

THE DIOCESE OF ST. CLOUD
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022



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**THE DIOCESE OF ST. CLOUD
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INDEPENDENT AUDITORS' REPORT

The Most Reverend Patrick M. Neary
Bishop of The Diocese of St. Cloud
The Diocese of St. Cloud
St. Cloud, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The Diocese of St. Cloud (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 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 *Auditors' 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the financial statements are available to be issued.

The Most Reverend Patrick M. Neary
Bishop of The Diocese of St. Cloud
The Diocese of St. Cloud

Auditors' 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 auditors' 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

St. Cloud, Minnesota
November 27, 2023

**THE DIOCESE OF ST. CLOUD
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022**

	2023	2022
ASSETS		
Cash and Cash Equivalents	\$ 1,230,169	\$ 1,084,485
Accounts Receivable, Net	89,588	55,090
Prepaid Expenses and Other Assets	41,738	78,189
Investments	6,918,339	6,633,735
Investment in Fully Engaged, LLC	42,815	29,620
Property and Equipment, Net	835,426	697,487
Operating Right-of-Use Asset, Net	132,648	-
	\$ 9,290,723	\$ 8,578,606
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 315,143	\$ 188,392
Accrued Payroll and Other Liabilities	219,387	203,460
Deferred Revenue	48,465	15,390
Net Unfunded Priest Pension Liability	4,637,506	5,124,874
Notes Payable	1,641,343	1,777,358
Annuities Payable	59,242	67,483
Reserve for Unknown Claims	450,000	450,000
Lease Liability - Operating	135,985	-
	7,507,071	7,826,957
NET ASSETS		
Without Donor Restrictions- Undesignated	(4,887,136)	(5,544,995)
Without Donor Restrictions- Designated for Seminarian Education	192,163	174,415
Total Net Assets Without Donor Restrictions	(4,694,973)	(5,370,580)
With Donor Restrictions	6,478,625	6,122,229
Total Net Assets	1,783,652	751,649
	\$ 9,290,723	\$ 8,578,606

**THE DIOCESE OF ST. CLOUD
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Contributions	\$ 2,377,870	\$ 108,411	\$ 2,486,281
Investment Return	65,497	612,585	678,082
Fees for Services	90,339	-	90,339
Insurance Refund	281,369	-	281,369
Program Revenue	221,510	-	221,510
Assessments	3,017,164	-	3,017,164
Miscellaneous Revenue	18,607	-	18,607
Released from Restrictions	364,600	(364,600)	-
Total Support and Revenues	<u>6,436,956</u>	<u>356,396</u>	<u>6,793,352</u>
EXPENSES			
Program Expenses	3,659,600	-	3,659,600
General and Administrative Expenses	2,101,749	-	2,101,749
Total Expenses	<u>5,761,349</u>	<u>-</u>	<u>5,761,349</u>
CHANGE IN NET ASSETS	675,607	356,396	1,032,003
Net Assets - Beginning of Year	<u>(5,370,580)</u>	<u>6,122,229</u>	<u>751,649</u>
NET ASSETS - END OF YEAR	<u>\$ (4,694,973)</u>	<u>\$ 6,478,625</u>	<u>\$ 1,783,652</u>

**THE DIOCESE OF ST. CLOUD
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Contributions	\$ 1,735,260	\$ -	\$ 1,735,260
Investment Return	(45,901)	(1,088,395)	(1,134,296)
Fees for Services	87,410	-	87,410
Insurance Refund	291,018	-	291,018
Program Revenue	255,801	-	255,801
Assessments	3,017,156	-	3,017,156
Miscellaneous Revenue	37,380	-	37,380
Released from Restrictions	342,330	(342,330)	-
Total Support and Revenues	<u>5,720,454</u>	<u>(1,430,725)</u>	<u>4,289,729</u>
EXPENSES			
Program Expenses	3,317,341	-	3,317,341
General and Administrative Expenses	1,547,696	-	1,547,696
Total Expenses	<u>4,865,037</u>	<u>-</u>	<u>4,865,037</u>
CHANGE IN NET ASSETS	855,417	(1,430,725)	(575,308)
Net Assets - Beginning of Year	<u>(6,225,997)</u>	<u>7,552,954</u>	<u>1,326,957</u>
NET ASSETS - END OF YEAR	<u>\$ (5,370,580)</u>	<u>\$ 6,122,229</u>	<u>\$ 751,649</u>

THE DIOCESE OF ST. CLOUD
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising and Development</u>	<u>Total</u>
Salaries	\$ 1,460,423	\$ 799,115	\$ -	\$ 2,259,538
Benefits	365,734	219,630	-	585,364
Decrease in Priest Pension Liability	-	(487,368)	-	(487,368)
Diocesan Dues and Assessments	-	209,415	-	209,415
Legal Fees	-	76,979	-	76,979
Accounting Fees	-	163,969	-	163,969
Professional Fees	118,069	64,827	-	182,896
Utilities	37,703	33,227	-	70,930
Telephone/Internet	22,886	15,257	-	38,143
Postage/Printing	374,075	4,570	-	378,645
Office Expense	78,793	320,310	-	399,103
Meetings	4,531	1,184	-	5,715
Travel	38,869	17,533	-	56,402
Formation	453,040	-	-	453,040
Dues/Subscriptions	7,374	13,560	-	20,934
Insurance	2,996	189,609	-	192,605
Programs	412,719	229,691	-	642,410
Contributions	38,450	10,100	-	48,550
Debt Service	-	76,846	-	76,846
Repairs and Maintenance	19,931	75,663	-	95,594
Scholarships	38,737	-	-	38,737
Distributions	184,870	-	-	184,870
Miscellaneous	400	3,459	-	3,859
Depreciation/ Bad Debt	-	64,173	-	64,173
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenses by Function	<u>\$ 3,659,600</u>	<u>\$ 2,101,749</u>	<u>\$ -</u>	<u>\$ 5,761,349</u>

**THE DIOCESE OF ST. CLOUD
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022**

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising and Development</u>	<u>Total</u>
Salaries	\$ 1,241,140	\$ 690,887	\$ -	\$ 1,932,027
Benefits	434,777	293,120	-	727,897
Decrease in Priest Pension Liability	-	(522,334)	-	(522,334)
Diocesan Dues and Assessments	-	201,033	-	201,033
Professional Fees	85,432	219,213	-	304,645
Utilities	52,252	39,211	-	91,463
Postage/Printing	340,118	5,532	-	345,650
Office Expense	62,619	91,046	-	153,665
Meetings	3,838	928	-	4,766
Travel	24,345	10,128	-	34,473
Formation	375,766	-	-	375,766
Dues/Subscriptions	9,747	6,131	-	15,878
Insurance	2,747	159,973	-	162,720
Programs	401,685	174,484	-	576,169
Contributions	33,300	46,054	-	79,354
Interest	11,179	60,250	-	71,429
Repairs and Maintenance	30,915	20,610	-	51,525
Scholarships	33,268	-	-	33,268
Distributions	168,455	-	-	168,455
Miscellaneous	5,758	3,009	-	8,767
Depreciation	-	48,421	-	48,421
Total Expenses by Function	<u>\$ 3,317,341</u>	<u>\$ 1,547,696</u>	<u>\$ -</u>	<u>\$ 4,865,037</u>

**THE DIOCESE OF ST. CLOUD
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,032,003	\$ (575,308)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	64,173	48,421
Change in Value of Net Unfunded Priest Pension Liability	(487,368)	(522,334)
Realized Loss on Investments	66,524	51,412
Unrealized (Gain) Loss on Investments	(537,233)	1,321,022
Change in Operating Leases	3,337	-
(Increase) Decrease in Assets:		
Accounts Receivable, Net	(34,498)	1,193
Prepaid Expenses and Other Assets	36,451	26,547
Increase (Decrease) in Liabilities:		
Accounts Payable	126,751	(251,517)
Accrued Payroll and Other Liabilities	15,927	(9,688)
Deferred Revenue	33,075	(18,668)
Reserve for Unknown Claims	-	(50,000)
Net Cash Provided by Operating Activities	\$ 319,142	\$ 21,080
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	\$ (202,112)	(354,993)
Purchases of Investments	(208,711)	(225,190)
Proceeds from Sale of Investments	381,621	438,908
Net Cash Used by Investing Activities	(29,202)	(141,275)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Notes Payable	(136,015)	(126,179)
Proceeds on Notes Payable	-	300,000
Change in Annuities Payable	(8,241)	(8,977)
Net Cash Provided (Used) by Financing Activities	(144,256)	164,844
NET INCREASE IN CASH AND CASH EQUIVALENTS	145,684	44,649
Cash and Cash Equivalents - Beginning of Year	1,084,485	1,039,836
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,230,169	\$ 1,084,485
SUPPLEMENTAL DISCLOSURES OF NONCASH FINANCING ACTIVITY		
Equipment Received in Exchange for Operating Leases	\$ 173,949	\$ -

THE DIOCESE OF ST. CLOUD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 NATURE OF ORGANIZATION

The Diocese of St. Cloud (the Diocese) encompasses over 12,000 square miles in 16 central Minnesota counties and is home to over 125,000 Catholics. The Diocese includes 131 parishes, 32 Catholic schools (including elementary, high schools, colleges, and a Seminary), and 22 Catholic-sponsored hospitals, nursing homes, and assisted living residences. The mission of the Diocese is to be Jesus Christ's heart of mercy, voice of hope, and hands of justice.

The accompanying financial statements include all institutions and organizations providing services at the diocesan level of administration above the individual parishes and which are fiscally responsible to the Bishop of The Diocese of St. Cloud (the Bishop). Individual parishes and related institutions, incorporated entities operating within the Diocese, and other entities operating within the Diocese which are not fiscally responsible to the Bishop are not included in the accompanying financial statements.

The following is a list of programs and their related statements of purpose included in this report as Curia fund programs.

Catholic Education Ministries – Serves as the catechetical office for the Diocese. This office provides service to Catholic Schools, Religious Education and Faith Formation for preschool children through adults, Sacramental Preparation and Youth Ministry.

Office of Communications and Development – Provides current information about the life of the Church in the 16-county diocese. It promotes collaboration through effective communication tools and strategies and participates in the Church's mission of evangelization by sharing the Good News of Jesus Christ. The office promotes stewardship in the Diocese and serves as a resource to parishes and Area Catholic Communities. It also manages the Bishop's Annual Appeal, which supports the ministries of the Diocese.

Diaconate Office – Invites, forms, and supports deacons and their families as they serve the Lord in the diaconate ministry.

Health Care Ministry – Responds to matters related to sponsorship of Catholic Health Care facilities.

Human Resources – Responsible for providing leadership to staff to support implementation of the mission, vision, values and unity of the Diocese. The office works closely with the Curia to identify human resource needs and assist in setting organizational policy direction for specialized human resource functions. Responsible for operations and performance of specialized human resources support services including risk management, recruitment, benefits management, compensation system and payroll administration, personnel policy administration, employee records administration, safety, legal compliance, employee relations, human resource training and development. Provide human resource guidance to parish priests for employment related activities/issues/concerns.

THE DIOCESE OF ST. CLOUD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 NATURE OF ORGANIZATION (CONTINUED)

The Office of Marriage and Family - Assists couples and families in living a Christ-centered life in accord with Catholic teaching. The office's programs and events foster the dignity of the human person from conception to a natural death. The office is dedicated to proclaiming the presence of Jesus Christ in our families and our daily lives.

Multicultural Ministries - Supports the diocesan offices by modeling and promoting a collaborative ministry based on communion in mission, welcoming the strangers among us by providing pastoral care in the cultural context in which the Good News is proclaimed, and inviting everyone to discover each person's story with God as told in symbols, arts, rituals, cultures, traditions, faith beliefs and expressions of faith.

The Diocesan Planning Office – Assists, along with the Planning Council, the Bishop and the Diocese in their efforts to plan for the pastoral care of faith communities throughout the Diocese of Saint Cloud.

Safe Environment – Supports the Diocese in its commitment to following the procedures outlined in the Charter for the Protection of Children and Young People that was established in 2002.

The Office of Social Concerns - Managed through Catholic Charities of the Diocese of Saint Cloud, this office promotes Catholic social teaching upon which Catholic Charities is founded.

The Tribunal Office - exists largely to help those who are divorced (and with a possible remarriage) who now seek a clarification of their status in the Church.

Vocations Office – Works with vocations to the priesthood and religious life.

Office of Worship - Assists the Bishop in carrying out his function as the chief liturgist and promoter and guardian of the liturgical life of the Diocese. This office assists the people of the Diocese in liturgical formation by deepening their understanding of the liturgy and helping them to implement the vision of the Constitution on the Sacred Liturgy. The office provides leadership and direction for the development of liturgical celebrations, prayer, music, art, and environment.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting.

**THE DIOCESE OF ST. CLOUD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-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 restrictions. The governing board has designated, from net assets without donor restrictions, net assets for seminarian education.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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. 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

Major sources of revenue include assessments (a tax on parish income), contributions, the Annual Diocesan Appeal, and income on investments.

Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Diocese. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided, and the Diocese does not believe they are required to provide additional goods or services to the client. Assessments are recognized over time, within the fiscal year, as the underlying services are rendered. Program and Fee Revenue is recognized at both a point in time and over time depending on the underlying nature of the revenue producing activity.

THE DIOCESE OF ST. CLOUD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Advertising Costs

Advertising costs are expensed as incurred and totaled \$1,896 and \$4,766 for the years ended 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 their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment expenses.

Receivables

The Diocese uses the allowance method of accounting for uncollectible accounts, which is based on management's judgment using historical information. Payment for services is required upon receipt of an invoice. Accounts that are determined to be uncollectible are written off. The allowance for doubtful accounts was \$5,373 and \$4,973 at June 30, 2023 and 2022, respectively. Accounts receivable are uncollateralized.

Property and Equipment

All property, plant, and equipment of the Diocese is recorded at historical cost. Donated assets are recorded at fair market value at the date of the gift. Donated assets are treated as without donor restriction in the absence of stipulations by the donor about how long the asset may be used. All maintenance and repair of assets are charged to operations as incurred. Depreciation of property, plant, and equipment is provided for by charges to operations using straight-line methods.

Leases

The Diocese leases certain copiers, folding machines and postage machines. The Diocese determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and lease liabilities on the statements of financial position.

THE DIOCESE OF ST. CLOUD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

ROU assets represent the Diocese's right to use an underlying asset for the lease term and lease liabilities represent the Diocese's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As leases do not provide an implicit rate, the Diocese uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Diocese will exercise that option. Lease expenditure for lease payments is recognized on a straight-line basis over the lease term. The Diocese has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statements of financial position.

The Diocese has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and nonlease component as a single lease component.

The Diocese's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, the Diocese considers factors such as if the Diocese has obtained substantially all of the rights to the underlying asset through exclusivity, if the Diocese can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

Annuities Payable

Annuities are offered to donors wishing to make a deferred gift to the Diocese for the benefit of the Diocese or its affiliates. Donors receive life income payments and the gift remainders may or may not be restricted for specific purposes depending on donor intent.

Cash and Cash Equivalents

The Diocese considers all highly liquid investments, without donor restriction, with an initial maturity of three months or less to be cash equivalents.

THE DIOCESE OF ST. CLOUD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments

The Diocese has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Financial assets and liabilities recorded on the statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Diocese has the ability to access.

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

- Quoted prices for similar assets or liabilities in active markets;
- Pricing models whose inputs are observable for substantially the full term of the asset or liability; and
- Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

Functional Expenses

The costs of conducting the various programs and functions and the related supporting services have been summarized on a functional basis in the statements of activities. Salary and benefit expenses are allocated between program, fundraising, and administrative expenses based on the time spent by each employee in these categories. As costs are incurred, they are charged to a cost center that determines whether the expense is program, administrative, or fundraising in nature. No additional allocation of expenses occurs.

THE DIOCESE OF ST. CLOUD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Status

The Diocese is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and corresponding state tax codes. The Diocese is not a private foundation and contributions to the Diocese qualify as a charitable tax deduction by the contributor. The Diocese believes it has appropriate support for any tax positions taken, and therefore, does not have any uncertain income tax positions that are material to the financial statements. The Diocese is not subject to the Form 990 filing requirement.

Subsequent Events

In preparing the financial statements, the Diocese has evaluated events and transactions for potential recognition or disclosure through November 27, 2023, the date the financial statements were available to be issued.

Adoption of New Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Diocese adopted the requirements of this guidance effective July 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption presented using a modified retrospective approach, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

The Diocese has elected to adopt the package of practical expedients available in the year of adoption. The Organization has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Diocese's ROU assets.

The Diocese has applied the portfolio approach in identifying its population of leases and in applying its risk-free rate in certain relevant cases.

The Diocese elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

**THE DIOCESE OF ST. CLOUD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards (Continued)

As a result of the adoption of the new lease accounting guidance, the Diocese recognized on July 1, 2022 an operating lease liability of \$173,949, which represents the present value of the remaining operating lease payments and an operating right-of-use asset of \$173,949.

The standard had a material impact on the statements of financial position but did not have a material impact on the statements of activities nor a material impact on the statements of cash flows. The most significant impact was the recognition of the ROU assets and lease liabilities.

NOTE 3 CONCENTRATION OF CREDIT AND MARKET RISK

The Diocese maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Diocese also invests in a variety of investments. These investments are exposed to various risks, such as fluctuations in market value and credit risk. It is at least reasonably possible that changes in risk in the near term could materially affect investment balances and the amounts reported in the financial statements.

NOTE 4 PROPERTY AND EQUIPMENT

Property and Equipment is summarized as follows at June 30, 2023 and 2022:

	2023	2022
Land and Land Improvements	\$ 100,738	\$ 43,978
Building and Building Improvements	2,548,594	2,479,175
Furniture and Equipment	252,330	230,995
Vehicles	115,617	61,019
Total	3,017,279	2,815,167
Less: Accumulated Depreciation	(2,181,853)	(2,117,680)
Total Property and Equipment, Net	\$ 835,426	\$ 697,487

Depreciation expense totaled \$64,173 and \$48,421 for the years ended June 30, 2023 and 2022, respectively.

NOTE 5 LAY PENSION PLAN- CHRISTIAN BROTHERS' PLAN

The following brief description of The St. Cloud Diocese Lay Pension Plan (the Lay Pension Plan) is provided for general information purposes only. Employees should refer to the plan agreement for a more complete description of the Lay Pension Plan's provisions.

THE DIOCESE OF ST. CLOUD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 5 LAY PENSION PLAN- CHRISTIAN BROTHERS' PLAN (CONTINUED)

General

The Lay Pension Plan is a multi-employer defined benefit plan covering substantially all of the lay employees of the Diocese.

Purpose

The Lay Pension Plan was established by the Diocese to be effective on July 1, 1991, in order to provide eligible employees an additional source of retirement income.

Asset Management

Plan assets are accumulated in a Trust Fund administered by the Trustee. The Trustee, Northern Trust Company, has full discretion and authority with regard to the investment of the Trust Fund. Assets are invested in mutual funds, government securities, and corporate stock.

Termination

The Diocese may terminate participation under this plan. In such event, the employees' accrued benefits are, under most circumstances, fully protected, to the extent that the employee has then completed the vesting requirement.

Information as to vested and nonvested benefits, as well as plan assets and unfunded liabilities, related solely to the Diocese is not readily determinable. In accordance with Accounting Standards Codification Paragraph 715-30-55-63, the Diocese accounts for its participation in the plan as a multiemployer plan.

NOTE 6 PRIESTS' PENSION PLAN

General

The Pension Plan for Priests of the Diocese of St. Cloud (the Priest Pension Plan) is a defined benefit plan covering substantially all the priests of the Diocese. It was established by the Diocese to be effective on July 1, 1989, in order to provide eligible diocesan priests an additional source of retirement income. The plan was last amended and restated effective July 1, 2016. The Plan was last amended effective July 1, 2023, to provide that a participant who continues employment after his normal retirement age is entitled to receive his entire base retirement benefit. For the years ended June 30, 2023 and 2022, the Priest Pension Plan's base retirement benefit level per month was \$1,985 and \$1,891, respectively. Effective July 1, 2023, the base retirement benefit level per month was increased to \$2,084. The Diocese funds the plan as needed.

The plan is administered by the Board of Trustees. The Board of Trustees has overall responsibility for the operation and administration of the Priest Pension Plan. The Board of Trustees determines the appropriateness of the plan's investment offerings and monitors investment performance along with the Diocese's investment advisors.

THE DIOCESE OF ST. CLOUD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 6 PRIESTS' PENSION PLAN (CONTINUED)

General (Continued)

As required by accounting principles generally accepted in the United States of America, the full funding status of the Priest Pension Plan has been recognized as an asset (overfunded plan) or as a liability (underfunded plan). The pension benefit obligation for retired priests has been actuarially determined.

Pension Benefits

Diocesan priests who have attained age 70 are entitled to annual pension benefits equal to the base retirement benefit multiplied by a fraction whose numerator is the actual number of years of credited service and whose denominator is 40. Priests who terminate prior to attaining age 70 and have 10 years of service accrue benefits according to plan provisions. Priests are 100% vested in benefits after 10 years of credited service.

Funding Policy

The plan is funded with direct assessments, as determined annually by the Diocese, from active priests and parishes of the Diocese as well as with discretionary contribution amounts from the Diocese, such that all benefits will be fully provided for by the time the participant is eligible to start receiving benefits. The direct assessment to each parish was \$3,600 for the years ended June 30, 2023 and 2022. The direct assessment to each priest was \$1,100 for the years ended June 30, 2023 and 2022.

Net Unfunded Priest Pension Liability

Market values of the plan's assets as of June 30, 2023 are as follows:

Market Value of Assets as of July 1, 2022	\$ 5,700,240
Contributions	790,418
Investment Income	581,166
Benefit Payments	(962,147)
Expenses	(41,012)
	<hr/>
Market Value of Assets as of June 30, 2023	6,068,665
Projected Benefit Obligation	(10,706,171)
Net Unfunded Priest Pension Liability	<u><u>\$ (4,637,506)</u></u>

Market values of the plan's assets as of June 30, 2022 are as follows:

Market Value of Assets as of July 1, 2021	\$ 6,938,370
Contributions	753,825
Investment Income	(1,097,044)
Benefit Payments	(849,620)
Expenses	(45,291)
	<hr/>
Market Value of Assets as of June 30, 2022	5,700,240
Projected Benefit Obligation	(10,825,114)
Net Unfunded Priest Pension Liability	<u><u>\$ (5,124,874)</u></u>

THE DIOCESE OF ST. CLOUD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 6 PRIESTS' PENSION PLAN (CONTINUED)

Fair values of the plan's assets as of June 30, 2023 are as follows:

Cash and Cash Equivalents	\$ 312,000
Fixed Income Securities	1,708,388
Equity Income Securities	4,048,277
Total	<u>\$ 6,068,665</u>

Fair values of the plan's assets as of June 30, 2022 are as follows:

Cash and Cash Equivalents	\$ 370,411
Fixed Income Securities	1,753,427
Equity Income Securities	3,576,402
Total	<u>\$ 5,700,240</u>

Benefits expected to be paid by the plan during the ensuing five years and five years thereafter are approximately as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 937,000
2025	914,000
2026	882,000
2027	866,000
2028	862,000
Years 2029 and Later	4,213,000

NOTE 7 INVESTMENTS

The estimated market value of investments in securities as of June 30, 2023 are as follows:

Cash and Cash Equivalents	\$ 354,110
Equities and Mutual Funds	4,595,333
Bond Funds	1,968,896
Total Investments	<u>\$ 6,918,339</u>

The estimated market value of investments in securities as of June 30, 2022 are as follows:

Cash and Cash Equivalents	\$ 104,128
Equities and Mutual Funds	3,107,730
Bond Funds	3,421,877
Total Investments	<u>\$ 6,633,735</u>

THE DIOCESE OF ST. CLOUD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 7 INVESTMENTS (CONTINUED)

The following table presents the fair value hierarchy for the balances of the investments of the Diocese measured at fair value on a recurring basis as of June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 354,110
Equities and Mutual Funds	4,595,333	-	-	4,595,333
Bond Funds	1,968,896	-	-	1,968,896
Total Investments	<u>\$ 6,564,229</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,918,339</u>

The following table presents the fair value hierarchy for the balances of the investments of the Diocese measured at fair value on a recurring basis as of June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 104,128
Equities and Mutual Funds	3,107,730	-	-	3,107,730
Bond Funds	3,421,877	-	-	3,421,877
Total Investments	<u>\$ 6,529,607</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,633,735</u>

NOTE 8 LIQUIDITY AND AVAILABILITY

The Diocese strives to maintain all assets as liquid financial assets. Financial assets are kept in the checking account or in highly liquid short-term investments prior to disbursement as needed.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 1,230,169	\$ 1,084,485
Accounts Receivable, Net	89,588	55,090
Investments	6,918,339	6,633,735
Total	<u>8,238,096</u>	<u>7,773,310</u>
Less: Net Assets With Donor Restrictions	<u>(6,478,625)</u>	<u>(6,122,229)</u>
Total Financial Assets Available	<u>\$ 1,759,471</u>	<u>\$ 1,651,081</u>

THE DIOCESE OF ST. CLOUD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 9 RELATED ORGANIZATION

The Bishop of the Diocese, as well as other diocesan members who have administrative functions, also serve in governance positions for parishes, the Diocese of St. Cloud Deposit and Loan Fund (Deposit and Loan), the Catholic Foundation for the Diocese of St. Cloud (Foundation), and the Clerical Aid Association of the Diocese of St. Cloud (Clerical Aid). Below summarizes related party transactions for the years ended June 30, 2023 and 2022:

2023	Deposit and Loan	Foundation	Clerical Aid	Parishes
Cash	\$ 100,271	\$ -	\$ -	\$ -
Notes Payable	1,641,343	-	-	-
Investments	-	6,918,339	-	-
Service Fee Expense	-	52,470	-	-
Contribution Expense	-	-	48,372	-
Assessments Revenue	-	-	-	3,017,164
Assessments Receivable	-	-	-	41,626
AUP Expenses	-	-	-	118,771

2022	Deposit and Loan	Foundation	Clerical Aid	Parishes
Notes Payable	\$ 1,777,358	\$ -	\$ -	\$ -
Investments	-	6,633,735	-	-
Service Fee Expense	-	61,642	-	-
Contribution Expense	-	-	23,721	-
Assessments Revenue	-	-	-	3,017,156
Assessments Receivable	-	-	-	15,004
AUP Expenses	-	-	-	64,890

NOTE 10 NET ASSETS

Net assets with donor restrictions are restricted for the following purposes at June 30, 2023 and 2022:

	2023	2022
Seminarian Funds	\$ 4,289,967	\$ 4,131,851
Retirement Fund	77,844	71,218
Religious Education Scholarship	1,133,184	1,093,235
Ministries	123,782	113,247
Expendable Income from Investments Held in Perpetuity	248,303	219,261
Other	170,425	58,297
Total Net Assets Restricted for Specified Purpose	6,043,505	5,687,109
Net Assets Required to be Maintained in Perpetuity:		
Seminary Scholarship	435,120	435,120
Total Net Assets With Donor Restriction	<u>\$ 6,478,625</u>	<u>\$ 6,122,229</u>

**THE DIOCESE OF ST. CLOUD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 10 NET ASSETS (CONTINUED)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Seminarian Funds	\$ 257,325	\$ 264,833
Endowment Appropriations	37,514	31,129
Religious Education Scholarship	<u>69,761</u>	<u>46,368</u>
Total Net Assets Released from Restrictions	<u>\$ 364,600</u>	<u>\$ 342,330</u>

NOTE 11 NOTES PAYABLE

The Diocese entered into a 4% secured loan with the Deposit and Loan Fund on December 16, 2020 in the amount of \$2,100,000 with a monthly payment of \$18,387.86, maturing on December 16, 2032. The balance of the note was \$1,338,124 and \$1,451,691 as of June 30, 2023 and 2022, respectively.

The Diocese entered into a 4% secured loan with the Deposit and Loan Fund on March 29, 2021 in the amount of \$44,819 with a monthly payment of \$701, maturing on March 29, 2027. The balance of the note was \$29,258 and \$36,348 as of June 30, 2023 and 2022, respectively.

During the year ended June 30, 2021, the Diocese purchased a home in the amount of \$311,571. To fund the purchase of the home, the Diocese took out a loan in the amount of \$300,000 from the Deposit and Loan Fund. The loan bears interest at 4%, payable in monthly installments with principal, and matures in September 2036. The balance of the note was \$273,961 and \$289,319 as of June 30, 2023 and 2022, respectively.

Future principal payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 176,947
2025	184,369
2026	191,881
2027	197,586
2028	199,048
Thereafter	<u>691,512</u>
Total	<u>\$ 1,641,343</u>

THE DIOCESE OF ST. CLOUD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 12 ANNUITIES PAYABLE

The Diocese has entered into four charitable gift annuities with its donors. The Diocese is obligated to make payments to the annuitants for the remainder of their lives. The contributed funds for charitable gift annuities immediately become part of the assets and liabilities of the Diocese. Assets received are recorded at fair value on the date the agreement is recognized, and a liability is recorded equal to the present value of the estimated future obligations based on mortality rates derived from ordinary life annuity tables. The four deferred gift obligations have imputed interest rates of 8%. The change in gift annuity liabilities consists of the following for the years ended June 30, 2023 and 2022:

Annuities Payable - June 30, 2021	\$ 76,460
Contributions	-
Net Actuarial Changes in Liabilities	5,138
Payments to Beneficiaries	(14,115)
Annuities Payable - June 30, 2022	<u>\$ 67,483</u>
Annuities Payable - June 30, 2022	\$ 67,483
Contributions	-
Net Actuarial Changes in Liabilities	5,874
Payments to Beneficiaries	(14,115)
Annuities Payable - June 30, 2023	<u>\$ 59,242</u>

NOTE 13 CONTINGENT LIABILITIES

From time to time, the Diocese may become subject to legal proceedings in the conduct of its operations. The Diocese's policy is to accrue the portion of these costs not covered by insurance when it is both probable that a material liability has been incurred and the amount can be reasonably estimated. No accruals have been made as of June 30, 2023 and 2022.

NOTE 14 RESERVE FOR UNKNOWN CLAIMS

As part of the bankruptcy settlement that occurred in 2020, the Diocese is required to fund a Trust account when, and if any, unknown claims become entitled to monetary awards. The maximum aggregate amount of such claims the Diocese is required to fund is \$500,000. The Diocese's obligation to fund these claims ends in December 2025. The balance outstanding at June 30, 2023 and 2022 was \$450,000.

NOTE 15 ENDOWMENT

The Diocese's endowment consists of two funds established to support seminarians. The endowments include only donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**THE DIOCESE OF ST. CLOUD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 15 ENDOWMENT (CONTINUED)

The 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 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 donated to the endowments and (b) any accumulations to the endowments 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 by the Diocese in a manner consistent with the standard of prudence prescribed by UPMIFA.

Interpretation of Relevant Law

In accordance with UPMIFA, the Diocese considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the funds.
- (2) The purposes of the Diocese and the donor-restricted endowment funds.
- (3) General economic conditions.
- (4) The possible effect of inflation and deflation.
- (5) The expected total return from income and the appreciation of investments.
- (6) Other resources of the Diocese.
- (7) The investment policies of the Diocese.

The Diocese had the following endowment net asset composition by type of fund as of June 30, 2023:

	<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	\$ -	\$ 435,120	\$ 435,120
Accumulated Investment Gains	-	248,303	248,303
Total	<u>\$ -</u>	<u>\$ 683,423</u>	<u>\$ 683,423</u>

**THE DIOCESE OF ST. CLOUD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 15 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law (Continued)

Diocese had the following endowment net asset composition by type of fund as of June 30, 2022:

	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	\$ -	\$ 435,120	\$ 435,120
Accumulated Investment Gains	-	219,261	219,261
Total	<u>\$ -</u>	<u>\$ 654,381</u>	<u>\$ 654,381</u>

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

	Without Donor Restrictions	With Donor Restrictions	Total
Balance - June 30, 2022	\$ -	\$ 654,381	\$ 654,381
Investment Gain	-	66,556	66,556
Appropriations	-	(37,514)	(37,514)
Balance - June 30, 2023	<u>\$ -</u>	<u>\$ 683,423</u>	<u>\$ 683,423</u>

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

	Without Donor Restrictions	With Donor Restrictions	Total
Balance - June 30, 2021	\$ -	\$ 803,031	\$ 803,031
Investment Loss	-	(117,521)	(117,521)
Appropriations	-	(31,129)	(31,129)
Balance - June 30, 2022	<u>\$ -</u>	<u>\$ 654,381</u>	<u>\$ 654,381</u>

Funds with Deficiencies

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). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2023 and 2022, no endowment funds had deficiencies.

THE DIOCESE OF ST. CLOUD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 15 ENDOWMENT (CONTINUED)

Investment Objectives and Strategies

The Diocese has adopted an investment policy to provide guidelines for investing endowment assets. Under this policy, the endowment assets are invested in a manner that is intended to maintain the purchasing power of the current assets and all future contributions, maximize return within reasonable and prudent levels of risk, and maintain an appropriate asset allocation based on a total return policy that is compatible with a flexible spending policy. To achieve these objectives, the Diocese follows an asset diversification plan, sets performance benchmarks for investment managers, and has established various asset quality and limitation thresholds. The Diocese expects its endowment funds, over time, to provide an average rate of return of 7.6% (fixed investments = 5% return and equity investments = 9% return with a split of 35% fixed and 65% equity). Actual returns in any given year may vary from this amount.

Spending Policy

The Diocese has a policy of appropriating for distribution each year 4.5% of its endowments average fair value over the prior 20 quarters. In establishing this policy, the Diocese considered the long-term expected return on its endowments. Approved distributions that are not used for the fiscal year will accumulate and be available for distribution in subsequent years.

NOTE 16 LEASES – ASC 842

The Diocese leases certain copiers, folding machines and postage machines for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2027. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases.

The following table provides quantitative information concerning the Diocese's leases:

	<u>2023</u>
Operating Lease Cost	\$ 41,301
Other Information:	
Cash Paid for Amounts Included in the Measurement of Lease Liabilities	
Operating Cash Flows from Operating Leases	41,301
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	173,949
Weighted-Average Remaining Lease Term - Operating Leases	3.4 years
Weighted-Average Discount Rate - Operating Leases	5.00%

THE DIOCESE OF ST. CLOUD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 16 LEASES – ASC 842 (CONTINUED)

The Diocese classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2023 is as follows:

<u>Year Ending June 30,</u>	<u>Operating Leases</u>
2024	\$ 46,760
2025	45,876
2026	37,328
2027	19,664
2028	1,740
Thereafter	-
Total Lease Payments	<u>151,368</u>
Less: Interest	<u>(15,383)</u>
Present Value of Lease Liabilities	<u><u>\$ 135,985</u></u>

NOTE 17 OPERATING LEASES – ASC 840

The Diocese elected to apply the provisions of FASB ASC 842 to the beginning of the period of adoption with certain practical expedients available for the year ended June 30, 2023. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

The Diocese leases equipment under operating leases that require monthly payments of \$4,053 and expire at various times through March 2026.

The future minimum rental payments due under these operating leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 49,822
2024	44,748
2025	41,491
2026	33,152
Total	<u><u>\$ 169,213</u></u>

For the year ended June 30, 2022, lease expense for equipment amounted to \$52,742.



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