for the years ended June 30, 2022 and 2021 were discovered by management of the Diocese during the current year. Accordingly, amounts reported for net assets with and without donor restrictions have been restated in the 2022 financial statements now presented, and an adjustment has been made to beginning net assets as of July 1, 2021, to correct the error. Our opinion is not modified with respect to that matter.

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 for 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.

Eide Bailly LLP

Fargo, North Dakota
February 21, 2024

Diocese of Crookston, Inc.
Statements of Financial Position - Assets
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,956,359	\$ 1,615,534
Receivables		
Accounts receivable	518,443	452,352
Promises to give, net	562,713	933,131
Due from related parties	985,687	131,623
Current portion of notes receivable	2,847	2,708
Prepaid expenses	110,052	32,174
Catholic umbrella pool investment	135,508	121,549
Investments with related parties	168,932	163,032
Cash restricted to building project	-	9,000,000
Total current assets	<u>4,440,541</u>	<u>12,452,103</u>
Noncurrent Assets		
Property and equipment	13,838,106	1,797,857
Less accumulated depreciation	<u>(1,257,940)</u>	<u>(988,638)</u>
Net property and equipment	<u>12,580,166</u>	<u>809,219</u>
Endowment		
Investments	372,941	334,444
Beneficial interest in assets held in the Diocese of Crookston Catholic Community Foundation	4,091,672	3,613,014
Notes receivable, net of current maturities	9,422	12,292
Promises to give, net of current maturities	<u>115,515</u>	<u>713,607</u>
Total noncurrent assets	<u>17,169,716</u>	<u>5,482,576</u>
Total assets	<u><u>\$ 21,610,257</u></u>	<u><u>\$ 17,934,679</u></u>

Diocese of Crookston, Inc.
Statements of Financial Position - Liabilities and Net Assets
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u> (Restated)
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 171,535	\$ 164,845
Deferred revenue	61,466	20,656
Other payables	36,487	30,281
Accrued vacation benefits payable	34,556	42,480
Group insurance plan payables	195,290	181,004
Current maturities of long-term debt	<u>10,418</u>	<u>12,116</u>
Total current liabilities	509,752	451,382
Long-term debt, less current maturities	<u>179,558</u>	<u>188,662</u>
Total liabilities	<u>689,310</u>	<u>640,044</u>
Net Assets		
Without donor restrictions		
Undesignated	1,219,039	97,812
Designated - invested in property and equipment net of related debt	12,390,190	608,441
Designated for group insurance fund	<u>376,774</u>	<u>354,656</u>
Total net assets without donor restrictions	13,986,003	1,060,909
With donor restrictions	<u>6,934,944</u>	<u>16,233,726</u>
Total net assets	<u>20,920,947</u>	<u>17,294,635</u>
Total liabilities and net assets	<u><u>\$ 21,610,257</u></u>	<u><u>\$ 17,934,679</u></u>

Diocese of Crookston, Inc.

Statement of Activities

Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support			
Annual appeal	\$ 126,784	\$ 912,142	\$ 1,038,926
Parish assessments	832,006	-	832,006
Grants and donations	2,727,973	74,100	2,802,073
Capital campaign	332,415	697,754	1,030,169
Program service revenue			
Office specific income	781,160	-	781,160
Retired priests special collections	61,953	11,192	73,145
Group insurance plan	200,678	-	200,678
Investment income	11,595	41,394	52,989
Distributions from and change in value of beneficial interests	179,572	478,658	658,230
Other income	23,114	-	23,114
Net assets released from restrictions	11,514,022	(11,514,022)	-
Total revenues and support	16,791,272	(9,298,782)	7,492,490
Expenses			
Program services expense			
Chancery	656,392	-	656,392
Office of vocations	256,493	-	256,493
Office of catholic schools	198,568	-	198,568
Office of formation in discipleship	501,239	-	501,239
Office of worship	72,206	-	72,206
Office of communications	248,636	-	248,636
Tribunal	79,975	-	79,975
Retired priests collection	62,055	-	62,055
Group insurance plan	175,560	-	175,560
Total program expenses	2,251,124	-	2,251,124
Fundraising and development			
Capital campaign	11,893	-	11,893
Other fundraising and development	228,751	-	228,751
Total fundraising and development	240,644	-	240,644
Pastoral center	943,681	-	943,681
Management and general	430,729	-	430,729
Total expenses	3,866,178	-	3,866,178
Change in Net Assets	12,925,094	(9,298,782)	3,626,312
Net Assets, Beginning of Year	1,060,909	16,233,726	17,294,635
Net Assets, End of Year	\$ 13,986,003	\$ 6,934,944	\$ 20,920,947

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

	Without Donor Restrictions (Restated)	With Donor Restrictions (Restated)	Total
Revenues and Support			
Annual appeal	\$ 63,851	\$ 807,630	\$ 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	478,102	-	478,102
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	183,286	-	183,286
Net assets released from restrictions	978,977	(978,977)	-
Total revenues and support	<u>3,411,080</u>	<u>10,006,662</u>	<u>13,417,742</u>
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
Total program expenses	<u>2,161,928</u>	<u>-</u>	<u>2,161,928</u>
Fundraising and development			
Capital campaign	347,354	-	347,354
Other fundraising and development	210,613	-	210,613
Total fundraising and development	<u>557,967</u>	<u>-</u>	<u>557,967</u>
Pastoral center	<u>159,914</u>	<u>-</u>	<u>159,914</u>
Management and general	<u>472,866</u>	<u>-</u>	<u>472,866</u>
Total expenses	<u>3,352,675</u>	<u>-</u>	<u>3,352,675</u>
Change in Net Assets	58,405	10,006,662	10,065,067
Net Assets, Beginning of Year	<u>1,002,504</u>	<u>6,227,064</u>	<u>7,229,568</u>
Net Assets, End of Year	<u>\$ 1,060,909</u>	<u>\$ 16,233,726</u>	<u>\$ 17,294,635</u>

Diocese of Crookston, Inc.
Statement of Functional Expenses
Year Ended June 30, 2023

	Program Services							
	Chancery	Office of Vocations	Office of Catholic Schools	Office of Formation in Discipleship	Office of Worship	Office of Communications	Tribunal	Retired Priests Collection
Compensation	\$ 135,908	\$ 30,080	\$ 47,514	\$ 208,930	\$ 40,767	\$ 84,851	\$ 43,354	\$ -
Overhead	46,042	5,025	8,297	47,631	15,877	15,877	23,815	-
Grants	-	-	89,100	-	-	-	-	-
Conferences, Conventions and Meetings	6,602	-	27,746	3,004	1,930	5,223	-	-
Office Expenses	8,001	5,697	2,280	33,662	2,833	858	1,238	-
Newman Center	80,300	-	-	-	-	-	-	-
Utilities	10,077	38	381	1,162	381	1,452	572	-
Programs	97,435	400	9,937	140,570	7,643	125,823	4,803	-
Software Expense	-	-	-	-	-	9,030	-	-
Depreciation	20,591	-	-	-	-	-	-	-
Food Expense	12,831	2,718	-	-	-	-	-	-
Travel	22,541	9,939	3,843	61,265	236	258	6,134	-
Legal and Accounting Fees	15,711	-	-	-	-	-	-	-
Maintenance	6,916	-	-	-	-	-	-	-
Help for Priests	85,774	-	-	-	-	-	-	62,055
Automotive	10,153	-	-	140	-	-	-	-
Subscriptions/Membership Dues	45,537	902	8,793	3,516	2,483	1,113	59	-
Counseling	385	-	-	-	-	-	-	-
Advertising and Promotion	800	9,610	-	1,359	-	4,151	-	-
Ordinations	-	12,550	-	-	-	-	-	-
Self-Insurance Plans	-	-	-	-	-	-	-	-
Seminarian Support	-	179,534	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Episcopal Retirement Support	12,000	-	-	-	-	-	-	-
Miscellaneous	38,788	-	677	-	56	-	-	-
	<u>\$ 656,392</u>	<u>\$ 256,493</u>	<u>\$ 198,568</u>	<u>\$ 501,239</u>	<u>\$ 72,206</u>	<u>\$ 248,636</u>	<u>\$ 79,975</u>	<u>\$ 62,055</u>

Diocese of Crookston, Inc.
Statement of Functional Expenses
Year Ended June 30, 2023

	Program Services				Fundraising and Development			
	Group Insurance Plan	Program Services Subtotal	Pastoral Center	Management and General	Capital Campaign	Other Fundraising and Development	Fundraising and Development Subtotal	Total
Compensation	\$ 6,300	\$ 597,704	\$ 244,726	\$ 183,779	\$ -	\$ 117,010	\$ 117,010	\$ 1,143,219
Overhead	-	162,564	15,877	47,630	-	23,815	23,815	249,886
Grants	-	89,100	-	-	-	-	-	89,100
Conferences, Conventions and Meetings	-	44,505	-	1,698	-	3,029	3,029	49,232
Office Expenses	1,621	56,190	120	33,979	1,744	54,505	56,249	146,538
Newman Center	-	80,300	-	-	-	-	-	80,300
Utilities	-	14,063	161,463	5,687	-	572	572	181,785
Programs	33,856	420,467	2,000	11,333	791	100	891	434,691
Software Expense	-	9,030	-	46,946	-	18,212	18,212	74,188
Depreciation	-	20,591	304,070	-	-	-	-	324,661
Food Expense	-	15,549	55,020	226	-	550	550	71,345
Travel	-	104,216	1,152	2,845	236	816	1,052	109,265
Legal and Accounting Fees	-	15,711	-	36,158	-	-	-	51,869
Maintenance	-	6,916	63,047	30,568	-	-	-	100,531
Help for Priests	-	147,829	-	-	-	-	-	147,829
Automotive	-	10,293	5,172	3,690	-	-	-	19,155
Subscriptions/Membership Dues	-	62,403	38	1,540	-	-	-	63,981
Counseling	-	385	-	-	-	-	-	385
Advertising and Promotion	-	15,920	982	1,331	9,122	6,157	15,279	33,512
Ordinations	-	12,550	-	-	-	-	-	12,550
Self-Insurance Plans	133,783	133,783	-	-	-	-	-	133,783
Seminarian Support	-	179,534	-	-	-	-	-	179,534
Interest	-	-	8,287	-	-	-	-	8,287
Episcopal Retirement Support	-	12,000	-	-	-	-	-	12,000
Miscellaneous	-	39,521	81,727	23,319	-	3,985	3,985	148,552
	<u>\$ 175,560</u>	<u>\$ 2,251,124</u>	<u>\$ 943,681</u>	<u>\$ 430,729</u>	<u>\$ 11,893</u>	<u>\$ 228,751</u>	<u>\$ 240,644</u>	<u>\$ 3,866,178</u>

Diocese of Crookston, Inc.
Statement 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	Retired Priests Collection
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	-	-	-	-	-	-	73,201
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>	<u>\$ 73,201</u>

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

	Program Services				Fundraising and Development			
	Group Insurance Plan	Program Services Subtotal	Pastoral Center	Management and General	Capital Campaign	Other Fundraising and Development	Fundraising and Development Subtotal	Total
Compensation	\$ 5,908	\$ 592,889	\$ (2,820)	\$ 185,585	\$ -	\$ 109,956	\$ 109,956	\$ 885,610
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	117	22,607	4,829	59,115	63,944	137,471
Newman Center	-	90,700	-	-	-	-	-	90,700
Utilities	-	24,313	41,174	4,845	-	854	854	71,186
Programs	37,873	387,559	-	8,770	154,925	-	154,925	551,254
Software Expense	-	6,919	-	40,406	-	17,016	17,016	64,341
Depreciation	-	20,590	10,534	25,149	-	-	-	56,273
Food Expense	-	35,058	2,079	112	-	-	-	37,249
Travel	-	80,399	1,172	4,620	1,750	123	1,873	88,064
Legal and Accounting Fees	-	10,255	-	32,500	-	-	-	42,755
Maintenance	-	1,535	37,757	19,322	-	-	-	58,614
Help for Priests	-	118,751	-	-	-	-	-	118,751
Automotive	-	7,782	3,309	2,882	-	-	-	13,973
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	61,418	81,450	185,333	3,152	188,485	383,424
	<u>\$ 210,492</u>	<u>\$ 2,161,928</u>	<u>\$ 159,914</u>	<u>\$ 472,866</u>	<u>\$ 347,354</u>	<u>\$ 210,613</u>	<u>\$ 557,967</u>	<u>\$ 3,352,675</u>

Diocese of Crookston, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022

	2023	2022
Operating Activities		
Change in net assets	\$ 3,626,312	\$ 10,065,067
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	324,661	56,273
Gain on disposed equipment	(6,735)	(44,129)
Change in beneficial interest	(478,658)	546,877
Realized and unrealized (gain) loss on investments	(41,982)	83,780
Contributions restricted to building project	-	(9,000,000)
Changes in operating assets and liabilities		
Accounts receivable and promises to give	902,419	(1,620,921)
Due from related parties	(854,064)	(102,802)
Prepaid expenses	(77,878)	(11,008)
Catholic umbrella pool investment	(13,959)	25,804
Accounts payable	6,690	3,577
Deferred revenue	40,810	(4,506)
Other payables and accrued vacation	(1,718)	15,573
Group insurance plan payables	14,286	(8,028)
Net Cash from Operating Activities	3,440,184	5,557
Investing Activities		
Purchase of property and equipment	(12,126,498)	(212,722)
Proceeds from sale of property and equipment	37,625	59,676
Collection of notes receivable	2,731	685
Issuance of note receivable	-	(15,000)
Purchase of investments	(2,415)	(190,234)
Net Cash used for Investing Activities	(12,088,557)	(357,595)
Financing Activities		
Collections of contributions restricted to building project	-	9,000,000
Principal payment on long-term debt	(10,802)	(12,742)
Net Cash from (used for) Financing Activities	(10,802)	8,987,258
Net Change in Cash, Cash Equivalents, and Restricted Cash	(8,659,175)	8,635,220
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	10,615,534	1,980,314
Cash, Cash Equivalents, and Restricted Cash, End of Year	\$ 1,956,359	\$ 10,615,534
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 8,287	\$ 5,174

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>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 1,956,359	\$ 1,615,534
Cash Restricted to Building Project	<u>-</u>	<u>9,000,000</u>
Total cash, cash equivalents, and restricted cash	<u><u>\$ 1,956,359</u></u>	<u><u>\$ 10,615,534</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, 2023 and 2022.

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, 2023 and 2022, the allowance was \$158,135 and \$193,801.

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, 2023 and 2022.

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, 2023 and 2022, the Diocese received \$179,572 and \$113,390 from the Foundation. The Diocese has recorded its remaining interest in the Foundation as an asset totaling \$4,091,672 and \$3,613,014 at June 30, 2023 and 2022, 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.

Lessor

The Diocese classifies its leases at inception as operating, direct finance, or sales-type leases. Direct financing and sales-type leases meet certain criteria that have the economic characteristics of transferring ownership of the underlying asset and are accounted for similar to financing arrangements. For sales-type leases, selling profit is recognized immediately at lease commencement. Selling profit on a direct financing lease is deferred and amortized over the lease term, and a selling loss is recognized at lease commencement. Interest income on the net investment in leases is recognized as direct financing and sales-type lease revenue over the lease term in a manner that produces a constant rate of return on the net investment in the lease. A lease is classified as an operating lease if it does not qualify as a sales-type or direct financing lease.

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, 2023 and 2022.

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 years ended June 30, 2023 and 2022:

	2023	2022
Deferred Revenue, Beginning of Year	\$ 20,656	\$ 25,162
Revenue recognized that was included in deferred revenue at the beginning of year	(20,656)	(25,162)
Increase in deferred revenue due to cash received during the period	61,466	20,656
Deferred Revenue, End of Year	<u>\$ 61,466</u>	<u>\$ 20,656</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 8). Contributed goods are recorded at fair value at the date of donation.

The Diocese'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 Diocese 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, 2023 and 2022, the Diocese had approximately \$167,000 and \$9,070,000, respectively, in excess of FDIC-insured limits. The Diocese 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.

Advertising Costs

Advertising costs are expensed as incurred and approximated \$32,530 and \$19,014 during the years ended June 30, 2023 and 2022, respectively.

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 February 21, 2024, 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:

	2023	2022
Cash, Cash Equivalents, and Restricted Cash	\$ 1,956,359	\$ 10,615,534
Receivables		
Accounts receivable	518,443	452,352
Promises to give, net	678,228	1,646,738
Due from related parties	985,687	131,623
Notes receivable	12,269	15,000
Investments With Related Parties	168,932	163,032
Other Assets	135,508	121,549
Endowment		
Investments	372,941	334,444
Beneficial interest	4,091,672	3,613,014
	<u>8,920,039</u>	<u>17,093,286</u>
Less Amounts Not Available to be Used Within One Year		
Long-term portion of notes receivable	(9,422)	(12,292)
Amounts related to Perfect Fit project	(798,492)	(10,702,144)
Designated for group insurance fund	(376,774)	(354,656)
Endowment		
Investments	(372,941)	(334,444)
Beneficial interest	(4,091,672)	(3,613,014)
	<u>\$ 3,270,738</u>	<u>\$ 2,076,736</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, 2023 and 2022 consists of the following:

	<u>2023</u>	<u>2022</u>
Personal Notes From Priests	\$ 12,269	\$ 15,000
Less current maturities	<u>(2,847)</u>	<u>(2,708)</u>
Notes receivable, less current maturities	<u><u>\$ 9,422</u></u>	<u><u>\$ 12,292</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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Within One Year	\$ 773,031	\$ 1,224,404
In One to Five Years	<u>115,515</u>	<u>713,607</u>
	888,546	1,938,011
Less Discount to Net Present Value at a Rate of 4% - 8.25%	(52,183)	(97,472)
Less Allowance for Uncollectable Promises to Give	<u>(158,135)</u>	<u>(193,801)</u>
	<u><u>\$ 678,228</u></u>	<u><u>\$ 1,646,738</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, 2023:

		Fair Value Measurements at June 30, 2023 Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Total			
Endowment Investments				
Beneficial interests in investment				
Investments held by Diocese				
of Crookston Catholic				
Community Foundation	\$ 4,091,672	\$ 3,608,855	\$ 482,817	\$ -
Operating Investments				
Diocese of Crookston Catholic				
Community Foundation	168,932	148,998	19,934	-
At NAV				
Mission Diocese Fund	372,941	-	-	-
	<u>\$ 4,633,545</u>	<u>\$ 3,757,853</u>	<u>\$ 502,751</u>	<u>\$ -</u>

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

		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)
	Total			
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>

Investments in certain entities that calculated NAV per share are as follows at June 30, 2023:

Investment	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Endowment Investments				
Mission Diocese Fund	\$ 372,941	\$ -	Monthly	N/A

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

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, 2023 and 2022:

	2023	2022
Land and Improvements	\$ 927,897	\$ 107,897
Buildings	12,521,706	1,317,371
Equipment and Furnishings	388,503	341,003
Construction in Progress	-	31,586
	<u>13,838,106</u>	<u>1,797,857</u>
Less Accumulated Depreciation	<u>(1,257,940)</u>	<u>(988,638)</u>
	<u><u>\$ 12,580,166</u></u>	<u><u>\$ 809,219</u></u>

Depreciation expense for the years ended June 30, 2023 and 2022 was \$20,591 and \$56,273, respectively. As of June 30, 2023 and 2022, there was \$0 and \$27,927 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, 2023 and 2022 consists of the following:

	2023	2022
2.20% note payable, due in monthly installments of \$1,367, including interest, to October 2036, secured by property	\$ 189,976	\$ 200,778
Less current maturities	<u>(10,418)</u>	<u>(12,116)</u>
Long-term debt, less current maturities	<u><u>\$ 179,558</u></u>	<u><u>\$ 188,662</u></u>

The aggregate amounts of future minimum principal payments on long-term debt as of June 30, 2023 are as follows:

Years Ending June 30,	Amount
2024	\$ 10,418
2025	10,940
2026	11,489
2027	12,064
2028	12,669
Thereafter	132,396
Total	<u>\$ 189,976</u>

Note 8 - In-Kind Contributions

For the years ended June 30, 2023 and 2022, 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	2023	2022
		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, 2023.

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 Diocese 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 Diocese's participation in these plans for the annual period ended June 30, 2023 and 2022, 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 2023 is for the plan's year end at June 30, 2023, 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 2023 contributions.

The Diocese has listed in its plans' Form 5500 as providing more than 0.06% 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	2023	Pending/ Implemented	2023	Surcharge Imposed	
Christian Brothers Employee Retirement Trust	36-2671613 #333	Yellow as of 6/30/2023	Implemented	\$ 42,307	No	N/A
Pension Fund	Plan Number	2022	Pending/ Implemented	2022	Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
Christian Brothers Employee Retirement Trust	36-2671613 #333	Yellow as of 6/30/2022	Implemented	\$ 43,117	No	N/A

Note 10 - Operating Lease

The Diocese leases a portion of the Chancery building to the Sisters of St. Benedict of Crookston (SSBC). Under the lease agreement with SSBC, terms commenced July 1, 2022 for 10 years, with renewable options upon written agreement. Payments of \$50,000 are due quarterly on or before July 31, October 31, January 31, and April 30 of each year, starting July 31, 2022.

Leased property subject to operating leases at June 30, 2023 and 2022, includes:

	2023	2022
Building	\$ 12,024,335	\$ -
Less Accumulated Depreciation	(254,811)	-
	<u>\$ 11,769,524</u>	<u>\$ -</u>

Depreciation expense for leased property subject to operating leases is provided on the straight-line method over the estimated useful life of the property in amounts necessary to reduce the asset to its estimated residual value. Estimated and actual residual values are reviewed on a regular basis to determine that depreciation amounts are appropriate. Depreciation expense relating to leased property subject to operating leases was \$280,108 and \$0 for 2023 and 2022.

The following table sets forth the lease income recognized on operating leases:

	2023	2022
Lease Income Relating to Lease Payments	\$ 200,000	\$ -

Revenue from operating leases is included in office specific income within program service revenue on the Statements of Activities.

The following is a maturity analysis of the annual undiscounted cash flow of the operating lease payments to be received as of June 30, 2023:

Years Ending June 30,	
2024	\$ 200,000
2025	200,000
2026	200,000
2027	200,000
2028	200,000
Thereafter	800,000
	<u>\$ 1,800,000</u>

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, 2023 and 2022, 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, 2023, endowment net assets composition by type of fund is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 4,478,271	\$ 4,478,271
Accumulated investment losses	-	(13,658)	(13,658)
	<u>\$ -</u>	<u>\$ 4,464,613</u>	<u>\$ 4,464,613</u>

As of June 30, 2022, endowment net assets composition by type of fund is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 4,019,132	\$ 4,019,132
Accumulated investment gains	-	(71,674)	(71,674)
	<u>\$ -</u>	<u>\$ 3,947,458</u>	<u>\$ 3,947,458</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, 2023 and 2022, funds with original gift values of \$4,225,089 and \$3,765,850, fair values of \$4,091,770 and \$3,613,014, and deficiencies of \$133,319 and \$152,837, respectively, were reported in net assets with donor restrictions.

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%.

Changes in endowment net assets for the year ended June 30, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - June 30, 2022	\$ -	\$ 3,947,458	\$ 3,947,458
Change in Beneficial Interest in Investments	-	642,358	642,358
Distributions of beneficial interest	-	(163,700)	(163,700)
Investment Income			
Investment income	-	2,686	2,686
Net unrealized gains	-	35,811	35,811
Endowment Net Assets - June 30, 2023	<u>\$ -</u>	<u>\$ 4,464,613</u>	<u>\$ 4,464,613</u>

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>

Note 12 - Net Assets with Donor Restrictions

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

	2023	2022 (restated)
Subject to Expenditure for Specified Purpose		
Seminarian Endowment	\$ 535,999	\$ 586,799
Formation in Discipleship	73,827	23,657
Office of Catholic Schools	58,542	97,918
Cont Ed Priests Endowment	56,132	55,870
Adult, Emerging Adult, and Youth Education	24,005	-
Retired Priest Collection	11,192	-
Perfect Fit	-	9,131,623
Educational Training	-	10,000
Office of Communications	-	2,250
	<u>759,697</u>	<u>9,908,117</u>
Subject to the Passage of Time		
Promises to give, for Perfect Fit	798,492	1,570,521
Annual Appeal	912,142	807,630
	<u>1,710,634</u>	<u>2,378,151</u>
Endowments		
Unspent appreciation of Endowment funds which must be appropriated for expenditure before use	<u>(13,658)</u>	<u>(71,674)</u>
Perpetual in Nature, Earnings From Which are Subject to endowment spending policy appropriation		
Beneficial Interest- Education for Seminarians	3,293,383	3,238,088
Beneficial Interest - Sisters of St. Benedict Cemetery	400,000	-
Beneficial Interest- General	280,000	280,000
Seminarian Education	253,282	253,282
Beneficial Interest- Continuing Education	207,470	207,321
Beneficial Interest- Newman Ministry	29,133	29,133
Beneficial Interest- Youth Ministry	11,308	11,308
Beneficial Interest - Perfect Fit	3,695	-
	<u>4,478,271</u>	<u>4,019,132</u>
Total endowments	<u>4,464,613</u>	<u>3,947,458</u>
	<u>\$ 6,934,944</u>	<u>\$ 16,233,726</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, 2023 and 2022:

	2023	2022 (restated)
Satisfaction of Purpose Restrictions		
Perfect Fit	\$ 10,601,406	\$ -
Annual Appeal	807,630	838,920
Seminarian Education	53,070	100,839
Office of Catholic Schools	39,666	-
Continuing Education	10,000	4,350
Office of Communications	2,250	-
Adult, Emerging Adult and Youth Education	-	8,108
Formation in Discipleship	-	26,760
	<u>\$ 11,514,022</u>	<u>\$ 978,977</u>
Total net assets released from restrictions		

Note 13 - Related Party Transactions

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

The Diocese also has beneficial interest in endowments owned and held by the Foundation in the amount of \$4,091,672 and \$3,613,014 for the years ended June 30, 2023 and 2022, which provided distributed earnings of \$163,700 and \$113,390 for the years ended June 30, 2023 and 2022.

The Diocese received \$79,000 and \$76,000 from the Foundation for the year ending June 30, 2023 and 2022, respectively, for accounting and administrative services. The Diocese had one note payable outstanding with the Foundation, with balances totaling \$189,976 and \$200,778 at June 30, 2023 and 2022, respectively. This note bears interest of 4.90% and is secured by the discernment house. The Diocese makes monthly payments on this note.

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. The building was purchased during 2023 and the necessary funds were transferred to the Diocese. Once all pledges are received, the remaining funds raised in excess of the purchase price will go into an endowment owned by the Foundation. As of June 30, 2023 and 2022, the Perfect Fit receivable from the Foundation totaled \$985,687 and \$131,623, respectively. These funds are being held in a money market at the Foundation and are available upon demand if any additional costs related to the building are incurred.

The Foundation holds investment funds for the Diocese, which totaled \$168,932 and \$163,032 at June 30, 2023 and 2022, respectively. The Foundation pays earnings semiannually, at a variable rate determined by the interest, dividends and gains or losses on its investments.

Note 14 - Correction of Error

During 2023, it was noted by management that there was a misstatement identified within the 2022 and 2021 financial statements related to with and without donor restrictions. The Diocese restated its previously issued financial statements to appropriately reflect the beginning and ending net assets with and without donor restrictions as of June 30, 2022.

The following is a summary of the effects of the restatement in the Diocese's June 30, 2022 financial statements:

	As Previously Reported	Correction of Error	As Adjusted
Statement of Financial Position - Liabilities and Net Assets			
Net Assets			
Without donor restrictions			
Undesignated	\$ 905,442	\$ (807,630)	\$ 97,812
Total net assets without donor restrictions	1,868,539	(807,630)	1,060,909
With donor restrictions	15,426,096	807,630	16,233,726
Statement of Activities			
Revenues and Support			
Annual appeal - Without Donor Restrictions	871,481	(807,630)	63,851
Annual appeal - With Donor Restrictions	-	807,630	807,630
Net assets released from restrictions	140,057	838,920	978,977
Total revenues and support - Without Donor Restrictions	3,379,790	31,290	3,411,080
Total revenues and support - With Donor Restrictions	10,037,952	(31,290)	10,006,662
Change in Net Assets - Without Donor Restrictions	27,115	31,290	58,405
Change in Net Assets - With Donor Restrictions	10,037,952	(31,290)	10,006,662
Net Assets, Beginning of Year - Without Donor Restrictions	1,841,424	(838,920)	1,002,504
Net Assets, Beginning of Year - With Donor Restrictions	5,388,144	838,920	6,227,064
Net Assets, End of Year - Without Donor Restrictions	1,868,539	(807,630)	1,060,909
Net Assets, End of Year - With Donor Restrictions	15,426,096	807,630	16,233,726