

DIOCESE OF DULUTH

Financial Results

Fiscal Year ending June 30, 2020

The Diocese of Duluth emerged from Bankruptcy in November 2019. Most of the expense related to the bankruptcy was accrued for and reported in the prior fiscal year. However, a few related matters did impact the financial results this fiscal year and are described in more detail in the non-operating section of this commentary.

The Diocese of Duluth ended the fiscal year with a positive (favorable) operating bottom line of \$1,944,674, compared to a positive bottom line of \$119,932 in the prior fiscal year. The main reason for the significant increase is related to an audit recommendation of recording \$1,596,123 in accounts receivable for the United Catholic Appeal.

The Diocese selected the audit firm of Clifton Larson & Allen to conduct a balance sheet only audit for the fiscal year ending 6/30/20. Starting with the fiscal year ending 6/30/21, the Diocese will have all its financial statements covered by the audit.

REVENUES

Adjusting for the change in accounting for the UCA, total operating revenues increased by \$619,246 or 17 percent from the prior year. The change is related to timing of when UCA proceeds were received and an endowment grant from the Seminarian Endowment Fund. The United Catholic Appeal contributed 56% of the total funding to the diocesan operations compared to 61% in the prior year. As the main source of funding for the diocese, the United Catholic Appeal is close to being on track with prior years despite the outbreak of the pandemic at the end of the fiscal year.

EXPENSES

Total operating expenses increased by \$323,403 or 9 percent from the prior year. Expense for support services increased by 30% from the prior year, related to the care of priests on leave and also the resumption of paying for legal advice (not related to the bankruptcy). Ministry related expenses were 5% less than the prior year, mainly related to open positions in Native American ministry and the ministry of the Bishop. Operating expenses overall were managed in a diligent manner as demonstrated by an unfavorable variance of only \$70,115 or 2% to total budgeted expenses.

ENDOWMENT FUNDS

All three endowment funds sponsored by the diocese are separately incorporated organizations. The mission of these organizations is to provide grants to people and organizations, enabling them to serve our communities in ways that are consistent with the mission of the Church. More information about these organizations and their specific missions can be found on the diocesan website under the "Endowments" menu option.

These organizations provided over \$400,000 in grants to various causes during the fiscal year, having a significant impact in our communities.

All three organizations voluntarily made a contribution to the diocesan bankruptcy settlement in November 2019. The amounts are listed in the attached schedule. When the diocese created these organizations years ago, the diocese provided initial funding for them. That initial funding was used for the contribution to the settlement. Donor gifts to the organizations were not utilized. Lastly, the Seminarian Endowment Fund made a loan to the Diocese in the amount of \$4,170,000 to help settle the bankruptcy. This loan will be paid back over 20 years with interest.

NON OPERATING

During the fiscal year, the Diocese sold the Bishop's home in order to raise funds to settle the bankruptcy. In addition, legal fees and other bankruptcy related costs to settle the bankruptcy came in under estimates by \$165,152. Lastly, the Diocese received contributions from parishes and other Catholic entities to help settle the bankruptcy. These voluntary contributions of \$3,951,000 were essential to settle all the claims and costs of the bankruptcy.

ASSETS & LIABILITIES

As of June 30, 2020, total assets increased by approximately \$412,000 from \$3,662,254 in 2019 to \$4,074,086 in 2020. Liabilities decreased by \$6,241,000 from the prior year, mostly a result of the bankruptcy settlement. During the year, the Diocese borrowed \$4,170,000 from the Seminarian Endowment Fund and also borrowed \$306,500 from the Payroll Protection Program. In prior financial reports, the diocese reported liabilities related to pension plans and priest post-retirement benefits. It is the opinion our auditor that these are multi-employer plans and are not liabilities of the Diocese. However, they are an obligation of our Catholic community and are reported in a supplemental schedule of the audit report. A copy of the audit report can be found on the diocesan website.

The past fiscal year was another turbulent one for the Diocese: final settlement of the bankruptcy, the sudden death of Bishop Paul Sirba and the onset of the Covid19 crisis. Despite these challenges and tragedies, the mission of the Church continues to move forward with hope and trust in divine providence. On behalf of all the ministries of our diocese, I thank all our supporters who have walked with us on a difficult road.

Franz Hoefflerle
Finance Officer of the Diocese of Duluth
In consultation with the Diocesan Finance Council

Diocese of Duluth

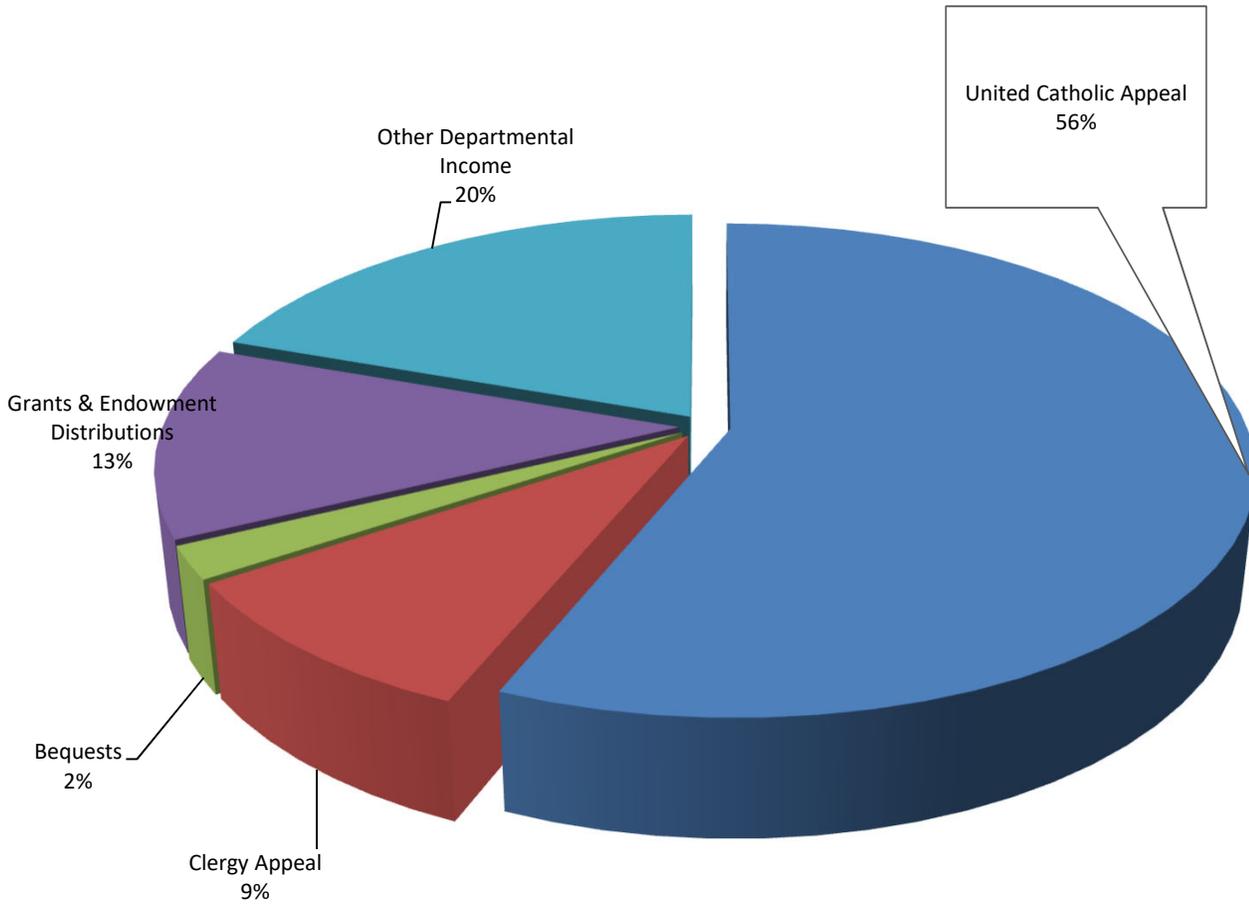
Statements of Operations (Un-Audited)
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenues		
United Catholic Appeal	2,438,063	2,256,413
Grants & Gifts Released from Restrictions	293,220	241,359
Insurance program	205,765	147,908
Program Registration Revenue	317,306	300,661
Contributions		
Seminarian Appeal	406,384	343,834
Bequest	93,243	61,111
Other Contributions	113,009	40,154
Other Income	464,502	320,807
Total revenues	4,331,493	3,712,247
Expenses		
Ministry		
Office for Vocations (10 men in seminary)	421,659	377,095
Office for Youth & Young Adults	345,508	331,996
Office for Communications (Northern Cross)	191,687	202,163
Office for Hospital Ministry	140,942	144,511
Office of the Bishop	110,153	139,572
Campus Ministry at UMD	126,967	130,099
Office for Catholic Schools	120,926	116,672
Office for Permanent Diaconate	106,636	115,030
Office for Marriage and Family Life	90,807	101,257
Office for Native American Ministry	14,401	78,330
Office for Catechesis	67,112	76,349
Office for the Social Apostolate of the Church	61,593	72,871
Marriage Tribunal	68,181	66,474
Office for Continuing Formation of Priests	55,588	57,072
Office for Safe Environment	23,871	31,920
Office for Liturgy	21,693	26,394
TV Mass	25,500	25,845
Office of the Vicar General	27,566	25,486
Other	8,958	18,744
Total Ministry Expenses	2,029,746	2,137,880
Support Services		
Business Office	332,746	362,802
Care of Retired/Disabled Priests	592,716	353,831
Pastoral Center, building & grounds	217,729	206,012
Stewardship Office	193,496	182,773
Insurance Program	177,600	142,697
Diocesan dues & donations	103,009	106,006
Depreciation	23,628	83,152
Other	158,977	18,160
Audit & legal	83,071	-
Bad debts	3,000	(1,000)
Total Support Services Expense	1,885,971	1,454,435
Total Ministry and Support Expenses	3,915,717	3,592,315
Income (loss) from operations	415,775	119,932
Non-Operating Activities		
Chapter 11 Bankruptcy Expenses	165,152	(1,522,329)
Creditor Settlement	-	(8,500,000)
Settlement Contributions	3,951,514	769,323
Insurance Recovery	2,707	16,564
Gain on sale of house	518,242	
Investment Activity (net of fees)	3,419	9,111
Total Non-Operating Income (loss)	4,641,034	(9,227,332)

**Diocese of Duluth
Summary of Collections
Years Ended June 30, 2020 and 2019**

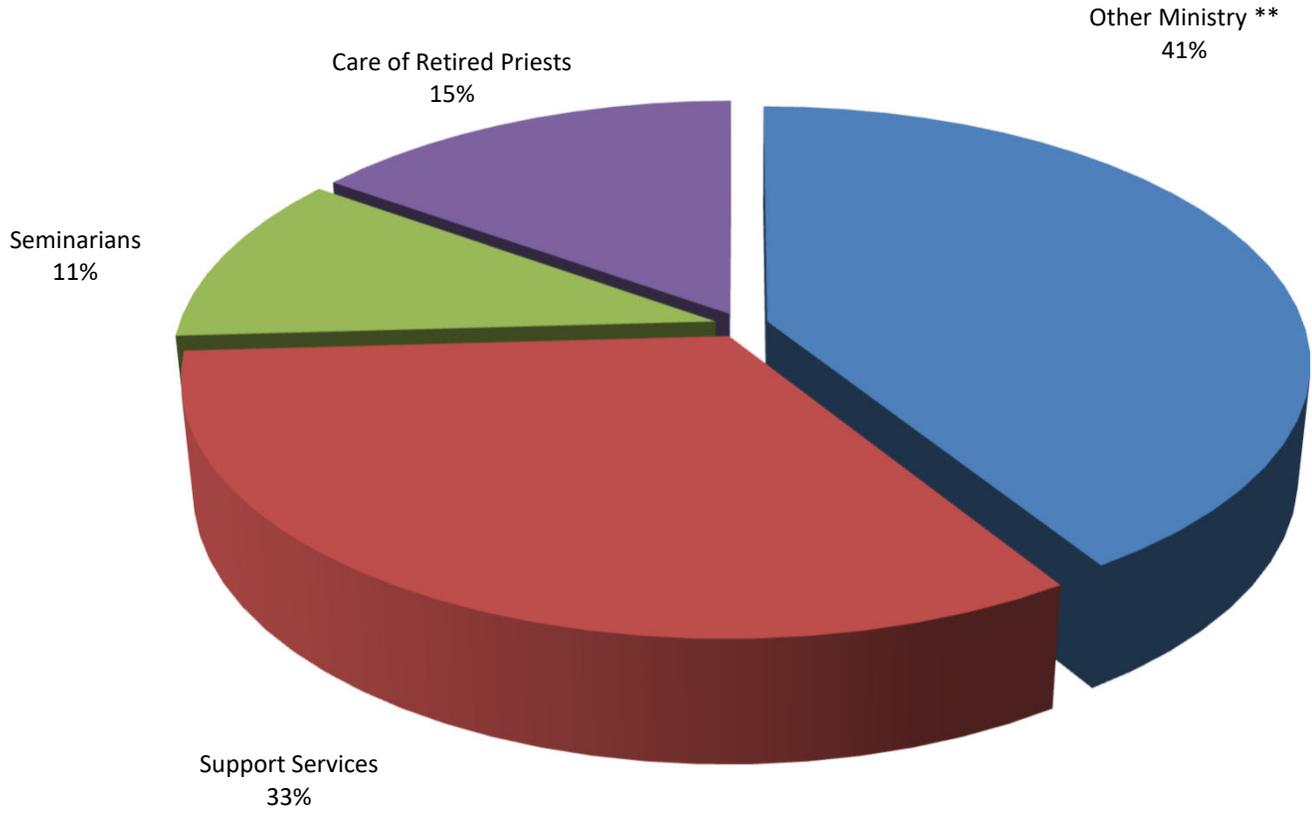
	<u>2020</u>	<u>2019</u>
<u>Annual National Collections</u>		
Retirement Fund for Religious	47,004	42,615
Propagation of Faith (Mission Sunday)	30,457	31,847
Black & Indian Missions	29,962	25,384
Missionary Cooperatives	27,700	43,056
Holy Father's Collection (Peter's Pence)	27,019	32,044
Campaign for Human Development	26,838	28,104
Catholic Home Mission	26,026	25,517
Catholic Relief Services	20,318	36,385
Latin American	19,560	27,597
Rice Bowl	14,043	23,808
Holy Land (Good Friday)	-	49,326
<i>Total Annual Collections</i>	<hr/> 268,927	365,682
<u>Special Collections</u>		
Kingstown Appeal		23,237
Disaster Relief		53,817
Notre Dame, Paris		4,348
<i>Total Special Collections</i>	<hr/> -	81,401
Total of All Collections	<hr/> 268,927	447,083 <hr/>

Diocesan Revenue for Fiscal 2020



Diocesan Expenses for Fiscal 2020

Serving approximately 52,000 Catholics in NE Minnesota



** includes: Youth & Young Adults, Northern Cross, Schools, Hospital, Campus & Prison Ministry

Endowment Funds of the Diocese of Duluth
Statement of Activities (Un-Audited)
Year Ended June 30, 2020

	Human Life and Development Fund	Seminarian Endowment Fund	Catholic Religious Education Endowment Fund
Beginning Net Assets	1,904,939	8,194,268	6,894,126
Revenue			
Investment Income	39,893	171,832	104,157
Pledges/Contributions	1,100	40,270	1,837
Total Revenue	40,993	212,103	105,994
Expenses			
Grants	(59,190)	(140,000)	(201,557)
Operating Expenses *	(278,047)	(903,381)	(632,072)
Total Expenses	(337,237)	(1,043,381)	(833,629)
Accounts Payable	(2,565)		(2,565)
Ending Net Assets	1,606,130	7,362,990	6,163,926
* Contributions to the Diocesan bankruptcy settlement from designated funds	275,700	896,308	629,653