

**DIOCESE OF DULUTH**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2020**

**DIOCESE OF DULUTH  
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## INDEPENDENT AUDITORS' REPORT

Very Reverend Fr. James B. Bissonette  
Diocesan Administrator  
Diocesan Finance Council  
Diocese of Duluth  
Duluth, Minnesota

We have audited the accompanying financial statements of the Diocese of Duluth, which comprise of the statement of financial position as of June 30, 2020 and the related notes to the financial statements.

### ***Management's Responsibility 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; this includes 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Very Reverend Fr. James B. Bissonette  
Diocesan Administrator  
Diocesan Finance Council  
Diocese of Duluth

***Opinion***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of the Diocese of Duluth as of June 30, 2020 in accordance with accounting principles generally accepted in the United States of America.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

St. Cloud, Minnesota  
December 10, 2020

**DIOCESE OF DULUTH  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2020**

**ASSETS**

Cash and Cash Equivalents	\$ 1,771,635
Accounts Receivable, Net	1,728,971
Notes Receivable	8,181
Prepaid Expenses and Other Assets	40,438
Beneficial Interests in Perpetual Trusts	89,856
Investments	129,441
Property and Equipment, Net	305,564
Total Assets	<u>\$ 4,074,086</u>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts Payable	\$ 72,229
Accrued Payroll and Other Liabilities	191,677
Other Liabilities	392
Notes Payable	4,089,614
Paycheck Protection Program Loan	306,500
Funds Held for Others	71,677
Total Liabilities	<u>4,732,089</u>

**NET ASSETS**

Without Donor Restrictions	(1,025,673)
With Donor Restrictions	367,670
Total Net Assets	<u>(658,003)</u>

Total Liabilities and Net Assets	<u>\$ 4,074,086</u>
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*See accompanying Notes to Financial Statements.*

**DIOCESE OF DULUTH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Diocese**

The Diocese of Duluth (the Diocese), from its offices in Duluth, Minnesota, collaborates in spreading the Catholic Faith with approximately 95 independent parishes/missions located within its diocesan territory. The Diocese provides guidance and some centralized services/benefits to the parish corporations.

**Basis of Accounting**

The accompanying financial statements have been prepared using the accrual basis of accounting. As such, revenues are recognized when earned and expenses are recognized when the underlying obligations are incurred.

**Basis of Presentation**

The Diocese classifies net assets and revenues, gains, and losses based on donor-imposed restrictions. Accordingly, net assets of the Diocese and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Resources over which the board of directors (board) has discretionary control. Designated amounts represent those revenues which the board has set aside for a particular purpose.

Net Assets With Donor Restrictions – Those resources subject to donor-imposed restrictions which will be satisfied by actions of the Diocese or passage of time.

**Use of Estimates**

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

**Beneficial Interests in Perpetual Trusts**

The Diocese is the sole income beneficiary in an irrevocable perpetual trust, the assets of which are not in the possession of the Diocese and for which the Diocese is not the trustee. The value of the trust totaled \$89,856 at June 30, 2020. The trust was established with specific donor intent for restricted purposes. The assets recorded on the statement of financial position represent the estimated present values of future cash flows from the trust, which are assumed to equal the fair value of the underlying trust investments. The Diocese has legally enforceable rights and claims to distributions from the trust but not to the underlying assets themselves and receives income distributions based on the funds' income after certain trust expenses. These income distributions are received with donor restrictions for the specific purposes of education and missions.

**DIOCESE OF DULUTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments**

Investments are composed of equity securities and are reported at fair value in the statement of financial position.

**Property and Equipment**

Operating property consisting of land, buildings, and equipment is stated at cost or at the fair market value on the date of gift or acquisition. Items greater than \$500 are capitalized. Depreciation is recorded based on estimated useful lives using the straight-line method. Buildings are depreciated over estimated lives of 15-70 years and equipment and furnishings over five years. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activities.

**Contributions**

Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), the net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

**Funds Held for Others**

Amounts held for others under agency transactions consist of charitable collection accounts and funds held for others totaling \$71,677 as of June 30, 2020.

**Fair Value of Financial Instruments**

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

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

**DIOCESE OF DULUTH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value of Financial Instruments (Continued)**

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

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

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

**Pension and Medical Benefit Plans**

The Diocese contributes to the Pension Plan for Priests of the Diocese of Duluth and to the Diocese of Duluth Lay Employees’ Retirement Plan. These plans also include participation from parishes, Catholic schools, and certain other Catholic entities within the Diocese, and as such, are multi-employer plans. The Diocese’s contributions include normal costs and an amount to amortize the unfunded past service liabilities of the plans. The actuarial present values of accumulated plan benefits and net assets available for benefits are not available at the individual organization level. As such, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 715-20-05, Compensation – Retirement Benefits, no liability has been recorded by the Diocese for these plans. New entrants of lay employees under the Diocese of Duluth Lay Employees’ Retirement Plan were frozen July 1, 2010.

The Diocese contributes to the Diocese of Duluth Priests’ Retiree Medical Plan, which is a multiple-employer plan providing medical and dental insurance and reimbursement for Medicare Part B premiums to all eligible retired priests. In accordance with FASB ASC 712-10-25, Compensation – Nonretirement Postemployment Benefits, no liability has been recorded by the Diocese.

**Tax Status**

The Diocese is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and corresponding state tax codes. The Diocese is not a private organization and contributions to the Diocese qualify as a charitable tax deduction by the contributor. The Diocese is not subject to the filing requirements of the Form 990.



**DIOCESE OF DULUTH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Subsequent Events**

In preparing these financial statements, the Diocese has evaluated events and transactions for potential recognition or disclosure through December 10, 2020, the date the financial statements were available to be issued.

In September 2020, the Diocese entered into a residential purchase agreement for property in Duluth, Minnesota. The agreed upon acquisition price is \$530,000.

**NOTE 2 CONCENTRATION OF CREDIT AND MARKET RISK**

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

**NOTE 3 LIQUIDITY AND AVAILABILITY**

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

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

Cash and Cash Equivalents	\$ 1,771,635
Accounts Receivable, Net	1,728,971
Investments	129,441
Total	3,630,047
Less: Net Assets With Donor Restrictions	(267,670)
Total Financial Assets Available	\$ 3,362,377

**NOTE 4 PROPERTY AND EQUIPMENT**

Operating property consists of the following at June 30:

Building	\$ 2,144,582
Furniture and Equipment	381,954
	2,526,536
Less: Accumulated Depreciation	(2,220,972)
Total	\$ 305,564

**DIOCESE OF DULUTH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 5 INVESTMENTS**

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

Cash Equivalents	\$ 48,082
Mutual Funds	81,359
Total	<u>\$ 129,441</u>

**NOTE 6 ACCOUNTS RECEIVABLE**

Accounts receivable are summarized as follows at June 30:

	Gross	Allowance for Uncollectible Accounts	Totals
United Catholic Appeal	\$ 1,596,123	\$ -	\$ 1,596,123
Trade	438,848	(306,000)	132,848
Total	<u>\$ 2,034,971</u>	<u>\$ (306,000)</u>	<u>\$ 1,728,971</u>

Annually a United Catholic Appeal for support is made to the parishioners in the Diocese. Contributions received are restricted based on the case presented to donors as set by the Bishop of Duluth for the benefit of Diocesan organizations and groups.

**NOTE 7 NET ASSETS**

Net assets with donor restrictions restricted by purpose consist of:

Other Contributions for Future Program Expenses	\$ 192,670
Fr. Joseph Hughes Bequest for the Benefit of Children	75,000
Total	<u>\$ 267,670</u>

Net assets with donor restrictions that are held in perpetuity consist of:

Marguerite Rinn Trust	\$ 100,000
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**NOTE 8 RELATED ORGANIZATION**

The Diocese is related to the Seminarian Endowment Fund of the Diocese of Duluth (Seminarian Endowment Fund). The Diocese received grants of \$140,000 from the Seminarian Endowment Fund for costs related to the education of future priests for 2020. The Diocese also received contributions of \$896,308 which were utilized from board designated funds relating to the bankruptcy settlement during the year ended June 30, 2020. See Note 8 for additional information related to a note payable to the Seminarian Endowment Funds as a result of the bankruptcy settlement.

**DIOCESE OF DULUTH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 8 RELATED ORGANIZATION (CONTINUED)**

The Diocese is also related to the Catholic Religious Education Endowment Fund of the Diocese of Duluth (CREED Fund). The Diocese received grants from the CREED Fund for various purposes totaling \$124,920. The Diocese also received contributions of \$629,653 which were utilized from board designated funds relating to the bankruptcy settlement during the year ended June 30, 2020. Also the Diocese returned \$7,447 to the CREED Fund in unused grant contributions, including \$5,000 in accounts payable at year end.

The Diocese is also related to the Human Life and Development Fund of the Diocese of Duluth (Human Life and Development Fund). The Diocese received contributions of \$275,700 from the Human Life and Development Fund which were utilized from board designated funds relating to the bankruptcy settlement during the year ended June 30, 2020.

**NOTE 9 FAIR VALUE MEASUREMENTS**

The following table presents the fair value hierarchy for the balances of the assets of the Diocese measured at fair value on a recurring basis as of June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds	\$ 81,359	\$ -	\$ -	\$ 81,359
Cash Equivalents	-	-	-	48,082
Total Investments	<u>\$ 81,359</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 129,441</u>

**NOTE 10 NOTES PAYABLE**

The Diocese entered into a 4% partially secured loan with the Seminarian Endowment Fund in November 2019 in the amount of \$4,170,000 with a monthly payment of \$25,269, maturing on November 5, 2039. The balance of the note was \$4,089,614 as of June 30, 2020. Principal and interest payments made to the Seminarian Endowment Fund as of June 30, 2020 totaled \$176,886.

Future principal payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 142,237
2022	148,032
2023	154,063
2024	160,340
2025	166,872
Thereafter	3,318,070
Total	<u>\$ 4,089,614</u>

**DIOCESE OF DULUTH  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 11 PAYCHECK PROTECTION PROGRAM**

On April 24, 2020, the Diocese received a loan from National Bank of Commerce in the amount of \$306,500 to fund payroll, rent, utilities, and interest on mortgages through the Paycheck Protection Program (the PPP Loan). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over twenty-four months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Diocese fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. The covered period from April 24, 2020 to October 8, 2020, is the time that a business has to spend their PPP Loan funds. The Diocese has accounted for its PPP Loan in accordance with Accounting Standards Codification 470, Debt and reports the outstanding balance as a liability as of June 30, 2020.

**NOTE 12 OPERATING LEASES**

The Diocese entered into an operating lease for a copier.

Future operating lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 2,292
2022	2,292
2023	2,292
2024	2,292
2025	191
Total	<u>\$ 9,359</u>

**NOTE 13 RISKS AND UNCERTAINTIES**

During the fiscal year ended June 30, 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Diocese, COVID-19 may impact various parts of its 2021 operations and financial results, including investment performance and potential loss of revenue due to a reduction in contributions. Management believes the Diocese is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

**DIOCESE OF DULUTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 14 CONTINGENT LIABILITIES**

From time to time, the Diocese may become subject to legal proceedings in the conduct of its operations. The Diocese's policy is to accrue the portion of these costs not covered by insurance when it is both probable that a material liability has been incurred and the amount can be reasonably estimated. No accruals have been made as of June 30, 2020.



CliftonLarsonAllen LLP  
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## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Very Reverend Fr. James B. Bissonette  
Diocesan Administrator  
Diocesan Finance Council  
Diocese of Duluth  
Duluth, Minnesota

We have audited the statement of financial position of the Diocese of Duluth as of June 30, 2020, and our report thereon dated December 10, 2020, which expressed an unmodified opinion on this financial statement, appears on page one. Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The Supplemental Statement of Financial Position, Statements of Activities, Functional Expenses, Diocese of Duluth Lay Employees' Retirement Plan, Pension Plan for Priests of the Diocese of Duluth, and the Diocese of Duluth Priests' Retiree Medical Plan, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the financial statement. Such information has not been subjected to the auditing procedures applied in the audit of the financial statement, and, accordingly, we do not express an opinion or provide any assurance on them.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

St. Cloud, Minnesota  
December 10, 2020

**DIOCESE OF DULUTH**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2020 AND 2019**  
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	2020	(Unaudited) 2019
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,771,635	\$ 2,873,423
Accounts Receivable, Net	1,728,971	100,425
Notes Receivable	8,181	9,450
Other Receivables	-	10
Prepaid Expenses and Other Assets	40,438	108,289
Beneficial Interests in Perpetual Trusts	89,856	91,763
Investments	129,441	135,207
Property and Equipment, Net	305,564	343,687
Total Assets	\$ 4,074,086	\$ 3,662,254
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 72,229	\$ 723,060
Accrued Payroll and Other Liabilities	191,677	10,040,560
Other Liabilities	392	392
Notes Payable	4,089,614	-
Paycheck Protection Program Loan	306,500	-
Funds Held for Others	71,677	209,630
Total Liabilities	4,732,089	10,973,642
<b>NET ASSETS</b>		
Without Donor Restrictions	(1,025,673)	(7,611,834)
With Donor Restrictions	367,670	300,446
Total Net Assets	(658,003)	(7,311,388)
Total Liabilities and Net Assets	\$ 4,074,086	\$ 3,662,254

**DIOCESE OF DULUTH**  
**STATEMENTS OF ACTIVITIES (UNAUDITED)**  
**YEARS ENDED JUNE 30, 2020 AND 2019**  
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUES</b>						
United Catholic Appeal	\$ 3,291,426	\$ -	\$ 3,291,426	\$ 2,131,474	\$ -	\$ 2,131,474
Grants and Gifts	153,264	72,734	225,998	139,372	101,988	241,360
Contributions	1,422,620	-	1,422,620	547,087	-	547,087
Event Revenue	317,306	-	317,306	300,661	-	300,661
Insurance Program	205,765	-	205,765	147,908	-	147,908
Other Income	467,209	-	467,209	337,371	-	337,371
Released from Restrictions	5,510	(5,510)	-	63,089	(63,089)	-
Investment Return, Net	3,419	-	3,419	9,111	-	9,111
Total Support and Revenues	<u>5,866,519</u>	<u>67,224</u>	<u>5,933,743</u>	<u>3,676,073</u>	<u>38,899</u>	<u>3,714,972</u>
<b>OPERATING EXPENSES</b>						
Program Expenses	2,769,848	-	2,769,848	2,687,528	-	2,687,528
General and Administrative Expenses	945,993	-	945,993	9,246,236	-	9,246,236
Fundraising and Development	199,425	-	199,425	190,889	-	190,889
Total Operating Expenses	<u>3,915,266</u>	<u>-</u>	<u>3,915,266</u>	<u>12,124,652</u>	<u>-</u>	<u>12,124,652</u>
<b>CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES</b>	1,951,253	67,224	2,018,477	(8,448,579)	38,899	(8,409,680)
<b>NONOPERATING ACTIVITY</b>						
Gain on Disposal	518,242	-	518,242	-	-	-
Settlement Contribution	3,951,514	-	3,951,514	769,323	-	769,323
Special Issues	165,152	-	165,152	(1,489,998)	-	(1,489,998)
Total Nonoperating Activity	<u>4,634,908</u>	<u>-</u>	<u>4,634,908</u>	<u>(720,675)</u>	<u>-</u>	<u>(720,675)</u>
<b>CHANGE IN NET ASSETS FROM NONOPERATING ACTIVITIES</b>	6,586,161	67,224	6,653,385	(9,169,254)	38,899	(9,130,355)
Net Assets - Beginning of Year	<u>(7,611,834)</u>	<u>300,446</u>	<u>(7,311,388)</u>	<u>1,557,420</u>	<u>261,547</u>	<u>1,818,967</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ (1,025,673)</u>	<u>\$ 367,670</u>	<u>\$ (658,003)</u>	<u>\$ (7,611,834)</u>	<u>\$ 300,446</u>	<u>\$ (7,311,388)</u>



**DIOCESE OF DULUTH**  
**STATEMENT OF FUNCTIONAL EXPENSES (UNAUDITED)**  
**YEAR ENDED JUNE 30, 2020**  
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Program	General and Administrative	Fundraising and Development	Total
Salaries	\$ 873,287	\$ 293,654	\$ 115,211	\$ 1,282,152
Benefits	471,874	41,976	22,825	536,675
Grants	4,981	-	-	4,981
Diocesan Dues and Contributions	5,739	103,009	-	108,749
Office Expense	58,791	10,421	3,056	72,268
Accounting Fees	-	919	-	919
Consultant Services	6,800	450	-	7,250
Purchases Services	91,465	33,137	-	124,601
Professional Meetings/Fees	4,217	2,470	1,657	8,344
Programs	906,913	181,125	38,198	1,126,236
Dues/Subscriptions	38,539	4,693	11,442	54,673
Travel	20,077	11,155	882	32,113
Printing	12,459	279	-	12,739
Workshops	34,862	367	193	35,423
Miscellaneous	57,565	44,720	33	102,318
Bad Debts	-	3,000	-	3,000
Insurance	19,839	3,419	819	24,076
Legal	-	82,152	-	82,152
Facilities	140,353	18,565	4,445	163,363
Debt Service	-	107,704	-	107,704
Depreciation	22,087	2,779	665	25,532
<b>Total Expenses by Function</b>	<b>\$ 2,769,848</b>	<b>\$ 945,993</b>	<b>\$ 199,425</b>	<b>\$ 3,915,266</b>

**DIOCESE OF DULUTH**  
**STATEMENT OF FUNCTIONAL EXPENSES (UNAUDITED)**  
**YEAR ENDED JUNE 30, 2019**  
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Program	General and Administrative	Fundraising and Development	Total
Salaries	\$ 850,263	\$ 286,191	\$ 113,338	\$ 1,249,793
Benefits	359,123	36,319	19,520	414,961
Grants	15,318	-	-	15,318
Diocesan Dues and Contributions	10,711	106,006	-	116,716
Office Expense	64,686	9,634	2,292	76,612
Consultant Services	6,119	3,935	-	10,054
Purchases Services	147,834	62,421	-	210,255
Professional Meetings/Fees	20,993	1,673	2,832	25,498
Programs	840,403	144,167	35,997	1,020,567
Dues/Subscriptions	40,439	3,991	6,687	51,116
Travel	37,115	11,466	1,634	50,214
Printing	10,798	555	-	11,353
Workshops	28,850	4,364	474	33,687
Miscellaneous	34,108	10,287	-	44,395
Bad Debts	-	(1,000)	-	(1,000)
Insurance	22,057	3,801	910	26,768
Facilities	130,195	18,286	4,378	152,860
Bankruptcy	-	8,532,332	-	8,532,332
Depreciation	68,517	11,808	2,827	83,152
Total Expenses by Function	<u>\$ 2,687,528</u>	<u>\$ 9,246,236</u>	<u>\$ 190,889</u>	<u>\$ 12,124,652</u>

**DIOCESE OF DULUTH**  
**DIOCESE OF DULUTH LAY EMPLOYEES' RETIREMENT PLAN (UNAUDITED)**  
**YEARS ENDED JUNE 30, 2020 AND 2019**  
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

The following disclosures relate to the Diocese of Duluth Lay Employees' Retirement Plan (as described in Note 1). The actuarial report used for these disclosures was based on financial data as of June 30, 2020 and 2019, and participant data as of June 30, 2019.

	<u>2020</u>	<u>2019</u>
Change in Benefit Obligation:		
Accumulated Benefit Obligation - Beginning of Year	\$ 11,888,959	\$ 10,376,168
Benefits Accumulated and Actuarial Experience	150,623	295,390
Interest Cost	698,349	681,950
Assumption Changes	-	1,081,839
Benefits Paid	(499,606)	(546,388)
Accumulated Benefit Obligation - End of Year	\$ 12,238,325	\$ 11,888,959
Change in Plan Assets:		
Fair Value of Plan Assets - Beginning of Year	\$ 10,216,567	\$ 9,909,044
Contributions	286,905	305,000
Investment Earnings	498,169	608,630
Benefit Payments	(499,606)	(546,388)
Administrative Expenses	<u>(72,706)</u>	<u>(59,719)</u>
Fair Value of Plan Assets - End of Year	10,429,329	10,216,567
Unfunded Accrued Liability	<u>\$ 1,808,996</u>	<u>\$ 1,672,392</u>
Percentage Funded	<u>85.22%</u>	<u>85.93%</u>
Discount Rate on the Benefit Obligation	<u>6.00%</u>	<u>6.00%</u>
Rate of Expected Return on Plan Assets	6.00%	6.00%
Expected Benefit Payment for Fiscal Year Ending In:		
2021	\$ 663,000	
2022	822,000	
2023	830,000	
2024	879,000	
2025	824,000	
2026 - 2030	4,332,000	

**DIOCESE OF DULUTH**  
**PENSION PLAN FOR PRIESTS OF THE DIOCESE OF DULUTH (UNAUDITED)**  
**YEARS ENDED JUNE 30, 2020 AND 2019**  
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

The following disclosures relate to the Pension Plan for Priests of the Diocese of Duluth (as described in Note 1). The actuarial report used for these disclosures was based on financial data as of June 30, 2020 and 2019, and participant data as of June 30, 2019.

	<u>2020</u>	<u>2019</u>
Change in Benefit Obligation:		
Accumulated Benefit Obligation - Beginning of Year	\$ 7,103,405	\$ 6,665,466
Benefits Accumulated and Actuarial Experience	128,593	139,732
Interest Cost	409,431	429,717
Assumption Changes	-	467,064
Benefits Paid	(559,105)	(598,574)
Accumulated Benefit Obligation - End of Year	\$ 7,082,324	\$ 7,103,405
Change in Plan Assets:		
Fair Value of Plan Assets - Beginning of Year	\$ 4,913,463	\$ 4,984,156
Contributions	251,812	255,000
Investment Earnings	226,566	308,436
Benefit Payments	(559,105)	(598,574)
Administrative Expenses	<u>(43,278)</u>	<u>(35,555)</u>
Fair Value of Plan Assets - End of Year	4,789,458	4,913,463
Unfunded Accrued Liability	<u>\$ 2,292,866</u>	<u>\$ 2,189,942</u>
Percentage Funded	<u>67.63%</u>	<u>69.17%</u>
Discount Rate on the Benefit Obligation	<u>6.00%</u>	<u>6.00%</u>
Rate of Expected Return on Plan Assets	6.00%	6.00%
Expected Benefit Payment for Fiscal Year Ending In:		
2021	\$ 593,000	
2022	561,000	
2023	542,000	
2024	524,000	
2025	496,000	
2026 - 2030	2,439,000	

**DIOCESE OF DULUTH**  
**DIOCESE OF DULUTH PRIESTS' RETIREE MEDICAL PLAN (UNAUDITED)**  
**YEARS ENDED JUNE 30, 2020 AND 2019**  
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

The following disclosures relate to the Diocese of Duluth Priests' Retiree Medical Plan (as described in Note 1). The actuarial report used for these disclosures was based on data as of June 30, 2020.

	<u>2020</u>	<u>2019</u>
Change in Benefit Obligation:		
Accumulated Benefit Obligation - Beginning of Year	\$ 4,538,908	\$ 4,378,531
Service Cost	151,858	145,249
Interest Cost	202,425	195,128
Benefits Paid	(180,000)	(180,000)
Actuarial Loss	1,102,298	-
Accumulated Benefit Obligation - End of Year	\$ 5,815,489	\$ 4,538,908
Change in Plan Assets:		
Fair Value of Plan Assets - Beginning of Year	\$ -	\$ -
Employer Contributions	180,000	180,000
Benefits Paid	(180,000)	(180,000)
Fair Value of Plan Assets - End of Year	<u>-</u>	<u>-</u>
Unfunded Accrued Liability	<u>\$ (5,815,489)</u>	<u>\$ (4,538,908)</u>
	<u>2020</u>	<u>2019</u>
Discount Rate on the Benefit Obligation	2.70%	4.55%
Assumed Health Care Trend Rate		
Immediate Trend Rate	6.25%	4.50%
Ultimate Trend Rate	3.50%	4.50%
Year that the Rate Reaches Ultimate Trend Rate	2031	2019
Expected Benefit Payment for Fiscal Year Ending In:		
2021	\$ 176,152	
2022	172,047	
2023	176,333	
2024	180,459	
2025	173,313	
2026 - 2030	914,003	