

**DIOCESE OF WINONA-  
ROCHESTER**

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITORS'  
REPORT**

**JUNE 30, 2024 AND 2023**

# DIOCESE OF WINONA-ROCHESTER

## TABLE OF CONTENTS

JUNE 30, 2024 AND 2023

<u>Page</u>	
2 - 3	Independent Auditors' Report
	<b><u>FINANCIAL STATEMENTS</u></b>
4	Statements of Financial Position
5 - 6	Statements of Activities
7 - 8	Statements of Functional Expenses
9	Statements of Cash Flows
10 - 25	Notes to the Financial Statements
	<b><u>SUPPLEMENTARY INFORMATION</u></b>
26	Statement of Activities by Department



## **INDEPENDENT AUDITORS' REPORT**

To the Finance Council  
Diocese of Winona-Rochester  
Rochester, 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, 2024 and 2023, 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, 2024 and 2023, 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.

### **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 26 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 26, 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*

Rochester, Minnesota  
November 22, 2024

**DIOCESE OF WINONA-ROCHESTER**  
**FINANCIAL STATEMENTS**

**DIOCESE OF WINONA-ROCHESTER**  
**STATEMENTS OF FINANCIAL POSITION**

<u>ASSETS</u>	JUNE 30,	
	2024	2023
Cash and cash equivalents	\$ 4,025,454	\$ 5,134,725
Accounts receivable	626,884	790,433
Loan receivable	387,299	492,372
Unconditional promises to give	925,000	7,200,000
Prepaid expenses	224,505	293,207
Restricted cash and cash equivalents	161,021	174,493
Investments	5,568,355	4,976,440
Beneficial interest in trusts	28,460	28,460
Finance lease right-of-use asset	30,504	-
Property and equipment, net	11,671,604	1,972,545
<b>TOTAL ASSETS</b>	<b>\$ 23,649,086</b>	<b>\$ 21,062,675</b>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable		
Vendors and others	\$ 893,652	\$ 227,236
Charitable organizations	252,222	158,523
Funds held for others	551	52,409
Accrued expenses	926,703	770,162
Finance lease liability	30,764	-
TOTAL LIABILITIES	2,103,892	1,208,330
NET ASSETS		
Without donor restrictions	7,725,390	7,597,714
With donor restrictions	13,819,804	12,256,631
TOTAL NET ASSETS	21,545,194	19,854,345
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 23,649,086</b>	<b>\$ 21,062,675</b>

The accompanying notes are an integral part of these statements.

**DIocese of Winona-Rochester**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2024**

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	BUDGET
<b>REVENUE, GAINS, AND OTHER SUPPORT</b>				
Diocesan tax	\$ 1,779,037	\$ -	\$ 1,779,037	\$ 1,780,840
Contributions and bequests	546,896	1,780,229	2,327,125	8,115,242
In-kind contributions	-	-	-	-
Interest and dividends, net of fees	96,531	48,068	144,599	415,419
Net realized and unrealized gain on investments	289,422	178,243	467,665	80,089
Departmental, including CMA case statement disbursements of \$1,577,500	2,811,931	-	2,811,931	2,923,748
General diocesan, including CMA case statement disbursements of \$409,437	458,225	-	458,225	449,468
Self insurance	2,657,158	-	2,657,158	2,646,600
Other	188,535	-	188,535	600
Net assets released from restrictions	443,367	(443,367)	-	-
<b>TOTAL REVENUE, GAINS, AND OTHER SUPPORT</b>	<u>9,271,102</u>	<u>1,563,173</u>	<u>10,834,275</u>	<u>16,412,006</u>
<b>EXPENSES</b>				
Program	8,219,278	-	8,219,278	
Management and general	670,563	-	670,563	
Fundraising	253,585	-	253,585	
<b>TOTAL EXPENSES</b>	<u>9,143,426</u>	<u>-</u>	<u>9,143,426</u>	<u>9,206,600</u>
<b>CHANGE IN NET ASSETS</b>	127,676	1,563,173	1,690,849	<b><u>\$ 7,205,406</u></b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>7,597,714</u>	<u>12,256,631</u>	<u>19,854,345</u>	
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 7,725,390</u>	<u>\$ 13,819,804</u>	<u>\$ 21,545,194</u>	

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
<b>REVENUE, GAINS, AND OTHER SUPPORT</b>				
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 loss 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)	-	-
<b>TOTAL REVENUE, GAINS, AND OTHER SUPPORT</b>	<u>14,068,351</u>	<u>5,159,731</u>	<u>19,228,082</u>	<u>8,130,000</u>
<b>EXPENSES</b>				
Program	8,599,845	-	8,599,845	
Management and general	633,794	-	633,794	
Fundraising	215,795	-	215,795	
<b>TOTAL EXPENSES</b>	<u>9,449,434</u>	<u>-</u>	<u>9,449,434</u>	<u>7,960,000</u>
<b>CHANGE IN NET ASSETS</b>	4,618,917	5,159,731	9,778,648	<u><b>\$ 170,000</b></u>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>2,978,797</u>	<u>7,096,900</u>	<u>10,075,697</u>	
<b>NET ASSETS AT END OF YEAR</b>	<u><b>\$ 7,597,714</b></u>	<u><b>\$ 12,256,631</b></u>	<u><b>\$ 19,854,345</b></u>	

The accompanying notes are an integral part of these statements.

**DIocese of Winona-Rochester**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2024**

	<u>PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Labor and benefits	\$ 2,368,405	\$ 510,157	\$ 57,764	\$ 2,936,326
Professional expenses	349,216	99,694	139,029	587,939
Office expenses	217,071	45,353	10,990	273,414
Program material expenses	162,706	1,074	40,783	204,563
Local travel expenses	71,336	7,035	1,602	79,973
Professional conference expenses	54,284	3,587	698	58,569
Diocesan meeting expenses	769,968	395	-	770,363
Insurance premiums	1,866,378	-	-	1,866,378
Care of Priests	96	-	-	96
Liturgical expenses	100,079	-	-	100,079
Membership assessments	168,857	-	-	168,857
Mission support	297,999	-	-	297,999
Property and liability insurance	472,024	-	-	472,024
Seminarian education	1,035,253	-	-	1,035,253
Depreciation	65,892	-	-	65,892
Charitable contributions	3,700	-	-	3,700
Settlement losses	-	-	-	-
Miscellaneous	216,014	3,268	2,719	222,001
<b>TOTAL EXPENSES</b>	<b><u>\$ 8,219,278</u></b>	<b><u>\$ 670,563</u></b>	<b><u>\$ 253,585</u></b>	<b><u>\$ 9,143,426</u></b>

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	\$ 470,131	\$ -	\$ 2,700,558
Professional expenses	383,509	55,312	137,932	576,753
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
<b>TOTAL EXPENSES</b>	<b><u>\$ 8,599,845</u></b>	<b><u>\$ 633,794</u></b>	<b><u>\$ 215,795</u></b>	<b><u>\$ 9,449,434</u></b>

The accompanying notes are an integral part of these statements.

**DIOCESE OF WINONA-ROCHESTER**  
**STATEMENTS OF CASH FLOWS**

	YEAR ENDED	
	JUNE 30,	
	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,690,849	\$ 9,778,648
Adjustments to reconcile change in net assets to net cash (used in) operating activities		
Depreciation	65,892	69,884
Amortization	2,773	-
Net realized and unrealized (gain) loss on investments	(470,657)	(385,774)
(Gain) on sale of property and equipment	(188,530)	(5,210)
In-kind donation of property	-	(1,076,300)
Changes in assets and liabilities		
(Increase) decrease in assets		
Accounts receivable	163,549	(200,222)
Unconditional promises to give	6,275,000	(7,200,000)
Prepaid expenses	68,702	(67,565)
Increase (decrease) in liabilities		
Accounts payable	666,416	139,068
Charitable organizations (collections and transmittals)	93,699	(29,858)
Funds held for others	(51,858)	11,022
Accrued expenses	156,541	(6,757,288)
<b>NET CASH (USED IN) OPERATING ACTIVITIES</b>	<b>8,472,376</b>	<b>(5,723,595)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(9,891,954)	(318,293)
Proceeds from the sale of property and equipment	315,533	2,100
Purchases of investments	(308,707)	(147,791)
Proceeds from sale of investments	187,449	-
Payments on loan receivables	105,073	101,582
<b>NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES</b>	<b>(9,592,606)</b>	<b>(362,402)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on finance leases	(2,513)	-
<b>NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES</b>	<b>(2,513)</b>	<b>-</b>
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(1,122,743)</b>	<b>(6,085,997)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>5,309,218</b>	<b>11,395,215</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 4,186,475</b>	<b>\$ 5,309,218</b>
<b><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></b>		
Cash and cash equivalents	\$ 4,025,454	\$ 5,134,725
Restricted cash and cash equivalents	161,021	174,493
<b>TOTAL CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS SHOW IN THE STATEMENTS OF CASH FLOWS</b>	<b>\$ 4,186,475</b>	<b>\$ 5,309,218</b>

The accompanying notes are an integral part of these statements.

**DIOCESE OF WINONA-ROCHESTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**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, 2024 AND 2023

**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.

**Change in Accounting Principle** - At the beginning of 2023, the Diocese adopted FASB ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended, which modifies the measurement of expected credit losses on certain financial instruments. The Diocese adopted this new guidance utilizing the modified retrospective transition method. Results for reporting periods beginning after July 1, 2023, are presented under Topic 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The adoption of this Standard did not have a material impact on the Diocese's financial statements but did change how the allowance for credit losses is determined.

**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 uses historical loss information based on the aging of receivables as the basis to determine expected credit losses for receivables and believes that the composition of trade receivables at year-end is consistent with historical conditions as credit terms and practices and the customer base has not changed significantly. If the financial condition of the Diocese's customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Based on management's assessment, the Diocese provides for estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance. Balances that remain outstanding after the Diocese has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management believes all receivables are collectible, accordingly, no allowance has been recorded.

**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, 2024 and 2023. The balance as of June 30, 2024 and 2023, was \$387,299 and \$492,372, respectively.

**DIOCESE OF WINONA-ROCHESTER**  
 NOTES TO THE FINANCIAL STATEMENTS - Continued  
 JUNE 30, 2024 AND 2023

**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. Investment return restricted by donors is reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. 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, 2024 and 2023.

**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, 2024 AND 2023

**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, 2024 and 2023.

**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 \$1,986,937 and \$1,975,000 for the years ended June 30, 2024 and 2023, 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. Conditional contributions and promises to give, are recognized as revenue when the barriers to entitlement are overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets is removed. 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, 2024 AND 2023

**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.

**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. In addition, the Diocese qualifies for the charitable contribution deduction and has been classified as an organization other than a private foundation under Section 509(a). The Diocese is also exempt from State taxation.

**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, 2024 and 2023, 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 22, 2024, 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 \$3,726,697 and \$4,921,354 as of June 30, 2024 and 2023, respectively.

**DIOCESE OF WINONA-ROCHESTER**  
**NOTES TO THE FINANCIAL STATEMENTS - Continued**  
**JUNE 30, 2024 AND 2023**

**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,	
	2024	2023
Cash and cash equivalents	\$ 4,025,454	\$ 5,134,725
Accounts receivable	626,884	790,433
Investments	5,568,355	4,976,440
Loan receivable	387,299	492,372
Unconditional promises to give receivable in less than one year	650,000	7,200,000
Total financial assets available within one year	11,257,992	18,593,970
Less amounts not available for general expenditure within one year:		
Net assets with donor restrictions	3,685,654	12,082,138
Board designated net assets	1,036,466	1,028,311
<b>TOTAL FINANCIAL ASSETS AVAILABLE TO MANAGEMENT FOR GENERAL EXPENDITURE WITHIN ONE YEAR</b>	<b><u>\$ 6,535,872</u></b>	<b><u>\$ 5,483,521</u></b>

*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, 2024 and 2023, 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,	
	2024	2023
Common/collective trust fund	\$ 5,451,612	\$ 4,858,205
Private equity investments	119,731	118,235
<b>TOTAL INVESTMENTS AND ENDOWMENT FUNDS</b>	<b><u>\$ 5,599,803</u></b>	<b><u>\$ 4,976,440</u></b>

**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, 2024 and 2023 is \$28,460.

**DIOCESE OF WINONA-ROCHESTER**  
NOTES TO THE FINANCIAL STATEMENTS - Continued  
JUNE 30, 2024 AND 2023

**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,	
	2024	2023
Receivable less than one year	\$ 650,000	\$ 7,200,000
Receivable in 1-5 years	275,000	-
<b>TOTAL</b>	<b><u>\$ 925,000</u></b>	<b><u>\$ 7,200,000</u></b>

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,	
	2024	2023
Land	\$ 1,284,157	\$ 1,284,157
Buildings and improvements	1,265,783	1,530,851
Vehicles and equipment	579,710	556,844
Construction in progress	<u>10,134,150</u>	<u>271,639</u>
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<b>13,263,800</b>	<b>3,643,491</b>
Less: Accumulated depreciation	<u>(1,592,196)</u>	<u>(1,670,946)</u>
<b>NET PROPERTY AND EQUIPMENT</b>	<b><u>\$11,671,604</u></b>	<b><u>\$ 1,972,545</u></b>

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, 2024 and 2023 is not material. Depreciation expense was \$65,892 and \$69,884 for the years ended June 30, 2024 and 2023, respectively.

**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.

**DIOCESE OF WINONA-ROCHESTER**  
NOTES TO THE FINANCIAL STATEMENTS - Continued  
JUNE 30, 2024 AND 2023

**NOTE 9 - Fair Value Measurements - Continued**

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, 2024 and 2023.

	JUNE 30, 2024	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	\$ 5,451,612	\$ -	\$ 5,451,612	\$ -
Private equity investments	119,731	-	-	119,731
Beneficial interest in trusts	28,460	-	-	28,460
<b>TOTAL</b>	<b><u>\$ 5,599,803</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 5,451,612</u></b>	<b><u>\$ 148,191</u></b>
	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
<b>TOTAL</b>	<b><u>\$ 5,004,900</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 4,858,205</u></b>	<b><u>\$ 146,695</u></b>

**DIOCESE OF WINONA-ROCHESTER**  
NOTES TO THE FINANCIAL STATEMENTS - Continued  
JUNE 30, 2024 AND 2023

**NOTE 9 - Fair Value Measurements - Continued**

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,	
	2024	2023
Fair value at beginning of year	\$ 118,235	\$ 101,979
Market value gain(losses) and adjustments	1,496	16,256
<b>FAIR VALUE AT END OF YEAR</b>	<b><u>\$ 119,731</u></b>	<b><u>\$ 118,235</u></b>

Beneficial Interest in Trusts

Fair value at beginning of year	\$ 28,460	\$ 28,460
Change in beneficial interest trust asset	-	-
<b>FAIR VALUE AT END OF YEAR</b>	<b><u>\$ 28,460</u></b>	<b><u>\$ 28,460</u></b>

**NOTE 10 - Line of Credit**

The Organization has a line of credit of \$2,500,000 which matures on March 15, 2025. The interest rate is equal to the Wall Street Journal Prime Rate, minus one-half percent, for the year ended June 30, 2024. The agreement is collateralized by substantially all assets of the Organization. There was no balance outstanding at June 30, 2024.

**NOTE 11 - Leases**

The Diocese leases certain office equipment under a long-term, non-cancelable finance lease agreement. The lease expires in January 2029. The Diocese included in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised.

The weighted-average discount rate is based on the discount rate implicit in the lease, or if the implicit rate is not readily determinable from the lease, then the Organization elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate.

The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

Total lease expense is as follows for the years ended June 30:

	2024	2023
Finance lease expense		
Amortization of right-of-use asset	\$ 2,773	\$ -
Interest on lease liabilities	557	-
Short-term lease expense	90,692	25,014
<b>TOTAL</b>	<b><u>\$ 94,022</u></b>	<b><u>\$ 25,014</u></b>

**DIOCESE OF WINONA-ROCHESTER**  
NOTES TO THE FINANCIAL STATEMENTS - Continued  
JUNE 30, 2024 AND 2023

**NOTE 11 - Leases - Continued**

Other lease information is as follows for the years ended June 30:

	2024	2023
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from finance leases	\$ 449	\$ -
Finance cash flows from finance leases	2,007	-
Right-of-use assets obtained in exchange for new lease liabilities		
Finance lease liabilities	\$ 32,663	\$ -
	2024	2023
Weighted-average remaining lease term in years		
Finance leases	4.58	-
Weighted-average discount rate		
Finance leases	4.22%	-

The future minimum lease payments under finance leases are as follows as of June 30, 2024:

	Finance
2025	\$ 7,368
2026	7,368
2027	7,368
2028	7,368
2029	4,298
Total minimum lease payments	33,770
Less amounts representing interest	(3,006)
<b>TOTAL LEASE LIABILITIES</b>	<b>\$ 30,764</b>

**NOTE 12 - Net Assets**

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

	JUNE 30,	
	2024	2023
Capital improvement fund	\$ 287,994	\$ 366,137
Quasi-endowment – Scholarship funds	441,678	187,428
Retirement funds	52,023	70,000
Operating funds	125,000	125,000
Student loan and scholarship funds	19,855	171,330
Diocesan Center building project	109,916	108,416
<b>TOTAL BOARD DESIGNATED NET ASSETS</b>	<b>\$ 1,036,466</b>	<b>\$ 1,028,311</b>

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, 2024 AND 2023**

**NOTE 12 - Net Assets - Continued**

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

	JUNE 30,	
	2024	2023
Subject to expenditure for a specified purpose:		
Schulze Foundation	\$ 59,614	\$ 65,356
Handicapped Children Fund	9,774	9,774
Works of Justice Fund	42,222	34,862
Rice Bowl Poverty Program	43,087	37,152
Hullerman Fund	91,566	91,566
Priests' Retirement Fund	28,728	28,728
Continuing education of priests	25,194	128,084
Training of lay leaders/ministers	58,603	58,603
Catholic Education	25,264	25,764
Building Fund	10,825,656	9,076,300
TV Mass Fund	68,489	68,489
St. Mary Winnebago Scholarship Fund	3,283	4,283
	<u>11,281,480</u>	<u>9,624,961</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	187,626
McHugo fund (income to help the poor and needy)	233,501	233,501
	<u>2,031,803</u>	<u>2,031,803</u>
Earnings subject to appropriation and expenditure for specified purpose		
Seminarian education	334,057	400,526
McHugo endowment fund	120,906	147,782
Eileen Jurgenson income	23,098	23,099
	<u>478,061</u>	<u>571,407</u>
	<u>2,509,864</u>	<u>2,603,210</u>
<b>TOTAL ENDOWMENTS</b>	<u>2,509,864</u>	<u>2,603,210</u>
<b>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</b>	<u><b>\$13,819,804</b></u>	<u><b>\$12,256,631</b></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,	
	2024	2023
Satisfaction of purpose restriction:		
Works of Justice Fund	\$ 1,429	\$ 26,703
Rice Bowl Poverty Program	16,000	25,000
Catholic Education	500	-
St. Mary Winnebago Scholarship Fund	1,000	-
Continuing education of priests	98,890	21,040
Priests' retirement fund	-	10,000
Schulze Foundation	5,892	28,075
Settlement/payment of bankruptcy	-	3,726,739
Scholarship fund	239,656	421,452
Poor and needy assistance (McHugo fund)	80,000	-
Training of lay leaders/ministers	-	10,325
	<u>443,367</u>	<u>4,269,334</u>
	<u><b>\$ 443,367</b></u>	<u><b>\$ 4,269,334</b></u>

**DIocese OF WINONA-ROCHESTER**  
NOTES TO THE FINANCIAL STATEMENTS - Continued  
JUNE 30, 2024 AND 2023

**NOTE 13 - 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, 2024 AND 2023

**NOTE 13 - Endowments - Continued**

*Endowment Net Asset Composition by Type of Fund as of June 30, 2024:*

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Board-designated endowment funds	\$ 441,678	\$ -	\$ 441,678
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	-	478,061	478,061
<b>TOTAL</b>	<b><u>\$ 441,678</u></b>	<b><u>\$ 2,509,864</u></b>	<b><u>\$ 2,951,542</u></b>

*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
<b>TOTAL</b>	<b><u>\$ 187,428</u></b>	<b><u>\$ 2,603,210</u></b>	<b><u>\$ 2,790,638</u></b>

**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, 2024 and 2023.

*Changes in Endowment Net Assets for the Year Ended June 30, 2024:*

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 187,428	\$ 2,603,210	\$ 2,790,638
Investment return, net	-	226,310	226,310
Contributions	254,250	-	254,250
Appropriation of endowment assets pursuant to spending-rate policy	-	(319,656)	(319,656)
Endowment net assets, end of year	<b><u>\$ 441,678</u></b>	<b><u>\$ 2,509,864</u></b>	<b><u>\$ 2,951,542</u></b>

*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	<b><u>\$ 187,428</u></b>	<b><u>\$ 2,603,210</u></b>	<b><u>\$ 2,790,638</u></b>

**DIocese OF WINONA-ROCHESTER**  
NOTES TO THE FINANCIAL STATEMENTS - Continued  
JUNE 30, 2024 AND 2023

**NOTE 14 - 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 \$2,390. 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 2024 and 2023 were \$9,537 and \$8,218, respectively.

**NOTE 15 - 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, 2024 and 2023, the Diocese contributed \$116,044 and \$104,292 to this plan, respectively.

**NOTE 16 - Related Party Transactions**

The Diocese has service agreements with Catholic Foundation of Southern Minnesota (CFSM), Pension Plan for Priests of the Diocese of Winona, Immaculate Heart of Mary Seminary, Inc., and Catholic Charities of Winona 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,	
	2024	2023
Pension Plan for Priests of the Diocese of Winona	\$ 30,450	\$ 28,620
Immaculate Heart of Mary Seminary, Inc.	29,670	27,120
Catholic Foundation of Southern Minnesota	99,600	77,423
Catholic Charities of Winona	22,284	-
	<b>\$ 182,004</b>	<b>\$ 133,163</b>

The Diocese also contracts with CFSM to conduct their annual Catholic Ministries Appeal. Expenses paid for these services as of June 30, 2024 and 2023, were \$185,405 and \$166,020, respectively.

In addition, the Diocese received grants from Catholic Foundation of Southern Minnesota in the amount of \$246,000 and \$-0- during the years ended June 30, 2024 and 2023, respectively.

Included in accounts payable at June 30, 2024 and 2023 were accounts due to CFSM of \$733 and \$-0-, Catholic Mutual Group \$49,251 and \$-0-, and Immaculate Heart of Mary Seminary \$303 and \$-0-, respectively, related parties.

**DIOCESE OF WINONA-ROCHESTER**  
**NOTES TO THE FINANCIAL STATEMENTS - Continued**  
**JUNE 30, 2024 AND 2023**

**NOTE 17 - 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,	
	2024	2023
Donated land	\$ -	\$ <b>1,076,300</b>

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, 2024, 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, 2024.

**NOTE 18 - 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 19 - 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 20 - Contingent Liability**

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, 2024 and 2023, the Diocese has accrued losses to fund this claim of \$50,000, respectively.

**DIOCESE OF WINONA-ROCHESTER**  
**SUPPLEMENTARY INFORMATION**

**DIOCESE OF WINONA-ROCHESTER**  
**STATEMENT OF ACTIVITIES BY DEPARTMENT**  
**YEAR ENDED JUNE 30, 2024**

	REVENUE	EXPENSES	CHANGE IN NET ASSETS	BUDGET
Bishop	\$ 221,770	\$ 225,417	\$ (3,647)	\$ -
Bishop Emeritus	159,258	159,257	1	-
Vicar General	84,289	146,882	(62,593)	-
Chancellor	49,442	75,821	(26,379)	-
Vicar Judicial (Tribunal)	266,523	91,879	174,644	-
General Diocese	5,429,509	3,039,420	2,390,089	7,261,406
Chapter 11 Reorganization	-	12,192	(12,192)	(56,000)
Human Resources	187,942	272,536	(84,594)	-
Safe Environment	83,956	83,955	1	-
Mission Advancement Stewardship/Development	-	9	(9)	-
Mission Advancement - Annual Appeal	210,566	260,419	(49,853)	-
Finance	436,570	463,574	(27,004)	-
Parish Financial Services	102,442	113,827	(11,385)	-
Contracted Services	132,048	131,927	121	-
Planning	1,790	1,054	736	-
Moderator of Curia	130,745	74,049	56,696	-
Support Services	127,403	129,651	(2,248)	-
Cemeteries	54,497	40,650	13,847	-
Courier	72,894	62,157	10,737	-
Communications	107,876	228,069	(120,193)	-
Care of Priests	125,661	56,966	68,695	-
Priestly Life - Clergy Education	115,255	216,945	(101,690)	-
Seminarian/Theological Education	522,430	1,084,716	(562,286)	-
Vocations	1,744	97,704	(95,960)	-
Catholic Education/Formation - Schools	365,096	403,796	(38,700)	-
Mankato Newman Center	150,576	143,190	7,386	-
Winona Newman Center	112,092	132,759	(20,667)	-
Catholic Education/Formation - Faith Formation	456,942	362,647	94,295	-
Apostolate - Ministry Formation	346,700	311,582	35,118	-
Apostolate - Permanent Diaconate	79,468	59,025	20,443	-
Divine Worship	62,193	65,234	(3,041)	-
Life	102,522	96,967	5,555	-
Youth and Young Adults	132,562	111,532	21,030	-
Apostolate - Hispanic Ministry	19,938	15,645	4,293	-
Apostolate - Hispanic Chaplaincy	60,391	57,298	3,093	-
<b>TOTAL DEPARTMENTAL</b>	<b>10,513,090</b>	<b>8,828,751</b>	<b>1,684,339</b>	<b>7,205,406</b>
Other Restricted Funds	321,185	314,675	6,510	-
<b>TOTAL DIOCESAN</b>	<b>\$ 10,834,275</b>	<b>\$ 9,143,426</b>	<b>\$ 1,690,849</b>	<b>\$ 7,205,406</b>

\* Includes interdepartmental transfers