

DIOCESE OF LA CROSSE
FINANCIAL STATEMENTS
JUNE 30, 2021

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JUNE 30, 2021**

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Engelson & Associates, Ltd.

Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

To the Most Reverend William Patrick Callahan
and the Diocesan Finance Council
Diocese of La Crosse
La Crosse, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the Diocese of La Crosse (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021 and the related statement of activities, functional expenses, and cash flows for the year then ended, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Diocese of La Crosse as of June 30, 2021 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Engelson and Associates, Ltd.

La Crosse, Wisconsin
November 22, 2021

FINANCIAL STATEMENTS

**DIOCESE OF LA CROSSE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021**

ASSETS	<u>2021</u>
Assets	
Cash and cash equivalents	\$ 2,794,549
Accounts receivable, net	812,473
Insurance reserve at St. Ambrose Financial Services, Inc.	1,901,228
Accrued interest receivable	26,715
Prepaid expenses	84,421
Property and equipment, net	1,881,861
Cash and cash equivalents - restricted	1,617,257
Beneficial interest in trust	42,322
Investments - restricted	<u>32,966,993</u>
TOTAL ASSETS	<u>\$ 42,127,819</u>
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable and accrued expenses	\$ 718,218
Deferred revenue	9,479
Reserve for self-insurance	752,282
Collections for transmittal	<u>1,121,644</u>
Total Liabilities	2,601,623
Net Assets	
Without donor restrictions:	7,677,196
With donor restricted	<u>31,849,000</u>
Total Net Assets	39,526,196
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 42,127,819</u>

The accompanying notes are an integral part of these financial statements.

DIOCESE OF LA CROSSE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2021

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and bequests	\$ 877,518	\$ 5,289,569	\$ 6,167,087
Investment and endowment income, net	287,456	5,374,790	5,662,246
Change in value of split-interest agreement	55,367	-	55,367
Services and other income	1,712,327	-	1,712,327
Quotas	1,292,359	-	1,292,359
Grants	562,752	-	562,752
Net assets released from restrictions	6,383,657	(6,383,657)	-
TOTAL SUPPORT AND REVENUE	11,171,436	4,280,702	15,452,138
EXPENSES			
Program services expense	4,739,515	-	4,739,515
Management and general	3,108,032	-	3,108,032
Facilities	1,048,898	-	1,048,898
Fundraising	901,534	-	901,534
TOTAL EXPENSES	9,797,979	-	9,797,979
 Change in Net Assets	 1,373,457	 4,280,702	 5,654,159
 NET ASSETS AT BEGINNING OF YEAR	 6,303,739	 27,568,298	 33,872,037
 NET ASSETS AT END OF YEAR	 \$ 7,677,196	 \$ 31,849,000	 \$ 39,526,196

The accompanying notes are an integral part of these financial statements.

**DIOCESE OF LA CROSSE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021**

Expenses	Program services					Supporting Services			Totals
	Clerical, Religious and Liturgical	Educational and Faith Development	Catholic Schools	Charity and Social Justice	Program Services	Management and General	Facilities	Fundraising	
Personnel and Related Expenses	\$ 609,945	\$ 466,786	\$ 256,617	\$ 162,756	\$ 1,496,104	\$ 1,416,806	\$ 348,988	\$ -	\$ 3,261,898
Occupancy/Facilities	1,324	52,433	1,024	308	55,089	11,233	592,948	-	659,270
Office/Cleaning/Supplies	9,528	59,874	4,369	1,863	75,634	142,952	61,229	-	279,815
Professional Fees	13,482	23,359	6,922	857	44,620	474,694	42,195	-	561,509
Program Expense	146,017	89,517	-	74,204	309,738	-	-	-	309,738
Case Disbursements	-	-	-	1,220,800	1,220,800	-	-	-	1,220,800
Memberships/Subscriptions	207	6,616	29,357	32	36,212	5,831	938	-	42,981
Travel	9,921	5,919	684	245	16,769	14,730	288	-	31,787
Computer/Software	85,048	11,204	35,802	332	132,386	302,298	1,751	-	436,435
Conference Sponsored/Special Events Council/Committee Expense	119,191	20,019	12,882	-	152,092	22,704	-	-	174,796
Grants to Others	-	-	-	-	-	9	-	-	9
Seminarian/Regency/Journey	-	183,187	-	-	183,187	-	-	786,356	969,543
Clergy	-	534,971	-	-	534,971	-	-	-	534,971
Works of Charity/Donations	239,522	-	-	-	239,522	-	-	-	239,522
Public Relations/Advertising	72,000	-	-	142,668	214,668	-	-	-	214,668
Investment and Bank Fees	-	2,321	-	-	2,321	275,645	-	-	277,966
Miscellaneous	353	503	-	4	860	113,794	-	-	229,832
Insurance Reserve	359	20,723	3,059	401	24,542	22,808	561	115,178	47,911
	-	-	-	-	-	304,528	-	-	304,528
Total Expenses	\$ 1,306,897	\$ 1,477,432	\$ 350,716	\$ 1,604,470	\$ 4,739,515	\$ 3,108,032	\$ 1,048,898	\$ 901,534	\$ 9,797,979

The accompanying notes are an integral part of these financial statements.

**DIOCESE OF LA CROSSE
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (decrease) in net assets:	\$ 5,654,159
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:	
*Depreciation	210,150
Decrease (increase) in beneficial interest in trust	(3,098)
Net realized and unrealized loss (gain) on investments	(4,822,091)
Paycheck Protection Plan forgiveness	(13,885)
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable, net	(113,282)
(Increase) decrease in prepaid expenses	(14,116)
(Increase) decrease in insurance reserve receivable from St. Ambrose	(48,496)
(Increase) decrease in interest receivable	7,299
Increase (decrease) in accounts payable and accrued expenses	178,867
Increase (decrease) in refundable advance	(538,388)
Increase (decrease) in reserve for self-insurance	65,469
Increase (decrease) in collections for transmittal	(147,840)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>414,748</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(179,017)
Net sales/purchases of trust managed investments	1,685,850
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>1,506,833</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on long-term debt	(23,748)
Payments on St. Ambrose loan	(1,421,911)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(1,445,659)</u>
 NET INCREASE (DECREASE) IN CASH	 475,922
 CASH AT BEGINNING OF YEAR	 <u>3,935,884</u>
 CASH AT END OF YEAR	 <u><u>\$ 4,411,806</u></u>
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash paid during the year for:	
Interest	\$ 39,196
*Indicates a non cash transaction	

The accompanying notes are an integral part of these financial statements.

DIOCESE OF LA CROSSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Diocese of La Crosse (Diocese) provides services and support to the Diocesan parishes, schools and organizations. Services provided include administration of education, charitable projects, parishes and religious personnel activities. The Diocese also provides technical and fundraising assistance to these organizations, some of which are assessed annual quotas for services.

A summary of significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

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

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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 and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Advertising - The Organization expenses advertising costs as incurred. Total advertising costs charged to expense for year ended June 30, 2021 was \$12,321.

Cash and Cash Equivalents - For financial statement purposes, the Diocese of La Crosse considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents.

Accounts Receivable and Allowance for Uncollectible Accounts - Accounts receivable is stated at the amount due from various Curia offices. The organization has established an allowance for uncollectible accounts based on management's analysis of prior collections and experiences with individuals, schools and parishes. Write-offs for uncollectible accounts for year ended June 30, 2021 was \$1,846.

Property and Equipment - Property and equipment are recorded at actual cost. Acquisitions or donated property in excess of \$5,000 are capitalized. Depreciation is computed on a straight-line basis over the estimated service lives as follows:

Buildings	39.5 years
Land improvements	10-20 years
Equipment, furniture and fixtures	7-10 years
Vehicles	5-7 years

The organization reviews property and equipment for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds fair value less costs to sell.

DIOCESE OF LA CROSSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Investments – The organization carries investments at their fair values in the statement of financial position. Unrealized appreciation (depreciation), realized gains (losses) on sales, dividend and interest income and investment fees are included in investment return in the statement of activities and changes in net assets. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized.

Income Tax Status –The Diocese of La Crosse qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and corresponding provisions of State law and, therefore, has no provision for federal or state income taxes. In addition, the Diocese qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Organization’s policy is to evaluate uncertain tax positions, at least annually, for the potential for income tax exposure from unrelated business income or from loss of nonprofit status. Tax years ending June 30, 2018 and after are currently open to potential audits.

Net Assets - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Asset Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) 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.

Revenue Recognition – The Organization recognizes revenue in accordance with ASC 606, *Revenue from Contracts with Customers*, as amended. ASC 606 applies to exchange transactions and requires the Organization to follow a five step process: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the Organization satisfies a performance. The Organization records the following exchange transaction revenue in its statement of activities and changes in net assets:

Program and Service Revenue: admissions and fees that relate to the commensurate value the attendee receives in return is recognized when the related programs and services are held and performance obligations are met.

Catholic Life Subscription Revenue: subscription services are recognized when delivered to subscribers.

DIOCESE OF LA CROSSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Contribution Recognition – Contributions are recognized in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Contributions are recognized when received or unconditionally pledged. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions.

In-Kind Contributions – The Organization records the value of donated goods when there is an objective basis to measure the value. Donated goods are recorded in contribution revenue at fair value at the date of donation in the accompanying statement of activities.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Such amounts are recorded at their estimated fair value determined on the date of contribution.

No significant contributions of goods or services were received during the year ended June 30, 2021.

Functional Allocation of Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited directly. Other indirect costs have been allocated based on an estimate of usage by program and supporting service.

Restricted Cash – Certain donor-restricted assets that meet the definition of cash and cash equivalents whose restrictions limit their use to long-term purposes are classified as restricted cash in the statement of financial position.

Collections for Transmittal – The Diocese receives certain funds for the benefit of others. These custodial accounts are reflected in the financial statements as collections for transmittal.

**DIOCESE OF LA CROSSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 – RECEIVABLES

Receivables are composed of the following:

	<u>2021</u>
Parish receivable	\$ 439,176
Non Parish receivable	20,809
Cost reimbursements	148,263
Rebate overpayments	18,237
Annuity receivable	34,226
Parking fees	29,611
Diocesan Annual Appeal in transit	79,920
Diocesan Annual Appeal parish shortfalls	278,147
Others	<u>27,350</u>
Total receivables	1,075,739
Less allowance for doubtful accounts	<u>263,266</u>
Net receivables	<u>\$ 812,473</u>

NOTE 3 – INVESTMENTS

Investments at June 30, 2021 are comprised of the following:

	<u>Fair Value</u> <u>June 30, 2021</u>	<u>Cost</u> <u>June 30, 2021</u>	<u>Unrealized</u> <u>Gain (Loss)</u>
Interest in master trust	\$13,498,587	\$11,118,259	\$ 2,380,328
Money market funds	570,469	570,469	-
Mutual funds			
Fixed income	8,521,576	8,200,500	321,076
Equity	9,828,200	7,472,397	2,355,803
U.S. listed real estate	31,336	16,631	14,705
CUP II insurance investment	<u>516,825</u>	<u>516,825</u>	<u>-</u>
Total Investments	<u>\$ 32,966,993</u>	<u>\$ 27,895,081</u>	<u>\$ 5,071,912</u>

DIOCESE OF LA CROSSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 – INVESTMENTS, continued

Investment returns, including operations interest income, for the year ended June 30, 2021 are as follows:

	<u>June 30, 2021</u>
Investment income, net of fees	\$ 589,415
Unrealized gains	3,025,269
Realized gains	1,932,909
Operations interest income	<u>170,020</u>
Total	<u>\$ 5,717,613</u>

Three levels of inputs may be used to measure fair value (the fair value hierarchy). The level of an asset or liability within the fair value hierarchy is based on the lowest level of input significant to the fair value measurement of that asset or liability.

Following is a brief description of each level of the fair value hierarchy:

- Level 1 – Fair value measurement is based on quoted prices for identical assets or liabilities in active markets. Level 1 investments include marketable securities and bonds traded on a national exchange.
- Level 2 – Fair value measurement is based on (1) quoted prices for similar assets or liabilities in active markets, (2) quoted prices for identical or similar assets or liabilities in markets that are not active, or (3) valuation models and methodologies for which all significant assumptions are or can be corroborated by observable market data. Level 2 investments include U.S. government and agency securities, obligations of states and political subdivisions, certificates of deposit, corporate debt securities, and mortgage-related securities. The fair value measurement of a Level 2 investment is obtained from an independent pricing service and is based on recent sales of similar securities and other observable market data.
- Level 3 – Fair value measurement is based on valuation models and methodologies that incorporate at least one significant assumption that cannot be corroborated by observable market data. Level 3 measurements reflect the Organization's estimates about assumptions market participants would use in measuring fair value of the asset or liability. Level 3 investments include the investments that are not traded in a market. The fair value measurement of a Level 3 investment is based on market conditions, operating performance, and a valued model that incorporates assumptions market participants would use to measure the fair value of the investment.

**DIOCESE OF LA CROSSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 – INVESTMENTS, continued

Fair value of assets measured at fair value on a recurring basis as of June 30, 2021, follows:

		Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2021	<u>Fair Value</u>			
Interest in master trust	\$ 13,498,587	\$ -	\$ 13,498,587	\$ -
Money market funds	570,469	570,469	-	-
Mutual funds				
Fixed income	8,521,576	8,521,576	-	-
Equities	9,828,200	9,828,200	-	-
U.S. listed real estate	31,336	31,336	-	-
CUP II insurance investments	516,825	-	-	516,825
Beneficial interest in perpetual trust	42,322	-	-	42,322
	<u>\$ 33,009,315</u>	<u>\$ 18,951,581</u>	<u>\$ 13,498,587</u>	<u>\$ 559,147</u>

A reconciliation of level 3 activity is as follows:

	<u>June 30, 2021</u>
Beginning balance	\$ 556,049
Net appreciation (depreciation)	6,343
Sales and distributions	<u>(3,245)</u>
Ending balance	<u>\$ 559,147</u>

**DIOCESE OF LA CROSSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>June 30, 2021</u>
Land held for expansion	\$ 488,129
Land, buildings and improvements	11,210,991
Furniture and equipment	83,617
Vehicles	<u>112,152</u>
Total at cost	11,894,889
Less accumulated depreciation	<u>(10,013,028)</u>
Book Value	<u>\$ 1,881,861</u>

Depreciation expense totaled \$210,150 for the year ending June 30, 2021.

NOTE 5 – LINE OF CREDIT

The Diocese has a \$4,000,000 line of credit agreement with St. Ambrose Financials Services, Inc. which renews annually on January 1. This loan is collateralized by the assets of the Diocese and had an interest rate of 3.10 percent as of June 30, 2021. The balance as of June 30, 2021 was \$0.

NOTE 6 – PAYCHECK PROTECTION PROGRAM (PPP) LOAN

The Organization was issued a loan from State Bank Financial, pursuant to the Paycheck Protection Program (PPP) under Division A, Title 1 of the CARES Act, enacted on March 27, 2020. The loan, dated April 6, 2020, was issued for \$585,500 at an interest rate of 1.0% of any unforgiven amount. The Organization used \$561,752 for qualifying expenses, which was forgiven on February 23, 2021. The \$23,748 balance of the loan was paid, along with interest of \$209, on February 24, 2021. The loan is being accounted for under FASB ASC 470. Accordingly, the Organization has included \$561,752 of revenue in the statement of activities and changes in net assets.

NOTE 7 – AFFILIATED AND RELATED PARTY TRANSACTIONS

St. Ambrose Financial Services, Inc. provides administrative insurance services for the Diocese in addition to holding a number of investments for the organization. They also lease office space from the Diocese which totaled \$12,597 for the year ended June 30, 2021.

The Diocese rents space to Catholic Charities totaling \$113,552 for the year ended June 30, 2021. The Diocese Bishop, Chancellor and Moderator of the Curia all serve on the Board at Catholic Charities. The Diocese donated \$480,000 in the last fiscal year Catholic Charities from the Diocesan Annual Appeal.

NOTE 8 – ACCRUED PAID LEAVE TIME

Accrued paid leave time (PLT) represents PLT earned, but not taken as of June 30, 2021 and is included in "accrued liabilities" in the statement of financial position. The accrued PLT balance as of June 30, 2021 was \$72,978.

**DIOCESE OF LA CROSSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 – RETIREMENT PLAN

The Diocese sponsored a retirement plan (the “Defined Benefit Plan”) covering all full time, lay employees of the Organization and other Diocesan organizations. On June 1, 2006, the Finance Council voted to amend the Defined Benefit Plan and freeze the accrual of any and all future benefits as of December 31, 2006. The noncontributory funded pension plan provides defined benefits to substantially all full time employees as of December 31, 2006. The amount contributed by the Diocese to the Defined Benefit Plan for year ended June 30, 2021 was \$239,020. The Plan is not required to conform to ERISA.

The various Diocesan organizations contribute to and pay the costs of the Plan, as determined by the Plan’s actuary. Assets are held in trust by BMO Financial Group.

Benefits are based on years of service and employee’s compensation during the highest average five years’ earnings during his or her career prior to retirement or termination. The maximum pension benefit is \$1,200 per month, effective January 1, 1998. Contributions are made annually to fund the Plan. Contributions from all Diocesan organizations for the plan year ended June 30, 2021 was \$1,304,380.

Although the Plan is not required to comply with ERISA, an actuarial valuation report is prepared according to ASC 960 Plan Accounting – Defined Benefit Pension Plans annually for the Plan. The following information is available as of the plan years ended December 31:

	2020	2019
Actuarial present value of vested accumulated plan benefits	\$ 36,508,555	\$ 36,926,529
Actuarial present value of nonvested accumulated plan benefits	-	-
Plan net assets available for benefits	41,042,150	37,465,575
Overfunded (underfunded) actuarial present value of accumulated plan benefits	4,533,595	539,046
Rate of return used in determining actuarial benefits	6.75%	6.75%
Benefits paid	3,172,600	2,986,083

403(b) Thrift Plan

On June 1, 2006, the Finance Council also approved the adoption of a 403(b) Thrift Plan to provide retirement benefits for employees of all Diocesan entities, which became effective January 1, 2007. The Plan is funded through a group annuity contract between the Diocese and Mutual of America. Employees are immediately vested in the Plan. The Diocese contributes 1 percent automatically for all qualified employees and 2 percent of the employee’s base compensation as an employer match for those employees who are at least 18 years of age and work more than 20 hours per week, beginning upon hire. For the year ending June 30, 2021, the Organization contributed \$49,688 to this Plan.

**DIOCESE OF LA CROSSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

The following summary sets forth the activity in net assets with donor restrictions for the year ended June 30, 2021, which are available for the following purposes:

	<u>June 30, 2020</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2021</u>
Subject to purpose:				
Building renovation	\$ 558,531	\$ 291,082	\$ 211,807	\$ 637,806
Vocations	362,734	400,206	645,780	117,160
Beneficial interest in perpetual trust	39,224	7,223	4,125	42,322
Subject to passage of time:				
Diocesan Annual Appeal	5,197,922	5,675,036	5,476,070	5,396,888
Hmong ministry	50,000	-	50,000	-
Endowments				
Education	9,950,186	3,991,155	394,467	13,546,874
St. James the Less Parish and St. Joseph the Workman Cathedral	7,294,581	-	37,126	7,257,455
Charitable works	2,637,435	-	100,000	2,537,435
Endowment earnings subject to purpose:				
Education	1,663,133	50,499	1,282,688	430,944
St. James the Less Parish and St. Joseph the Workman Cathedral	(92,526)	1,835,617	411,103	1,331,988
Charitable works	<u>(92,922)</u>	<u>768,941</u>	<u>125,891</u>	<u>550,128</u>
Total Net Assets with Donor Restrictions	<u>\$ 27,568,298</u>	<u>\$ 13,019,759</u>	<u>\$ 8,739,057</u>	<u>\$ 31,849,000</u>

Board designations included in net assets without donor restrictions include:

	<u>June 30, 2020</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2021</u>
Quasi-endowment	\$ 1,891,436	\$ 54,365	\$ -	\$ 1,945,801
Education initiatives	74,232	50,000	68,167	56,065
Building projects	279,772	-	-	279,772
Property and equipment	<u>450,695</u>	<u>1,641,315</u>	<u>210,149</u>	<u>1,881,861</u>
Total Designated Net Assets	<u>\$ 2,696,135</u>	<u>\$ 1,745,680</u>	<u>\$ 278,316</u>	<u>\$ 4,163,499</u>

**DIOCESE OF LA CROSSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS, continued

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:

	<u>June 30, 2021</u>
Expiration of time restrictions	\$ 5,526,070
Satisfaction of purpose restrictions:	
Vocations	645,780
Building renovation	211,807
Total Restrictions Released	<u>\$ 6,383,657</u>

NOTE 11 – CONCENTRATION OF CASH AND CREDIT RISK

The Organization maintains its cash balances at one financial institution with the balances insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of June 30, 2021, uninsured balances held by the financial institutions were \$1,168,906. The Organization also maintains cash savings with St. Ambrose Financial Services, Inc. which are not FDIC insured. As of June 30, 2021, balances with St. Ambrose Financial Services, Inc. were \$3,670,457. While the Organization is exposed to custodial credit risk, they have not experienced any losses in such accounts.

NOTE 12 – LEASES

The organization leases copiers at its office. Lease expense was \$6,139 for the year ended June 30, 2021.

Lease commitments were as follows:

<u>Year</u>	<u>Amount</u>
2021/2022	\$ 6,139
2022/2023	3,496
2023/2024	1,939
2024/2025	759
2025/2026	506

DIOCESE OF LA CROSSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 13 – SELF-INSURANCE RESERVE RECEIVABLE FROM ST. AMBROSE FINANCIAL SERVICES, INC. AND RESERVE FOR SELF-INSURANCE

Self-Insurance –The Diocese of La Crosse is a member of the Catholic Umbrella Pool II (“CUP II”), a self-insurance fund which provides excess liability coverage for its membership. The Diocese of La Crosse, with Finance Council approval, is responsible for setting the insurance premiums for the participants of the health, dental, lay retirement and property insurance plans. Participating Dioceses share in the operating income and expenses of the pool based on their contributions to the fund for each fiscal year. Participants are responsible for claims and claim expenses incurred during years in which they are active in the pool. In the event total paid and reserved claims exceed the assets of the pool, participants will be responsible for additional contributions as defined in the participation agreements and pursuant to such policy established by the CUP II Executive Committee.

The insurance reserve at St. Ambrose Financial Services, Inc. of \$1,901,228 as of June 30, 2021 represents the amount that St. Ambrose Financial Services, Inc. has on deposit from the excess of the revenue over expenditures in the current year. Self-insured stop loss provisions include a maximum of \$150,000 per individual for lay group, and \$85,000 per individual for priest group for the year ended June 30, 2021. The Diocese has estimated its liability for self-insurance to be \$752,282 as of June 30, 2021.

NOTE 14 – ENDOWMENT FUNDS AND PERPETUAL TRUSTS

The Diocese’s endowments include both donor-restricted endowment funds and funds designated by the Bishop and the Finance Council to function as endowments. As required by U.S. GAAP, net assets associated with the endowment funds are classified and reported based on the existence of or absence of donor-imposed restrictions.

Interpretation of the Law

The Bishop and the Finance Council have interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of 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 Organization classifies as net assets with donor restrictions the original value of the original and subsequent gifts and accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

**DIOCESE OF LA CROSSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 14 – ENDOWMENT FUNDS AND PERPETUAL TRUSTS, continued

The Diocese considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Diocese and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Diocese
- The investment policies of the Diocese

Each of the trusts in the Endowment fund are governed by a trust document which states that the principal of the trust shall be initially valued at the carrying value and generally thereafter at the current value as determined on the last day of each fiscal year. The principal shall not be invaded and shall not be distributed except in the manner that is defined within the trust document.

Return Objectives and Risk Parameters

The donor-designated endowment funds consist of a portion of the Non-Qualified Plans Master Trust, savings deposits held with St. Ambrose Financial Services, Inc. and amounts held at a financial institution. The funds are invested according to the Diocese of La Crosse Investment Policy Statement and its Statement of Moral, Ethical and Social Principles. Endowment assets include donor-restricted funds that the Organization must hold in perpetuity and consist of the Bishop's Education Endowment Trust (BEET) funds, the Holy Cross Seminary Education Fund Endowment Trust, the Diocese of La Crosse Youth Ministry Endowment Trust, the Bishop John J. Paul Scholarship Endowment Trust, the Robert and Eleanor Franke Charitable Parish Endowment Trust and the Father Arnold F. Reuter Charitable Endowment Trust, as well as a board designated endowment for seminaries. Under the investment policy, as approved by the Bishop and the Finance Council, the endowment assets are invested in investment portfolios that are intended to produce maximum return for both long and short term needs in a manner that is consistent with solid investment practices and relative safety of principal.

The board designated endowment funds consist of contributions and bequests that were received by the Organization to provide for priestly formations, the Diocesan Center, and as a memorial to Pope John Paul II. The Bishop and the Finance Council designated these funds as endowments whose balance should remain as savings accounts in St. Ambrose Financial Services, Inc. and their earnings fund the aforementioned activities. The interest earnings on these funds are based on the 90-day U.S. Treasury Bill (floating rate) at the beginning of each quarter and are distributed quarterly. A floating rate of 2.70 to 2.95 percent was used for the year ended June 30, 2021.

Strategies Employed for Achieving Objectives

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 fixed income/equity asset allocation to achieve its long term return objectives within prudent risk constraints.

DIOCESE OF LA CROSSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 14 – ENDOWMENT FUNDS AND PERPETUAL TRUSTS, continued

Spending Policy

The Diocesan Endowment Trusts govern the distribution of their income. The trustee is to distribute all income earned at least annually; provided that if such distributions include the realized gains on investments, the total amount distributed shall not exceed the maximum distributable return. The maximum distributable return for this purpose shall not exceed four percent of the Trust's market value as of the last day of the prior fiscal year less any investment fees. The trustee distributes the income to a savings account held at St. Ambrose Financial Services, Inc. for the charitable purpose that is defined in the trust document quarterly. Per the Trust documents, any income of the Trust for a fiscal year, not otherwise distributed, is to be reinvested in the Trust's principal.

The Franke Charitable Trust distribution is calculated utilizing a fixed percentage amount equal to five percent of the net fair market value of the Trust on the last day of the preceding fiscal year over the shorter of three preceding years or the number of years the Trust has been in existence.

The Reuter Charitable Trust has a maximum distributable return of one percent more than the percentage yield on the five year U.S. Treasury Notes (determined on the first day of the fiscal year). The income is distributed annually to each beneficiary per the percentage stipulated in the Trust document.

Each trust document establishes the expectation of long term returns on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow over time. This is consistent with the Organization's objective to maintain the 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.

Perpetual Trusts

The Diocese of La Crosse is a 47% irrevocable beneficiary of the Edward W. and Ella J. Poehling Consolidated Charitable Trust. This perpetual trust, administered by a third party trustee, provides the irrevocable right to receive unrestricted income distributions in perpetuity. The interest in the trust is reported at fair value, which is estimated as the fair value of the underlying trust assets. The value is adjusted annually for the change in its estimated fair value and those changes are reported as increases or decreases in net assets with donor restrictions. These trust assets (the corpus) will never be distributed to the Diocese.

**DIOCESE OF LA CROSSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 14 – ENDOWMENT FUNDS AND PERPETUAL TRUSTS, continued

Endowment and perpetual trust net asset composition by type of fund as of June 30, 2021 is as follows:

	With Donor Restriction	Without Donor Restriction	Total
Board-designated endowment funds	\$ -	\$ 1,945,801	\$ 1,945,801
Donor-restricted endowment funds			
Original donor-restricted gift and amounts required to be maintained in perpetuity by donors	19,882,202	-	19,882,202
Accumulated investment gains	<u>5,772,621</u>	<u>-</u>	<u>5,772,621</u>
Totals	<u>\$ 25,654,823</u>	<u>\$ 1,945,801</u>	<u>\$ 27,600,624</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization 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 Organization did not have any endowments that were underwater as of June 30, 2021.

Changes in endowment and perpetual trust net assets for the year ended June 30, 2021 are as follows:

	With Donor Restriction	Without Donor Restriction	Total
Balance at beginning of year	\$ 21,359,887	\$ 1,891,436	\$ 23,251,323
Contributions	6,090	-	6,090
Investment return, net	5,220,307	54,365	5,274,672
Appropriation of assets pursuant to spending-rate policy	<u>(931,461)</u>	<u>-</u>	<u>(931,461)</u>
Balance at end of year	<u>\$ 25,654,823</u>	<u>\$ 1,945,801</u>	<u>\$ 27,600,624</u>

**DIOCESE OF LA CROSSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 15 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organizations financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts available include donor restricted amounts that are available for general expenditure in the following year. Amounts not available include amounts set aside that could be drawn upon if the Finance Council approves that action.

	<u>June 30, 2021</u>
Financial assets, at year-end:	
Cash and cash equivalents	\$ 2,794,549
Accounts receivable	812,473
Total financial assets available within one year	3,607,022
Less contractual or donor-imposed restrictions:	
Donor restrictions for specific purposes	154,640
Board designated fund	2,053,200
Financial assets available to meet cash needs for general expenditure within one year	\$ 1,399,182

The Diocese maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due.

To help manage unanticipated liquidity needs, the Diocese has board designated net assets without donor restrictions that, while the Diocese does not intend to spend these for purposes other than those identified, the amounts could be made available for current operations, if necessary.

NOTE 16 – SPLIT INTEREST AGREEMENTS

The Charitable Gift Annuity Fund is a Diocesan program that was started in 2003 to receive contributions under charitable gift annuities. The Organization has segregated these assets as separate and distinct funds, independent from other funds and not to be applied toward payment of any obligations of the Organizations or any other purpose other than annuity benefits specified in the agreements. Effective April 18, 2014, Wisconsin state statutes were changed and no longer required a reserve and is no longer required to file an annual report with the Office of the Commissioner of Insurance (OCI). The Organization has chosen to keep reserves for these annuity contracts. Diocesan reserves totaled \$137,000 as of June 30, 2021. The Organization agrees to pay a stated return to the beneficiaries as long as they live, at which time the remaining assets will be distributed according to the donor’s requests.

At June 30, 2021, the total assets held under split-interest agreements as a part of restricted investments was \$947,200. Split-interest agreement liabilities are reported at the present value of the estimated future cash flows using discount rate assumptions established upon recognition of the liabilities and are included as part of collections for transmittal.

DIOCESE OF LA CROSSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 17 – DIOCESAN ANNUAL APPEAL

The Diocesan Annual Appeal began in fiscal year 1998. Contributions received are recorded in the current fiscal year. These funds are intended to support expenditures of the subsequent fiscal year and as such, are shown as net assets with donor restrictions. Each parish solicits its members and is given a target amount to be raised. Individual parishes raising amounts in excess of their target are rebated the excess amounts as they are collected by the Diocese. Total funds collected are reported net of parish rebates. These rebates totaled \$813,797 for year ended June 30, 2021.

Diocesan Annual Appeal Campaign results are as follows:

	Year ended June 30, 2021	
	Amount	%
<u>Revenue</u>		
Gift Receipts	\$ 6,254,952	
Less Parish cash rebates	(813,797)	
	<u>5,441,155</u>	91%
Investment gain	268,259	4%
Assessments to Parishes under target	278,148	5%
Total	<u>\$ 5,987,562</u>	<u>100%</u>
<u>Expenditures</u>		
Case Statement disbursement	\$ 5,625,016	99%
Operating expenses	37,413	1%
Total	<u>\$ 5,662,429</u>	<u>100%</u>

NOTE 18 – PENDING LITIGATION

The Diocese is involved in an open legal proceeding as of June 30, 2021, of which the outcome is uncertain. The Diocese insurance policy does cover the case. On the basis of the information currently available, this matter should be resolved without causing any material impairment of the Diocese's financial position, and no material provisions have been made related to this case.

NOTE 19 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 22, 2021 the date these financial statements were available to be issued.

NOTE 20 – UPCOMING ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board has issued an accounting standard that will result in significant changes to financial reporting and disclosures related to both operating and capital leases. The new leases standard is intended to increase the transparency and comparability among companies that lease buildings, equipment, and other assets by recognizing the assets and liabilities that arise from these lease transactions on the statement of financial position. The provisions of this statements are effective for the Diocese of La Crosse's financial statements for the year ending June 30, 2023.