

**DIOCESE OF WINONA-
ROCHESTER**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2023 AND 2022

DIOCESE OF WINONA-ROCHESTER

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INDEPENDENT AUDITORS' REPORT

To the Finance Council
Diocese of Winona-Rochester
Winona, Minnesota

Opinion

We have audited the financial statements of Diocese of Winona-Rochester (a nonprofit organization) 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 present fairly, in all material respects, the financial position of Diocese of Winona-Rochester 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 audit 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 Diocese of Winona-Rochester and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Diocese of Winona-Rochester's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibility 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 Diocese of Winona-Rochester'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 Diocese of Winona-Rochester'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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Statement of Activities by Department on page 24 is presented for purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The budget information included in the financial statements on pages 5-6 and 24, which are of a nonaccounting nature, have not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Hawkins Ash CPAs, LLP

La Crosse, Wisconsin
November 9, 2023

DIOCESE OF WINONA-ROCHESTER

FINANCIAL STATEMENTS

DIOCESE OF WINONA-ROCHESTER
STATEMENTS OF FINANCIAL POSITION

<u>ASSETS</u>	JUNE 30,	
	2023	2022
Cash and cash equivalents	\$ 5,134,725	\$11,202,222
Accounts receivable	790,433	590,211
Loan receivable	492,372	593,954
Unconditional promises to give	7,200,000	-
Prepaid expenses	293,207	225,642
Restricted cash and cash equivalents	174,493	192,993
Investments	4,976,440	4,478,040
Beneficial interest in trusts	28,460	28,460
Property and equipment, net	1,972,545	609,561
TOTAL ASSETS	\$ 21,062,675	\$17,921,083
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable		
Vendors and others	\$ 227,236	\$ 88,168
Charitable organizations	158,523	188,381
Funds held for others	52,409	41,387
Accrued expenses	770,162	7,527,450
TOTAL LIABILITIES	1,208,330	7,845,386
NET ASSETS		
Without donor restrictions	7,597,714	2,978,797
With donor restrictions	12,256,631	7,096,900
TOTAL NET ASSETS	19,854,345	10,075,697
TOTAL LIABILITIES AND NET ASSETS	\$ 21,062,675	\$17,921,083

The accompanying notes are an integral part of these statements.

DIocese of Winona-Rochester
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	BUDGET
REVENUE, GAINS, AND OTHER SUPPORT				
Diocesan tax	\$ 1,632,062	\$ -	\$ 1,632,062	\$ 1,634,950
Contributions and bequests	2,083,713	8,160,063	10,243,776	411,304
In-kind contributions	-	1,076,300	1,076,300	-
Interest and dividends, net of fees	64,848	50,271	115,119	408,085
Net realized and unrealized gain on investments	243,343	142,431	385,774	49,000
Departmental, including CMA case statement disbursements of \$1,516,677	2,790,920	-	2,790,920	2,753,758
General diocesan, including CMA case statement disbursements of \$458,323	510,526	-	510,526	512,803
Self insurance	2,468,137	-	2,468,137	2,359,500
Other	5,468	-	5,468	600
Net assets released from restrictions	4,269,334	(4,269,334)	-	-
TOTAL REVENUE, GAINS, AND OTHER SUPPORT	14,068,351	5,159,731	19,228,082	8,130,000
EXPENSES				
Program	8,599,845	-	8,599,845	
Management and general	633,794	-	633,794	
Fundraising	215,795	-	215,795	
TOTAL EXPENSES	9,449,434	-	9,449,434	7,960,000
CHANGE IN NET ASSETS	4,618,917	5,159,731	9,778,648	\$ 170,000
NET ASSETS AT BEGINNING OF YEAR	2,978,797	7,096,900	10,075,697	
NET ASSETS AT END OF YEAR	\$ 7,597,714	\$ 12,256,631	\$ 19,854,345	

The accompanying notes are an integral part of these statements.

DIOCESE OF WINONA-ROCHESTER
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	BUDGET
REVENUE, GAINS, AND OTHER SUPPORT				
Diocesan tax	\$ 1,567,567	\$ -	\$ 1,567,567	\$ 1,568,000
Contributions and bequests	380,924	3,936,330	4,317,254	375,237
Interest and dividends, net of fees	52,892	20,460	73,352	10,000
Net realized and unrealized loss on investments	(523,296)	(346,693)	(869,989)	489,991
Departmental, including CMA case statement disbursements of \$1,455,900	2,384,664	-	2,384,664	2,556,527
General diocesan, including CMA case statement disbursements of \$533,661	587,248	-	587,248	560,692
Self insurance	2,299,568	-	2,299,568	2,285,000
Other	927,356	-	927,356	7,979
Net assets released from restrictions	731,109	(731,109)	-	-
TOTAL REVENUE, GAINS, AND OTHER SUPPORT	8,408,032	2,878,988	11,287,020	7,853,426
EXPENSES				
Program	6,119,326	-	6,119,326	
Management and general	880,654	-	880,654	
Fundraising	210,477	-	210,477	
TOTAL EXPENSES	7,210,457	-	7,210,457	9,880,426
CHANGE IN NET ASSETS	1,197,575	2,878,988	4,076,563	<u>\$ (2,027,000)</u>
NET ASSETS AT BEGINNING OF YEAR	1,781,222	4,217,912	5,999,134	
NET ASSETS AT END OF YEAR	\$ 2,978,797	\$ 7,096,900	\$ 10,075,697	

The accompanying notes are an integral part of these statements.

DIOCESE OF WINONA-ROCHESTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	<u>PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Labor and benefits	\$ 2,230,427	\$ 476,129	\$ -	\$ 2,706,556
Professional expenses	383,509	49,314	137,932	570,755
Office expenses	175,766	46,434	9,476	231,676
Program material expenses	85,095	192	67,779	153,066
Local travel expenses	69,223	5,531	-	74,754
Professional conference expenses	30,778	3,979	-	34,757
Diocesan meeting expenses	842,817	195	-	843,012
Insurance premiums	1,456,381	-	-	1,456,381
Care of Priests	3,414	-	-	3,414
Liturgical expenses	147,565	-	-	147,565
Membership assessments	163,110	-	-	163,110
Mission support	305,675	-	-	305,675
Property and liability insurance	94,226	-	-	94,226
Seminarian education	661,267	-	-	661,267
Depreciation	69,884	-	-	69,884
Charitable contributions	1,658,832	-	-	1,658,832
Settlement losses	-	50,000	-	50,000
Miscellaneous	221,876	2,020	608	224,504
TOTAL EXPENSES	<u>\$ 8,599,845</u>	<u>\$ 633,794</u>	<u>\$ 215,795</u>	<u>\$ 9,449,434</u>

The accompanying notes are an integral part of these statements.

DIOCESE OF WINONA-ROCHESTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	<u>PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Labor and benefits	\$ 1,987,625	\$ 426,299	\$ -	\$ 2,413,924
Professional expenses	466,406	375,537	145,242	987,185
Office expenses	153,361	49,063	1,477	203,901
Program material expenses	138,439	898	61,352	200,689
Local travel expenses	50,970	3,691	-	54,661
Professional conference expenses	17,880	3,287	-	21,167
Diocesan meeting expenses	456,796	96	-	456,892
Insurance premiums	1,446,605	-	-	1,446,605
Care of Priests	4,654	-	-	4,654
Liturgical expenses	83,867	-	-	83,867
Membership assessments	161,400	-	-	161,400
Mission support	311,913	-	-	311,913
Property and liability insurance	60,719	-	-	60,719
Seminarian education	545,568	-	-	545,568
Depreciation	50,464	5,214	-	55,678
Charitable contributions	2,000	-	-	2,000
Miscellaneous	180,659	16,569	2,406	199,634
TOTAL EXPENSES	<u>\$ 6,119,326</u>	<u>\$ 880,654</u>	<u>\$ 210,477</u>	<u>\$ 7,210,457</u>

The accompanying notes are an integral part of these statements.

DIOCESE OF WINONA-ROCHESTER
STATEMENTS OF CASH FLOWS

	YEAR ENDED	
	JUNE 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 9,778,648	\$ 4,076,563
Adjustments to reconcile change in net assets to net cash (used in) operating activities		
Depreciation	69,884	55,678
Net realized and unrealized (gain) loss on investments	(385,774)	869,989
(Gain) on sale of property and equipment	(5,210)	(909,103)
In-kind donation of property	(1,076,300)	-
Changes in assets and liabilities		
(Increase) decrease in assets		
Accounts receivable	(200,222)	(290,120)
Unconditional promises to give	(7,200,000)	-
Prepaid expenses	(67,565)	43,475
Increase (decrease) in liabilities		
Accounts payable	139,068	(593,051)
Charitable organizations (collections and transmittals)	(29,858)	73,514
Funds held for others	11,022	28,441
Accrued expenses	(6,757,288)	(11,057,616)
NET CASH (USED IN) OPERATING ACTIVITIES	(5,723,595)	(7,702,230)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(318,293)	(55,246)
Proceeds from the sale of property and equipment	2,100	1,758,317
Purchases of investments	(147,791)	(165,616)
Proceeds from sale of investments	-	115,598
Payments on loan receivables	101,582	98,220
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(362,402)	1,751,273
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,085,997)	(5,950,957)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	11,395,215	17,346,172
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 5,309,218	\$ 11,395,215
<u>RECONCILIATION OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS PER STATEMENTS OF CASH FLOWS TO THE STATEMENTS OF FINANCIAL POSITION</u>		
Cash and cash equivalents	\$ 5,134,725	\$ 11,202,222
Restricted cash and cash equivalents	174,493	192,993
TOTAL CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS SHOW IN THE STATEMENTS OF CASH FLOWS	\$ 5,309,218	\$ 11,395,215
<u>SUPPLEMENTAL CASH FLOWS DISCLOSURE</u>		
Cash paid for reorganization items	\$ -	\$ 11,531,274

The accompanying notes are an integral part of these statements.

DIOCESE OF WINONA-ROCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 - Petition for Relief Under Chapter 11 and Acceptance of Plan of Reorganization

On November 30, 2018, the Diocese of Winona-Rochester (the "Diocese") filed a petition for relief under Chapter 11 of the United States bankruptcy laws in the United States Bankruptcy Court (the "Court") for the District of Minnesota. On October 11, 2021, a Chapter 11 Plan of Reorganization was filed with the Court. The Plan was confirmed on October 29, 2021 and a settlement trust was established. Under the Plan, the Diocese and Settling Insurers each will make substantial contributions to the Trust for the purpose of distributing the Trust Assets in accordance with this plan and the Trust Distribution Plan. Under the Plan, the Diocese was required to transfer \$13,560,000 less professional claims, mediation and administrative fees and counseling expenses for Tort Claimants already paid. This payment was made on November 3, 2021. The Diocese was also required pay \$ 7,746,000 as soon as practical after the sale or other monetization of certain assets of the Diocese less expenses already incurred and paid prior to October 2022. These amounts are recorded as settlement liabilities in the statements of financial position on June 30, 2022. All previous liabilities subject to compromise have been paid in full. There have been no liabilities, compromised by the confirmed plan of reorganization nor have there been any gains from the relief of indebtedness.

The bankruptcy case was closed on September 14, 2022, and the final payment of \$6,858,299 (net of allowed costs) was made on September 15, 2022.

NOTE 2 - Nature of Organization and Significant Accounting Policies

Nature of Organization - The Diocese is a religious corporation formed under the laws of the State of Minnesota. The purpose of the Diocese is to promote the spiritual, educational 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 through administrative offices serves other Diocesan entities within the territorial limits of the Diocese of Winona-Rochester. The territorial limits are comprised of the following counties in the State of Minnesota: Winona, Wabasha, Olmsted, Dodge, Steele, Waseca, Blue Earth, Watonwan, Cottonwood, Murray, Pipestone, Rock, Nobles, Jackson, Faribault, Martin, Freeborn, Mower, Fillmore and Houston. The Diocese is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Basis of Accounting -The financial statements of the Diocese have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

The accompanying financial statements include the administrative offices of the Diocese of Winona-Rochester as shown in the supplementary information to the financial statements conducted at the Diocesan Pastoral Center. Other Diocesan entities within their territorial limits are separately incorporated and are not included in the financial statements. All interdepartmental transactions have been eliminated.

Basis of Presentation - The accompanying financial statements are prepared in accordance with the accounting principles generally accepted in the United States of America (U.S. GAAP) as codified by the Financial Accounting Standards Board.

The Diocese is required to report information regarding its net assets and its activities based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

DIOCESE OF WINONA-ROCHESTER
NOTES TO THE FINANCIAL STATEMENTS - Continued
JUNE 30, 2023 AND 2022

NOTE 2 - Nature of Organization and Significant Accounting Policies - Continued

- *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 an operating reserve, scholarship funds, capital improvement funds, and certain retirement funds.
- *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. 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.

Recent Accounting Pronouncements - In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses (Topic 326)*, effective for annual reporting periods beginning after December 15, 2020. ASU 2019-10 subsequently deferred the effective date for ASU 2016-13 until annual reporting periods beginning after December 15, 2022. This ASU changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, held-to-maturity debt securities, loans, and other instruments, entities will be required to use a new forward-looking "expected loss" model that generally will result in the earlier recognition of allowance for losses. In addition, entities will have to disclose significantly more information, including information they use to track credit quality by year of origination for most financing receivables. The Diocese is currently assessing the impact on its financial statements.

Cash and Cash Equivalents - The Diocese's cash and cash equivalents consist of cash on deposit with banks and a money market account. For purposes of the statements of cash flows, the Diocese considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Restricted Cash - Certain donor-restricted assets that meet the definition of cash and cash equivalents that have donor-imposed restrictions limiting their use to long-term purposes are classified as restricted cash, as well as worker's compensation deposits, in the statements of financial position.

Accounts Receivable - Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge of the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements. Allowance for doubtful accounts at June 30, 2023 and 2022 was \$-0-. Bad debt expense for the years ended June 30, 2023 and 2022 was \$-0-.

Loans Receivable - During 2015, the Diocese purchased a loan portfolio from the Diocese of Winona-Rochester Deposit and Loan Fund. All loans have been repaid with the exception of the one loan to a Diocesan parish. The loan is stated at the amount of unpaid principal. The loan is collateralized by the assets of the parish. Interest on the loan is recognized over the term of the loan and is calculated using the simple interest method on principal amounts outstanding. The interest rate, which is subject to change by approval of the Finance Council, was 3.40 percent as of June 30, 2023 and 2022. The balance as of June 30, 2023 and 2022, was \$492,372 and \$593,954, respectively.

DIOCESE OF WINONA-ROCHESTER
NOTES TO THE FINANCIAL STATEMENTS - Continued
JUNE 30, 2023 AND 2022

NOTE 2 - Nature of Organization and Significant Accounting Policies - Continued

Promises to Give - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a nominal interest rate applicable to the year in which the promise is received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Management provides for uncollectible amounts through a provision for uncollectible pledge expense from outstanding balances and an adjustment to a valuation allowance based on its assessment of the current status of individual pledges. Balances that are still outstanding after management used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to unconditional promises to give. Management believes all receivables are collectible; accordingly, no allowance has been recorded.

Investments - Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statements of financial position. The aggregate of (a) the unrealized appreciation (depreciation) in the fair value of investments during the year (b) the realized gains (losses) on sales of investments during the year (c) dividend income (d) interest income, and (e) investment fees are reflected in investment return on the statements of activities. Purchases and sales of securities are recorded on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statements of activities in the period in which the securities are sold. Dividends are recorded on the ex-dividend date.

Donated Assets - Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Property and Equipment - Land, buildings, vehicles, and equipment are recorded at purchased cost or fair value at the date of gift if donated. The Diocese has recorded depreciation on the buildings, furnishing, vehicles, and equipment using the straight-line method over the estimated useful lives of 3 to 40 years.

Asset	Life
Furniture, fixtures, and equipment	3 - 10 years
Vehicles	5 - 7 years
Land improvements	10 - 20 years
Buildings	40 years

Construction in progress costs represent cumulative costs of projects not yet placed in service. No depreciation was taken on these capitalized costs.

Valuation of Long-lived Assets - U.S. GAAP requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management reviews all material assets annually for possible impairment. If such assets are considered to be impaired, the impairment recognized is measured as the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. No assets are considered to be impaired at June 30, 2023 and 2022.

Funds Held For Others - Funds held for others represent cash collected on behalf of other Catholic organizations and programs by the Diocese which have not yet been disbursed.

DIOCESE OF WINONA-ROCHESTER
NOTES TO THE FINANCIAL STATEMENTS - Continued
JUNE 30, 2023 AND 2022

NOTE 2 - Nature of Organization and Significant Accounting Policies - Continued

Self-Insurance - The Diocese, both for itself and as the agent for parishes and other Catholic entities operating within the territorial limits of the Diocese (the "Members"), participates in a liability, property, casualty and worker's compensation self-insurance program. The Members pay an annual premium based on various criteria to cover their portion of the cost of this program. The Diocese contracts with Catholic Mutual as an insurance broker to purchase self-insurance coverage on behalf of itself and the other Members and to act as risk manager. The Diocese administers the insurance program by collecting the premiums from the Members and arranging for the payment of claims as they are incurred. The Diocese is self-insured for \$100,000 per claim with an annual aggregate exposure of \$400,000 for the years ended June 30, 2023 and 2022.

Diocesan Tax - Each parish within the Diocese is assessed a tax. The tax is based on a percentage of parish support in prior years. Revenue is recorded in the period the tax is assessed.

Catholic Ministries Appeal (CMA) - Annually, the Catholic Foundation of Southeastern Minnesota conducts the Catholic Ministries Appeal on behalf of the Diocese of Winona-Rochester to support specific ministries and programs of the Diocese and other Catholic organizations. The Foundation distributes these funds to the Diocese to be allocated to these individual ministries according to the campaign case statement. These contributions are reflected in Departmental revenue and General diocesan revenue in the statements of activities. Catholic Ministries Appeal distributions to the Diocese totaled \$1,975,000 and \$1,989,561 for the years ended June 30, 2023 and 2022, respectively.

In-Kind Contributions - The Diocese records the value of donated goods when there is an objective basis to measure the value. Donated goods are reflected as in-kind contribution revenue in the accompanying statements of activities. Services of the clergy and religious orders have been recognized only to the extent of actual compensation paid. No computation is made for the difference between the compensation paid to these employees and the comparable compensation which would be paid to lay personnel.

Revenue Recognition: The Diocese records the following exchange transaction revenue in its statements of activities and changes in net assets:

Program Fees: The Diocese offers various programs, workshops and seminars for which program fees are charged. The performance obligation is the delivery of the program. Program fees are billed at the time of registration and recognized as earned. The unearned portion is included as deferred revenue.

Contribution Recognition - Contributions are recognized when received or unconditionally pledged. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire 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.

DIOCESE OF WINONA-ROCHESTER
NOTES TO THE FINANCIAL STATEMENTS - Continued
JUNE 30, 2023 AND 2022

NOTE 2 - Nature of Organization and Significant Accounting Policies - Continued

Functional Allocation of Expenses - The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. Those expenses include occupancy and depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services and certain office expenses, which are allocated based on estimates of time and usage. For the years ended June 30, 2023 and 2022, management and general expenses included \$-0- and \$373,295, respectively, of expenses related to the litigation and bankruptcy discussed in Note 1.

Use of Estimates - Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

Tax Status - The Diocese is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). However, income from certain activities not directly related to the Diocese's tax-exempt purpose is subject to taxation as unrelated business income.

Accounting for Uncertainty in Income Taxes - U.S. GAAP requires management to evaluate tax positions taken by the Diocese and recognize a tax liability (or asset) if the Diocese has taken an uncertain position that more likely than not would not be sustained upon examination by a taxing authority. Management has analyzed the tax positions taken by the Diocese, and has concluded that as of June 30, 2023 and 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Diocese is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Diocese will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred.

Subsequent Events - The Diocese evaluated subsequent events through November 9, 2023, the date which the financial statements were available to be issued.

NOTE 3 - Concentration of Cash and Credit Risk

The Diocese may have deposits with a financial institution at times during the year that exceed the Federal Deposit Insurance Corporation (FDIC) insurance threshold of \$250,000. The amount of accounting loss that the Diocese would have incurred, had the financial institution not been able to return monies in excess of \$250,000, amounted to \$4,921,354 and \$10,997,759 as of June 30, 2023 and 2022, respectively.

DIOCESE OF WINONA-ROCHESTER
NOTES TO THE FINANCIAL STATEMENTS - Continued
JUNE 30, 2023 AND 2022

NOTE 4 - Liquidity and Availability

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

	JUNE 30,	
	2023	2022
Cash and cash equivalents	\$ 5,134,725	\$ 11,202,222
Accounts receivable	790,433	590,211
Investments	4,976,440	4,478,040
Loan receivable	492,372	593,954
Unconditional promises to give receivable in less than one year	7,200,000	-
Total financial assets available within one year	18,593,970	16,864,427
Less amounts not available for general expenditure within one year:		
Net assets with donor restrictions	12,082,138	6,903,907
Board designated net assets	1,088,311	964,769
TOTAL FINANCIAL ASSETS AVAILABLE TO MANAGEMENT FOR GENERAL EXPENDITURE WITHIN ONE YEAR	<u>\$ 5,423,521</u>	<u>\$ 8,995,751</u>

Liquidity Management

The Diocese manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Diocese has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 30 days operating expenses. In addition, the Diocese has a policy to target a year-end balance of reserves of net assets without donor restrictions and, undesignated net assets to meet 15 to 30 days of expected expenditures. To achieve these targets, the Diocese forecasts its future cash flows, monitors its liquidity quarterly, and monitors its reserves annually. During the year ended June 30, 2023 and 2022, the level of liquidity and reserves was managed within the policy requirements.

NOTE 5 - Investments and Endowment Funds

The following is a summary of investments:

	JUNE 30,	
	2023	2022
Common/collective trust fund	\$ 4,858,205	\$ 4,376,061
Private equity investments	118,235	101,979
TOTAL INVESTMENTS AND ENDOWMENT FUNDS	<u>\$ 4,976,440</u>	<u>\$ 4,478,040</u>

DIOCESE OF WINONA-ROCHESTER
NOTES TO THE FINANCIAL STATEMENTS - Continued
JUNE 30, 2023 AND 2022

NOTE 6 - Beneficial Interests in Charitable Remainder Trusts

The Diocese has been named a beneficiary of a split-interest agreement. Upon the death of the beneficiaries, the Diocese will receive 5 percent of the remainder of the trusts fair market value. The balance in the beneficial interest in the Charitable Remainder Trusts as of June 30, 2023 and 2022 is \$28,460.

The Diocese was named a beneficiary of a split-interest agreement in land. The Diocese owned the property subject to a life estate. Upon the death of the beneficiary, the Diocese would receive their portion of the remainder of the trust's fair market value. During the year ended June 30, 2022, the Diocese sold their portion of this property. The balance of this remainder interest as of June 30, 2023 and 2022 is \$-0-.

NOTE 7 - Unconditional Promises to Give

The Diocese received a promise to give to assist in the building project for a new Diocesan Center. Promises to give were restricted to payment of the costs of building the facility. The aggregate collections of promises to give are as follows:

	JUNE 30,	
	2023	2022
Receivable less than one year	<u>\$ 7,200,000</u>	<u>\$ -</u>

The discount has not been calculated as it is deemed immaterial to the financial statements.

There is no allowance for uncollectible promises to give as management considers all unconditional promises to give to be collectible.

NOTE 8 - Property and Equipment

Property and equipment include all properties which are owned by the Diocese. A summary of property and equipment is as follows:

	JUNE 30,	
	2023	2022
Land	\$ 1,284,157	\$ 207,857
Buildings and improvements	1,530,851	1,519,465
Vehicles and equipment	556,844	516,736
Construction in progress	271,639	4,860
TOTAL PROPERTY AND EQUIPMENT	3,643,491	2,248,918
Less: Accumulated depreciation	(1,670,946)	(1,639,357)
NET PROPERTY AND EQUIPMENT	<u>\$ 1,972,545</u>	<u>\$ 609,561</u>

Values assigned to certain property, other than property acquired after 1979 which has been recorded at cost, were obtained from insurance appraisals performed during 1979. The amounts above represent 1979 depreciated replacement cost, plus subsequent additions less retirements at cost. This method is not in conformity with accounting principles generally accepted in the United States of America. The difference in the amount measured by depreciated replacement cost and methods required by generally accepted accounting principles as of June 30, 2023 and 2022 is not material. Depreciation expense was \$69,884 and \$55,678 for the years ended June 30, 2023 and 2022, respectively.

DIOCESE OF WINONA-ROCHESTER
NOTES TO THE FINANCIAL STATEMENTS - Continued
JUNE 30, 2023 AND 2022

NOTE 9 - Fair Value Measurements

The Diocese has determined the fair value of certain assets and liabilities in accordance with the provision of U.S. GAAP, which provides a framework for measuring fair value under generally accepted accounting principles.

U.S. GAAP defines fair value as the exchange price that would be received for an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. U.S. GAAP requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. U.S. GAAP also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

Level 1 inputs consist of quoted prices in active markets for identical assets that the reporting organization has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset. Level 3 inputs are unobservable inputs related to the asset.

The asset's fair value measurement within the fair value hierarchy is based on the lowest of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for assets measured at fair value:

Common/Collective Trust Funds: Valued at net asset value (NAV) of shares held by the Diocese at year end.

Private Equity Investments: Valued at the estimated fair value of the underlying assets and consist of the Diocese's investments in the Catholic Umbrella Pool and the National Catholic Risk Retention Group which are restricted. The Diocese must provide 180 day notice before they can be liquidated.

Beneficial Interest in Trusts: Valued at the estimated fair value of the underlying trust assets.

The methods described above may produce a fair value calculation that may be indicative of net realizable value or reflective of future fair values. Furthermore, while the Diocese believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Diocese's assets at fair value on a recurring basis as of June 30, 2023 and 2022.

	JUNE 30, 2023	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Investment in marketable securities				
Common/collective trust funds	\$ 4,858,205	\$ -	\$ 4,858,205	\$ -
Private equity investments	118,235	-	-	118,235
Beneficial interest in trusts	28,460	-	-	28,460
TOTAL	<u>\$ 5,004,900</u>	<u>\$ -</u>	<u>\$ 4,858,205</u>	<u>\$ 146,695</u>

DIOCESE OF WINONA-ROCHESTER
NOTES TO THE FINANCIAL STATEMENTS - Continued
JUNE 30, 2023 AND 2022

NOTE 9 - Fair Value Measurements - Continued

	JUNE 30, 2022	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Investment in marketable securities				
Common/collective trust funds	\$ 4,376,061	\$ -	\$ 4,376,061	\$ -
Private equity investments	101,979	-	-	101,979
Beneficial interest in trusts	28,460	-	-	28,460
TOTAL	\$ 4,506,500	\$ -	\$ 4,376,061	\$ 130,439

The following is a reconciliation of activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs):

Private Equity Investments

	JUNE 30,	
	2023	2022
Fair value at beginning of year	\$ 101,979	\$ 171,913
Market value gain(losses) and adjustments	16,256	(69,934)
FAIR VALUE AT END OF YEAR	\$ 118,235	\$ 101,979

Beneficial Interest in Trusts

Fair value at beginning of year	\$ 28,460	\$ 488,561
Disposal of beneficial interest trust asset	-	(460,101)
FAIR VALUE AT END OF YEAR	\$ 28,460	\$ 28,460

NOTE 10 - Net Assets

Included in net assets without donor restrictions are amounts designated by the board for the following purposes:

	JUNE 30,	
	2023	2022
Capital improvement fund	\$ 366,137	\$ 409,931
Quasi-endowment – Scholarship funds	187,428	187,428
Retirement funds	70,000	70,000
Operating funds	125,000	125,000
Student loan and scholarship funds	171,330	172,410
Diocesan Center building project	108,416	-
TOTAL BOARD DESIGNATED NET ASSETS	\$ 1,088,311	\$ 964,769

The Diocese's Board of Directors has created an operating reserve which sets aside cash for operating expenses to be drawn upon in the event of financial distress or an immediate liquidity need.

DIOCESE OF WINONA-ROCHESTER
NOTES TO THE FINANCIAL STATEMENTS - Continued
JUNE 30, 2023 AND 2022

NOTE 10 - Net Assets - Continued

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

	JUNE 30,	
	2023	2022
Subject to expenditure for a specified purpose:		
Schulze Foundation	\$ 65,356	\$ 92,231
Handicapped Children Fund	9,774	9,774
Works of Justice Fund	34,862	50,069
Rice Bowl Poverty Program	37,152	45,272
Hullerman Fund	91,566	91,566
Priests' Retirement Fund	28,728	38,728
Continuing education of priests	124,084	128,234
Training of lay leaders/ministers	58,603	68,928
Catholic Education	25,764	25,264
Building Fund	9,076,300	100,000
TV Mass Fund	68,489	68,489
St. Mary Winnebago Scholarship Fund	4,283	-
Settlement/payment of bankruptcy	-	3,726,739
	<u>9,624,961</u>	<u>4,445,294</u>
Subject to the passage of time:		
Beneficial interest in gift annuity	28,460	28,460
Endowments		
Amount required to be held in perpetuity		
Seminarian education	1,610,676	1,610,676
Eileen Jurgenson income	187,626	-
McHugo fund (income to help the poor and needy)	233,501	233,501
	<u>2,031,803</u>	<u>1,844,177</u>
Earnings subject to appropriation and expenditure for specified purpose		
Seminarian education	400,526	673,286
McHugo endowment fund	147,782	105,683
Eileen Jurgenson income	23,099	-
	<u>571,407</u>	<u>778,969</u>
	<u>2,603,210</u>	<u>2,623,146</u>
TOTAL ENDOWMENTS	<u>2,603,210</u>	<u>2,623,146</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$12,256,631</u>	<u>\$ 7,096,900</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:

	YEAR ENDED JUNE 30,	
	2023	2022
Satisfaction of purpose restriction:		
Education of seminarians	\$ -	\$ 271,008
Works of Justice Fund	26,703	-
Rice Bowl Poverty Program	25,000	-
Continuing education of priests	21,040	-
Priests' retirement fund	10,000	-
Schulze Foundation	28,075	-
Settlement/payment of bankruptcy	3,726,739	-
Scholarship fund	421,452	-
Training of lay leaders/ministers	10,325	-
	<u>4,269,334</u>	<u>271,008</u>
Subject to passage of time:		
Poire land interest	-	460,101
	<u>\$ 4,269,334</u>	<u>\$ 731,109</u>

DIocese OF WINONA-ROCHESTER
NOTES TO THE FINANCIAL STATEMENTS - Continued
JUNE 30, 2023 AND 2022

NOTE 11 - Endowments

The Diocese's endowment fund consists of both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence of or absence of donor-imposed restrictions.

Interpretation of the Law - The Finance Council of the Diocese has interpreted the 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 absent explicit donor stipulations to the contrary. As a result of this interpretation, the Diocese classifies as net assets with restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. 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.

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 fund
2. The purpose of the Diocese and the donor-restricted endowment fund
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

Investing and Spending Policy - The Diocese has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the principal and purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Diocese must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Finance Council, the endowment assets are invested in a manner to preserve capital, provide growth in principal combined with a sufficient return on investment that will generate continued income, and invest in such a manner to satisfy anticipated liquidity requirements. The Diocese expects its endowment funds, over time, to provide an average rate of return of approximately 5 percent annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Diocese relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Diocese targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Diocese distributes grant funds based on the total investment earnings earned for each endowment. Accordingly, over the long term, the Diocese expects the current spending policy to allow their endowments to grow. This is consistent with the Diocese's objective to maintain the principal and purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

DIOCESE OF WINONA-ROCHESTER
NOTES TO THE FINANCIAL STATEMENTS - Continued
JUNE 30, 2023 AND 2022

NOTE 11 - Endowments - Continued

Endowment Net Asset Composition by Type of Fund as of June 30, 2023:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Board-designated endowment funds	\$ 187,428	\$ -	\$ 187,428
Donor-restricted endowment funds:			
Original donor-restricted gift and amounts required to be maintained in perpetuity by donors	-	2,031,803	2,031,803
Accumulated investment gains	-	571,407	571,407
TOTAL	<u>\$ 187,428</u>	<u>\$ 2,603,210</u>	<u>\$ 2,790,638</u>

Endowment Net Asset Composition by Type of Fund as of June 30, 2022:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Board-designated endowment funds	\$ 187,428	\$ -	\$ 187,428
Donor-restricted endowment funds:			
Original donor-restricted gift and amounts required to be maintained in perpetuity by donors	-	1,844,177	1,844,177
Accumulated investment gains	-	778,969	778,969
TOTAL	<u>\$ 187,428</u>	<u>\$ 2,623,146</u>	<u>\$ 2,810,574</u>

Funds with Deficiencies - From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Diocese to retain as a fund of perpetual duration (underwater endowments). In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions. The deficiencies may result from unfavorable market fluctuations that have occurred. The Diocese did not have any such deficiencies as of June 30, 2023 and 2022.

Changes in Endowment Net Assets for the Year Ended June 30, 2023:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 187,428	\$ 2,623,146	\$ 2,810,574
Investment return, net	-	192,700	192,700
Contributions	-	208,816	208,816
Appropriation of endowment assets pursuant to spending-rate policy	-	(421,452)	(421,452)
Endowment net assets, end of year	<u>\$ 187,428</u>	<u>\$ 2,603,210</u>	<u>\$ 2,790,638</u>

Changes in Endowment Net Assets for the Year Ended June 30, 2022:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 187,428	\$ 2,966,139	\$ 3,153,567
Investment return, net	-	(326,233)	(326,233)
Appropriation of endowment assets pursuant to spending-rate policy	-	(16,760)	(16,760)
Endowment net assets, end of year	<u>\$ 187,428</u>	<u>\$ 2,623,146</u>	<u>\$ 2,810,574</u>

DIocese OF WINONA-ROCHESTER
NOTES TO THE FINANCIAL STATEMENTS - Continued
JUNE 30, 2023 AND 2022

NOTE 12 - Pension Plan for Priests Within the Diocese of Winona-Rochester

The Diocese participates in a multiple employer defined benefit pension plan (the “Plan”) for all priests ordained or incardinated into the Diocese who are employed by Participating Employers. The Plan is funded through assessments to the Participating Employers and contributions from donors. A participant who retires at the normal age of 68 shall receive, currently, a monthly pension benefit for life of \$2,275. The Plan also provides Medicare supplemental health and dental coverage for fully-retired priests for life. Plan assets consist primarily of investments in common/collective trust funds.

The Plan is voluntary on the part of the Participating Employers, and the continuance of the Plan and the payment of contributions hereunder are not to be regarded as a contractual obligation of the Participating Employers. The Participating Employers do not guarantee any of the benefits provided by the Plan. The Plan provides that the Participating Employers reserve the right to reduce or suspend, in whole or in part, at any time, the contributions specified in the Plan.

The Participating Employers use June 30 to determine the annual contributions to the Plan for accrued pension expense. As this is a multiple employer plan, valuation information is not available by employer.

The Plan is not required to comply with ERISA, as it is a church plan. Employer contributions to the Plan for 2023 and 2022 were \$8,218 and \$18,498, respectively.

NOTE 13 - Lay Retirement Plan

The Diocese contributes 3 percent of the employee’s base compensation plus up to an additional 3 percent as an employer match for those employees who are at least 21 years of age, and who work more than 20 hours per week. Participation is effective at date of hire for eligible employees. As of June 30, 2023 and 2022, the Diocese contributed \$104,292 and \$89,998 to this plan, respectively.

NOTE 14 - Service Agreements

The Diocese has service agreements with Catholic Foundation of Southern Minnesota, Pension Plan for Priests of the Diocese of Winona, and Immaculate Heart of Mary Seminary, Inc. whereby, the various entities reimburse the Diocese for accounting services and use of buildings owned by the Diocese. Revenue received from these agreements is as follows:

	JUNE 30,	
	2023	2022
Pension Plan for Priests of the Diocese of Winona	\$ 28,620	\$ 26,522
Immaculate Heart of Mary Seminary, Inc.	27,120	28,802
Catholic Foundation of Southern Minnesota	77,423	58,624
	\$ 133,163	\$ 113,948

The Diocese also contracts with Catholic Foundation of Southern Minnesota to conduct their annual Catholic Ministries Appeal. Expenses paid for these services as of June 30, 2023 and 2022, were \$166,020 and \$208,071, respectively.

DIOCESE OF WINONA-ROCHESTER
NOTES TO THE FINANCIAL STATEMENTS - Continued
JUNE 30, 2023 AND 2022

NOTE 15 - In-Kind Contributions

The value of donated goods and services included as in-kind contributions in the financial statements and the corresponding expenses or assets are as follows:

	YEAR ENDED JUNE 30,	
	2023	2022
Donated land	<u>\$ 1,076,300</u>	<u>\$ -</u>

The Diocese's policy related to gifts-in-kind is to utilize the assets given to carry out the mission of the Diocese. If an asset is provided that does not allow the Diocese to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset.

During the year ended June 30, 2023, the Diocese received donated land for a new Pastoral center from a donor. The amount of the donated property was determined by the fair market value at the time of donation.

The property has not yet been placed in service as of June 30, 2023.

NOTE 16 - Risk and Uncertainties

Investments - The Diocese's investments are exposed to various risks, such as interest rate, and market and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the values of investments, it is reasonably possible that changes in risks in the near term could materially affect the amounts reported in the statements of financial position and the statements of activities.

NOTE 17 - Conditional Promise to Give

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional are not included on the statements of activities.

During the year ended June 30, 2022, a donor entered into a Memorandum of Understanding (MOU) with the Diocese of Winona-Rochester to clarify expectations and obligations in light of the overwhelming generosity of the donor and the mutual desire to build a new Pastoral Center in Rochester, Minnesota for the Diocese of Winona-Rochester. The donor offered a piece of land located in the city of Rochester, Minnesota and a large donation for the sole and limited purpose of building a new Pastoral Center for the Diocese of Winona-Rochester. These gifts were received during the year ended June 30, 2023 and have been included as contributions in the statements of activities.

NOTE 18 - Contingent Liabilities

The Diocese received a request from the liquidating trustee, referred to in Note 1, to pay a late-filed tort claim. Estimated losses in connection with this asserted claim have been accrued in accordance with the Contingencies Topic of the FASB Accounting Standards Codification ("ASC 450"). Under ASC 450, estimated losses shall be accrued by a charge to income when it is probable that a liability has been incurred and the amount can be reasonably estimated. Changes in accounting estimates are recorded in the year of the change. As of June 30, 2023, the Diocese has accrued losses to fund this claim of \$50,000.

DIOCESE OF WINONA-ROCHESTER
SUPPLEMENTARY INFORMATION

DIOCESE OF WINONA-ROCHESTER
STATEMENT OF ACTIVITIES BY DEPARTMENT
YEAR ENDED JUNE 30, 2023

	REVENUE	EXPENSES	CHANGE IN NET ASSETS	BUDGET
Bishop	\$ 196,114	\$ 230,616	\$ (34,502)	\$ -
Bishop Emeritus	147,820	119,914	27,906	-
Vicar General	299,894	328,646	(28,752)	50
Chancellor	33,011	22,938	10,073	-
Vicar Judicial (Tribunal)	201,600	172,306	29,294	-
General Diocese	14,132,600	3,695,969	10,436,631	30,000
Chapter 11 Reorganization	-	74,855	(74,855)	(200,000)
Human Resources	193,027	188,607	4,420	-
Safe Environment	93,220	93,220	-	-
Mission Advancement - Annual Appeal	212,600	215,952	(3,352)	-
Finance	418,081	436,468	(18,387)	-
Parish Financial Services	103,560	96,529	7,031	-
Contracted Services	109,699	112,646	(2,947)	-
Planning	4,657	855	3,802	-
Moderator of Curia	36,839	33,945	2,894	-
Support Services	111,273	93,136	18,137	-
Cemeteries	54,350	40,112	14,238	-
Courier	65,966	49,607	16,359	-
Communications	192,199	202,126	(9,927)	-
Care of Priests	88,353	151,073	(62,720)	-
Priestly Life - Clergy Education	113,831	113,831	-	-
Seminarian/Theological Education	377,087	715,480	(338,393)	-
Vocations	10,475	65,741	(55,266)	-
Catholic Education/Formation - Schools	301,690	372,636	(70,946)	-
Media Center	1,050	547	503	-
Mankato Newman Center	150,900	150,866	34	-
Winona Newman Center	107,229	114,463	(7,234)	-
Catholic Education/Formation - Faith Formation	280,475	320,144	(39,669)	-
Apostolate - Ministry Formation	331,606	295,521	36,085	(50)
Apostolate - Permanent Diaconate	74,886	54,859	20,027	-
Divine Worship	54,406	50,407	3,999	-
Life	96,153	91,684	4,469	-
Youth and Young Adults	107,513	101,523	5,990	-
Apostolate - Hispanic Ministry	16,900	16,051	849	-
Apostolate - Hispanic Chaplaincy	56,000	57,231	(1,231)	-
TOTAL DEPARTMENTAL	18,775,064	8,880,504	9,894,560	(170,000)
Other Restricted Funds	453,018	568,930	(115,912)	-
TOTAL DIOCESAN	\$ 19,228,082	\$ 9,449,434	\$ 9,778,648	\$ (170,000)

* Includes interdepartmental transfers