

**DIOCESE OF LA CROSSE**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**DIOCESE OF LA CROSSE  
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JUNE 30, 2023**

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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

***Opinion***

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, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Diocese of La Crosse as of June 30, 2023 and 2022 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Diocese of La Crosse and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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; 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.

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 the Diocese of La Crosse's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities 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 auditor's 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 La Crosse'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 the Diocese of La Crosse'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.

*Engelson and Associates, Ltd.*

La Crosse, Wisconsin  
October 25, 2023

## ***FINANCIAL STATEMENTS***

**DIOCESE OF LA CROSSE**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2023 AND 2022 (RESTATED)**

<b>ASSETS</b>	<b><u>2023</u></b>	<b><u>2022</u> <u>RESTATED</u></b>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,523,439	\$ 4,178,831
Cash and cash equivalents - restricted	3,789,273	1,629,707
Accounts receivable, net	1,258,151	1,319,292
Pledges receivable, net	28,627,147	5,921,610
Insurance reserve at St. Ambrose Financial Services, Inc.	1,239,906	1,707,886
CUPP reserve for workers compensation	4,000	17,050
Accrued interest receivable	23,500	25,263
Prepaid expenses	104,261	142,964
Beneficial interest in trust	36,050	36,399
Investments - restricted	30,364,285	29,178,774
Property and equipment, net	<u>2,597,976</u>	<u>1,972,428</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 70,567,988</u></b>	<b><u>\$ 46,130,204</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 248,621	\$ 1,052,368
Pledges payable	24,333,075	5,033,369
Deferred revenue	25,700	-
Reserve for self-insurance	321,203	855,412
Collections for transmittal	<u>810,802</u>	<u>1,425,571</u>
<b>Total Liabilities</b>	<b>25,739,401</b>	<b>8,366,720</b>
<b>Net Assets</b>		
Without donor restrictions:	7,870,523	8,347,548
With donor restricted	<u>36,958,064</u>	<u>29,415,936</u>
<b>Total Net Assets</b>	<b><u>44,828,587</u></b>	<b><u>37,763,484</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 70,567,988</u></b>	<b><u>\$ 46,130,204</u></b>

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, 2023**

	<b>2023</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>			
Contributions and bequests	\$ 1,089,203	\$ 10,340,678	\$ 11,429,881
Investment and endowment income, net	336,060	2,561,136	2,897,196
Change in value of split-interest agreement	(40,116)	-	(40,116)
Services and other income	2,302,749	-	2,302,749
Quotas	1,461,394	-	1,461,394
Grants	25,000	-	25,000
Insurance reserve	1,274,397	-	1,274,397
Net assets released from restrictions	5,359,686	(5,359,686)	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>11,808,373</b>	<b>7,542,128</b>	<b>19,350,501</b>
<b>EXPENSES</b>			
Program services expense	5,261,624	-	5,261,624
Management and general	4,286,050	-	4,286,050
Facilities	1,134,124	-	1,134,124
Fundraising	1,603,600	-	1,603,600
<b>TOTAL EXPENSES</b>	<b>12,285,398</b>	<b>-</b>	<b>12,285,398</b>
 Change in Net Assets	 (477,025)	 7,542,128	 7,065,103
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>8,347,548</b>	<b>29,415,936</b>	<b>37,763,484</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 7,870,523</b>	<b>\$ 36,958,064</b>	<b>\$ 44,828,587</b>

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

**DIOCESE OF LA CROSSE**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS-RESTATED**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	<b>2022-RESTATED</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>			
Contributions and bequests	\$ 951,324	\$ 8,955,620	\$ 9,906,944
Investment and endowment income, net	289,532	(3,337,333)	(3,047,801)
Change in value of split-interest agreement	(120,739)	-	(120,739)
Services and other income	1,914,189	-	1,914,189
Quotas	1,427,762	-	1,427,762
Net assets released from restrictions	8,051,351	(8,051,351)	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>12,513,419</b>	<b>(2,433,064)</b>	<b>10,080,355</b>
<b>EXPENSES</b>			
Program services expense	4,815,796	-	4,815,796
Management and general	5,262,686	-	5,262,686
Facilities	1,075,636	-	1,075,636
Fundraising	945,931	-	945,931
<b>TOTAL EXPENSES</b>	<b>12,100,049</b>	<b>-</b>	<b>12,100,049</b>
 Change in Net Assets after Transfers	 <b>413,370</b>	 <b>(2,433,064)</b>	 <b>(2,019,694)</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>7,677,196</b>	<b>31,849,000</b>	<b>39,526,196</b>
<b>PRIOR PERIOD ADJUSTMENT</b>	<b>256,982</b>	<b>-</b>	<b>256,982</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 8,347,548</b>	<b>\$ 29,415,936</b>	<b>\$ 37,763,484</b>

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, 2023**

	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	
<b>Expenses</b>									
Personnel and Related Expenses	\$ 730,389	\$ 582,795	\$ 228,673	\$ 205,191	\$ 1,747,048	\$ 1,973,980	\$ 386,293	\$ 6,201	\$ 4,113,522
Occupancy/Facilities	398	26,962	863	869	29,092	117,628	627,466	-	774,186
Office/Cleaning/Supplies	8,111	49,545	4,525	1,931	64,112	115,393	64,771	181,027	425,303
Professional Fees	17,812	25,683	7,623	105	51,223	310,880	44,472	1,424,217	1,830,792
Program Expense	268,329	343,283	-	79,878	691,490	-	-	-	691,490
Case Disbursements	-	-	-	-	-	1,220,550	-	-	1,220,550
Memberships/Subscriptions	1,944	8,109	34,806	30	44,889	19,362	23	-	64,274
Travel	23,926	30,324	4,383	1,364	59,997	31,425	-	-	91,422
Computer/Software	84,901	1,195	34,161	254	120,511	126,765	1,244	-	248,520
Conference Sponsored/Special Events	107,540	74,412	43,942	964	226,858	10,196	-	-	237,054
Council/Committee Expense	-	-	-	-	-	954	-	-	954
Grant expenses	-	933,914	-	389,489	1,323,403	31,229	-	-	1,354,632
Seminarian/Regency/Journey	-	366,685	-	-	366,685	-	-	-	366,685
Clergy	326,048	-	-	-	326,048	1,501	-	-	327,549
Works of Charity/Donations	49,625	-	-	-	49,625	-	-	-	49,625
Public Relations/Advertising	-	3,279	-	-	3,279	249,090	-	-	252,369
Investment and Bank Fees	382	38,638	-	45,590	84,610	68,536	-	-	153,146
Miscellaneous	49,192	17,852	4,425	1,285	72,754	716	9,855	-	83,325
<b>Total Expenses</b>	<b>\$ 1,668,597</b>	<b>\$ 2,502,676</b>	<b>\$ 363,401</b>	<b>\$ 736,950</b>	<b>\$ 5,261,624</b>	<b>\$ 4,278,205</b>	<b>\$ 1,134,124</b>	<b>\$ 1,611,445</b>	<b>\$ 12,285,398</b>

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, 2022**

	Program services				Supporting Services			
	Clerical, Religious and Liturgical	Educational and Faith Development	Catholic Schools	Charity and Social Justice	Program Services	Management and General	Facilities	Fundraising
Totals								
<b>Expenses</b>								
Personnel and Related Expenses	\$ 674,548	\$ 477,139	\$ 263,542	\$ 198,434	\$ 1,613,663	\$ 1,932,558	\$ 367,779	\$ -
Occupancy/Facilities	1,558	7,609	1,244	614	11,025	98,825	585,447	-
Office/Cleaning/Supplies	9,604	73,369	5,200	1,629	89,802	136,422	53,107	74,301
Professional Fees	23,620	902	20,606	289	45,417	531,313	67,073	865,349
Program Expense	194,432	187,510	-	125,351	507,293	-	-	-
Case Disbursements	-	-	-	-	-	1,220,800	98	-
Memberships/Subscriptions	1,286	12,028	26,956	88	40,358	14,325	843	-
Travel	28,962	13,461	2,377	1,615	46,415	(10,849)	-	1,610
Computer/Software	86,105	1,885	33,427	239	121,656	109,322	810	15
Conference Sponsored/Special Events	104,031	47,066	21,060	-	172,157	1,252	-	-
Council/Committee Expense	-	-	-	-	-	177	-	-
Grant expenses	-	1,023,731	-	-	1,023,731	-	-	-
Seminarian/Regency/Journey	-	603,031	-	-	603,031	-	-	-
Clergy	297,247	-	-	-	297,247	69,181	-	-
Works of Charity/Donations	36,000	-	-	36,076	72,076	186,965	-	-
Public Relations/Advertising	-	4,096	-	-	4,096	252,659	-	-
Investment and Bank Fees	278	104,384	-	22	104,684	50,977	-	4,656
Miscellaneous	46,636	16,341	107	61	63,145	59,575	479	-
Insurance Reserve	-	-	-	-	-	609,184	-	-
<b>Total Expenses</b>	<b>\$ 1,504,307</b>	<b>\$ 2,572,552</b>	<b>\$ 374,519</b>	<b>\$ 364,418</b>	<b>\$ 4,815,796</b>	<b>\$ 5,262,686</b>	<b>\$ 1,075,636</b>	<b>\$ 945,931</b>
								<b>\$ 12,100,049</b>

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

**DIOCESE OF LA CROSSE  
STATEMENTS OF CASH FLOW  
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u> <u>RESTATED</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets:	\$ 7,065,103	\$ (1,762,712)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
*Depreciation	213,656	197,227
Decrease (increase) in beneficial interest in trust	349	5,923
Net realized and unrealized loss (gain) on investments	(1,921,500)	3,255,959
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable, net	61,141	(506,819)
(Increase) decrease in pledges receivable, net	(22,705,537)	(5,921,610)
(Increase) decrease in prepaid expenses	38,703	(58,543)
(Increase) decrease in insurance reserve receivable from St. Ambrose	467,980	193,342
(Increase) decrease in CUPP reserve for workers compensation	13,050	(17,050)
(Increase) decrease in interest receivable	1,763	1,452
Increase (decrease) in accounts payable and accrued expenses	(803,747)	334,150
Increase (decrease) in pledges payable	19,299,706	5,033,369
Increase (decrease) in refundable advance	25,700	(9,479)
Increase (decrease) in reserve for self-insurance	(534,209)	103,130
Increase (decrease) in collections for transmittal	(614,769)	303,927
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>607,389</u>	<u>1,152,266</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(839,204)	(287,794)
Net sales/purchases of trust managed investments	735,989	532,260
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>(103,215)</u>	<u>244,466</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>504,174</b>	<b>1,396,732</b>
<b>CASH AT BEGINNING OF YEAR</b>	<u><b>5,808,538</b></u>	<u><b>4,411,806</b></u>
<b>CASH AT END OF YEAR</b>	<u><u><b>\$ 6,312,712</b></u></u>	<u><u><b>\$ 5,808,538</b></u></u>

\*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, 2023**

**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.

Under the laws of the State of Wisconsin, parishes, their related schools and certain other Catholic entities operating within the boundaries of the Diocese are not under the fiscal and operating control of the Diocese. Therefore, in accordance with accounting principles generally accepted in the United States of America, they are not included in the financial statements.

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 years ended June 30, 2023 and 2022 were \$9,101 and \$15,595, respectively.

**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 uncollectable accounts based on management's analysis of prior collections and experiences with individuals, schools and parishes. Write-offs for uncollectable accounts for year ended June 30, 2023 and 2022 were \$1,501 and \$69,506, respectively.

**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

**DIOCESE OF LA CROSSE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

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.

**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, 2020 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:

**DIOCESE OF LA CROSSE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

*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.

**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 years ended June 30, 2023 and 2022.

**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.

**Deferred Revenue** – Transactions for certain program services are accounted for as exchange transactions. Funds received are recorded as deferred revenue until related services are performed, at which time they are recognized as revenue.

**DIOCESE OF LA CROSSE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

**Right-of-Use Assets and Lease Liabilities** – Lease liabilities are initially measured at the present value of minimum lease payments using a risk-free rate that approximates the remaining term of the lease. The right-of-use asset is the lease liability adjusted for other lease-related accounts. Management considers the likelihood of exercising renewal or termination clauses (if any) in measuring the Organization's right-of-use assets and lease liabilities. Operating lease expense and finance lease amortization expense is allocated over the remaining lease term on a straight-line basis. Finance lease interest expense is calculated using a risk-free rate that approximates the remaining term of the lease multiplied by the outstanding finance lease liability.

The Organization considers leases with initial terms of twelve months or less, and no option to purchase the underlying asset, to be short-term leases. Accordingly, short-term lease costs are expensed over the remaining lease term, with no corresponding right-of-use asset or lease liability. In addition, the Organization does not separate non-lease components from lease components (if any) when determining the payments for leases of office equipment.

**NOTE 2 – RECEIVABLES**

Receivables are composed of the following:

	<u>2023</u>	<u>2022</u> <u>RESTATED</u>
Parish receivable	\$ 487,259	\$ 607,231
Non Parish receivable	20,021	18,134
Insurance reserve	740,188	-
Employee retention credit	256,982	527,801
Rebate overpayments	372	374
Annuity receivable	-	31,229
Service income	40,119	-
Parking lot revenue	40,776	-
Diocesan Annual Appeal in transit	-	85,414
Diocesan Annual Appeal parish shortfalls	-	369,744
Others	<u>6,381</u>	<u>11,812</u>
Total receivables	1,592,098	1,651,739
Less allowance for doubtful accounts	<u>333,947</u>	<u>332,447</u>
Net receivables	<u>\$ 1,258,151</u>	<u>\$ 1,319,292</u>

**DIOCESE OF LA CROSSE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 3 – PLEDGES RECEIVABLE**

The Diocese pledges represent contributions receivable from the Inspired By The Spirit Campaign. The pledges are to support Diocese ongoing operations and for distribution to Diocesan parishes and the Catholic Foundation of West Central Wisconsin (CFWCW). Outstanding pledge contributions from individuals were discounted at a rate of 4.13% based on the treasury rate applicable as of June 30, 2023.

Unconditional pledges receivable as of June 30, 2023 include the following:

	2023		
	Ongoing Operations	Parish and CFWCW	Total
Pledges due:			
In less than one year	\$ 975,145	\$ 5,525,824	\$ 6,500,969
In one to five years	3,900,581	22,103,295	26,003,876
In more than five years	-	-	-
Total	<u>\$ 4,875,727</u>	<u>\$ 27,629,118</u>	32,504,845
Less: Allowance for uncollectable pledges			(1,192,798)
Less: Unamortized discount			<u>(2,684,900)</u>
Total pledges receivable, net			\$ 28,627,147

**NOTE 4 – INVESTMENTS**

Investments at June 30, 2023 are comprised of the following:

	Fair Value June 30, 2023	Cost June 30, 2023	Unrealized Gain (Loss)
Interest in master trust	\$12,655,162	\$11,888,816	\$ 766,346
Money market funds	673,158	673,158	-
Mutual funds			
Fixed income	9,093,828	5,950,862	3,142,966
Equity	7,420,735	5,745,740	1,674,995
U.S. listed real estate	22,497	16,631	5,866
CUP II insurance investment	<u>498,905</u>	<u>498,905</u>	-
Total Investments	<u>\$ 30,364,285</u>	<u>\$ 24,774,112</u>	<u>\$ 5,590,173</u>



**DIOCESE OF LA CROSSE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 4 – INVESTMENTS, continued**

Investments at June 30, 2022 are comprised of the following:

	<u>Fair Value</u> <u>June 30, 2022</u>	<u>Cost</u> <u>June 30, 2022</u>	<u>Unrealized</u> <u>Gain (Loss)</u>
Interest in master trust	\$ 11,624,474	\$ 11,540,715	\$ 83,759
Money market funds	1,313,939	1,313,939	-
Mutual funds			
Fixed income	9,602,187	8,748,847	853,340
Equity	6,155,055	5,535,584	619,471
U.S. listed real estate	29,649	16,631	13,018
CUP II insurance investment	<u>453,470</u>	<u>453,470</u>	<u>-</u>
Total Investments	<u>\$ 29,178,774</u>	<u>\$ 27,609,186</u>	<u>\$ 1,569,588</u>

Investment returns, including operations interest income, for the years ended June 30, 2023 and 2022 are as follows:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Investment income, net of fees	\$ 698,508	\$ 548,877
Unrealized gains (losses)	1,693,610	(5,018,559)
Realized gains	242,565	1,127,417
Operations interest income	<u>222,397</u>	<u>173,725</u>
Total	<u>\$ 2,857,080</u>	<u>\$ (3,168,540)</u>

The Diocese of La Crosse is a member of the Catholic Umbrella Pool (Pool) for the years ended June 30, 2023 and 2022. This Pool was created to provide coverage for excess liability claims for Diocese throughout the country. The Pool is responsible for individual casualty claims exceeding \$20,000,000 to a limit of \$40,000,000. The Pool does not cover losses beyond the Pool's ability to fund said losses.

As a member of the Pool, the Organization builds equity in the net assets of the Pool. The equity in the Pool as of June 30, 2023 and 2022 was \$498,905 and \$453,470, respectively.

In the event that the total paid and reserved claims exceed the net assets of the Pool, the Organization could be responsible for additional contributions as defined in the participation agreements.

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.

**DIOCESE OF LA CROSSE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 4 – INVESTMENTS, continued**

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.

Fair value of assets measured at fair value on a recurring basis as of June 30, 2023, follows:

		<b>Fair Value Measurements Using:</b>		
		<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>June 30, 2023</b>	<b>Fair Value</b>			
Interest in master trust	\$ 12,655,162	\$ -	\$ 12,655,162	\$ -
Money market funds	673,158	673,158	-	-
Mutual funds				
Fixed income	9,093,828	9,093,828	-	-
Equities	7,420,735	7,420,735	-	-
U.S. listed real estate	22,497	22,497	-	-
CUP II insurance investments	498,905	-	-	498,905
Beneficial interest in perpetual trust	36,050	-	-	36,050
	<u>\$ 30,400,335</u>	<u>\$ 17,210,218</u>	<u>\$ 12,655,162</u>	<u>\$ 534,955</u>

**DIOCESE OF LA CROSSE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 4 – INVESTMENTS, continued**

Fair value of assets measured at fair value on a recurring basis as of June 30, 2022, follows:

		<b>Fair Value Measurements Using:</b>		
		<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>June 30, 2022</b>	<b>Fair Value</b>			
Interest in master trust	\$ 11,624,474	\$ -	\$ 11,624,474	\$ -
Money market funds	1,313,939	1,313,939	-	-
Mutual funds				
Fixed income	9,602,187	9,602,187	-	-
Equities	6,155,055	6,155,055	-	-
U.S. listed real estate	29,649	29,649	-	-
CUP II insurance investments	453,470	-	-	453,470
Beneficial interest in perpetual trust	36,399	-	-	36,399
	<u>\$ 29,215,173</u>	<u>\$ 17,100,830</u>	<u>\$ 11,624,474</u>	<u>\$ 489,869</u>

A reconciliation of level 3 activity is as follows:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Beginning balance	\$ 489,869	\$ 559,147
Net appreciation (depreciation)	45,581	(67,611)
Contributions	-	1
Sales and distributions	(495)	(1,668)
Ending balance	<u>\$ 534,955</u>	<u>\$ 489,869</u>

**DIOCESE OF LA CROSSE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Land held for expansion	\$ 488,129	\$ 488,129
Land, buildings and improvements	12,147,436	11,282,776
Furniture and equipment	163,815	157,705
Vehicles	112,152	112,152
Construction in process	<u>110,355</u>	<u>141,922</u>
Total at cost	13,021,887	12,182,684
Less accumulated depreciation	<u>(10,423,911)</u>	<u>(10,210,256)</u>
Book Value	<u>\$ 2,597,976</u>	<u>\$ 1,972,428</u>

Depreciation expense totaled \$213,656 for the year ending June 30, 2023 and \$197,227 for the year ending June 30, 2022.

**NOTE 6 – LINE OF CREDIT**

The Diocese has a \$4,000,000 line of credit agreement with St. Ambrose Financial Services, Inc. which renews annually on January 1. This loan is collateralized by the assets of the Diocese and had an interest rate, adjusted quarterly, equal to the U.S. Bank Bond Fund Yield plus .50% as of June 30, 2023 and 2022. The balance as of June 30, 2023 and 2022 was \$0.

**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 years ended June 30, 2023 and 2022. For year ended June 30, 2022 the Organization received a \$325,000 contribution to the Bishop's Initiative Fund from St. Ambrose Financial Services, Inc.

The Diocese rents space to Catholic Charities totaling \$132,600 for the year ended June 30, 2023 and \$125,173 for the year ended June 30, 2022. The 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 to Catholic Charities from the Diocesan Annual Appeal.

The Organization holds insurance investments in the Catholic Umbrella Pool II, balances of which were \$498,905 as of June 30, 2023 and \$453,470 as of June 30, 2022. The Diocesan Finance Officer is a member of the Board of Directors for the investment group.

The Father Joseph Walijewski Legacy Guild (FJWLG) is an entity established by the Diocese. The Board of FJWLG includes the Bishop, Vicar General, Vicar of Clergy and the Diocese Director of Stewardship. The Diocese provided administrative services to the FJWLG for which they were paid \$150,294 and \$108,934 for the years ended June 30, 2023 and 2022, respectively.

**DIOCESE OF LA CROSSE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 7 – AFFILIATED AND RELATED PARTY TRANSACTIONS, continued**

The Diocese provides various services to the Unified Catholic School System, which also receives funding through the Diocese for school support and tuition. The fees charged to the Unified School System for years ending June 30, 2023 and 2022 was \$73,500.

**NOTE 8 – ACCRUED PAID LEAVE TIME**

Accrued paid leave time (PLT) represents PLT earned, but not taken as of June 30, 2023 and 2022 and is included in "accrued liabilities" in the statement of financial position. The accrued PLT balances as of June 30, 2023 and 2022 were \$64,635 and \$42,793, respectively.

**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 years ended June 30, 2023 and 2022 were \$555,140 and \$419,391, respectively. 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 years ended June 30, 2023 and 2022 were \$1,666,614 and \$1,205,043 respectively.

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:

	2022	2021
Actuarial present value of vested accumulated plan benefits	\$ 35,060,452	\$ 35,903,083
Actuarial present value of nonvested accumulated plan benefits	-	-
Plan net assets available for benefits	34,260,002	41,874,393
Overfunded (underfunded) actuarial present value of accumulated plan benefits	(800,450)	5,971,310
Rate of return used in determining actuarial benefits	6.00%	6.00%
Benefits paid	3,362,832	5,496,652

**DIOCESE OF LA CROSSE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 9 – RETIREMENT PLAN, continued**

**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 years ending June 30, 2023 and 2022, the Organization contributed \$59,465 and \$59,233 to this Plan.

**NOTE 10 – PRIOR PERIOD ADJUSTMENT AND RESTATEMENT**

During the year ending June 30, 2023 the Organization applied for the Employee Retention Credit ("ERC") under the CARES Act. The total credit awarded of \$527,801 included credits earned during years ending June 30, 2021 and 2022. The recording of this credit included a prior period adjustment and restatement of financial statements as follows:

	<u>2022</u> <u>Original</u>	<u>2022</u> <u>Restated</u>	<u>Increase</u>
Statement of financial position			
Accounts receivable, net	\$ 791,491	\$ 1,319,292	\$ 527,801
Net assets without donor restrictions	7,819,747	8,347,548	527,801
Statement of activities and changes in net assets for the year ended June 30, 2022			
Contributions and bequests without donor restrictions	680,505	951,324	270,819
Prior period adjustment	-	256,982	256,982

**NOTE 11 – ADOPTION OF ACCOUNTING STANDARDS UPDATES**

The Organization adopted the Financial Accounting Standards Board's (FASB) Accounting Standard Update (ASU) 2016-02, *Leases*, effective July 1, 2022, using the modified retrospective approach with July 1, 2022, as the initial date of applications. Management has elected to apply all practical expedients available under the new guidance, which allows the Organization to: (1) not reassess whether any expired or existing contracts previously assessed as not containing leases are, or contain, leases; (2) not reassess the lease classification for any expired or existing leases; and (3) not reassess initial direct costs for any existing leases. The Organization also elected to apply the practical expedient to use hindsight in determining the lease term.

The Organization did not have any significant leases to report under the new standard.

**DIOCESE OF LA CROSSE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 12 – 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, 2023 and 2022, uninsured balances held by the financial institutions were \$1,652,805 and \$992,710, respectively. The Organization also maintains cash savings with St. Ambrose Financial Services, Inc. which are not FDIC insured. Balances as of June 30, 2023 with St. Ambrose were \$6,219,950 and as of June 30, 2022 were \$4,293,442. While the Organization is exposed to custodial credit risk, they have not experienced any losses in such accounts.

**NOTE 13 – NET ASSETS WITH DONOR RESTRICTIONS**

The following summary sets forth the activity in net assets with donor restrictions for the year ended June 30, 2023, which are available for the following purposes:

	<u>June 30, 2022</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2023</u>
Subject to purpose:				
Building renovation	\$ 291,903	\$ 8,926	\$ -	\$ 300,829
Vocations	208,190	76,836	10,718	274,308
Peter's Pence	100,000	50,000	-	150,000
Inspired by the Spirit Campaign	977,923	6,422,094	710,594	6,689,423
Beneficial interest in perpetual trust	36,446	3,143	3,479	36,110
Subject to passage of time:				
Diocesan Annual Appeal	5,709,060	6,069,449	5,785,183	5,993,326
Endowments				
Education	11,672,758	1,030,629	-	12,703,387
St. James the Less Parish and St. Joseph the Workman Cathedral	7,257,455	-	-	7,257,455
Charitable works	2,537,435	-	-	2,537,435
Endowment earnings subject to purpose:				
Education	521,993	42,189	135,387	428,795
St. James the Less Parish and St. Joseph the Workman Cathedral	3,625	942,709	612,957	333,377
Charitable works	99,148	363,309	208,838	253,619
Total Net Assets with Donor Restrictions	<u>\$ 29,415,936</u>	<u>\$ 15,009,284</u>	<u>\$ 7,467,156</u>	<u>\$ 36,958,064</u>

**DIOCESE OF LA CROSSE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 13 – NET ASSETS WITH DONOR RESTRICTIONS, continued**

The following summary sets forth the activity in net assets with donor restrictions for the year ended June 30, 2022, which are available for the following purposes:

	<u>June 30, 2021</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2022</u>
Subject to purpose:				
Building renovation	\$ 444,370	\$ -	\$ 152,467	\$ 291,903
Vocations	329,017	361,167	481,994	208,190
Peter's Pence	50,000	50,000	-	100,000
*Inspired by the Spirit Campaign	-	977,923	-	977,923
Beneficial interest in perpetual trust	42,322	2,428	8,304	36,446
Subject to passage of time:				
*Diocesan Annual Appeal	5,396,888	6,753,236	6,441,064	5,709,060
Endowments				
*Education	13,546,874	886,360	2,760,476	11,672,758
St. James the Less Parish and St. Joseph the Workman Cathedral	7,257,455	-	-	7,257,455
Charitable works	2,537,435	-	-	2,537,435
Endowment earnings subject to purpose:				
*Education	430,944	91,049	-	521,993
St. James the Less Parish and St. Joseph the Workman Cathedral	1,331,988	491,243	1,819,606	3,625
Charitable works	550,128	226,365	677,345	99,148
Total Net Assets with Donor Restrictions	<u>\$ 31,917,421</u>	<u>\$ 9,839,771</u>	<u>\$ 12,341,256</u>	<u>\$ 29,415,936</u>

\*Restated beginning balances based on restriction adjustments

Board designations included in net assets without donor restrictions for the year ended June 30, 2023 include:

	<u>June 30, 2022</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2023</u>
Quasi-endowment	\$ 1,998,052	\$ 50,052	\$ 524,222	\$ 1,523,882
Education initiatives	353,898	250,000	224,816	379,082
Building projects	297,483	-	-	297,483
Property and equipment	1,972,428	839,203	213,657	2,597,974
Total Designated Net Assets	<u>\$ 4,621,861</u>	<u>\$ 1,139,255</u>	<u>\$ 962,695</u>	<u>\$ 4,798,421</u>



**DIOCESE OF LA CROSSE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 13 – NET ASSETS WITH DONOR RESTRICTIONS, continued**

Board designations included in net assets without donor restrictions for the year ended June 30, 2022 include:

	<u>June 30, 2021</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2022</u>
Quasi-endowment	\$ 1,945,801	\$ 52,251	\$ -	\$ 1,998,052
Education initiatives	56,065	375,000	77,167	353,898
Building projects	279,772	17,711	-	297,483
Property and equipment	<u>1,881,861</u>	<u>287,794</u>	<u>197,227</u>	<u>1,972,428</u>
Total Designated Net Assets	<u>\$ 4,163,499</u>	<u>\$ 732,756</u>	<u>\$ 274,394</u>	<u>\$ 4,621,861</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:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Expiration of time restrictions	\$ 5,348,968	\$ 6,441,064
Satisfaction of purpose restrictions:		
Vocations	10,718	481,994
St. Joseph Priest Fund	-	196,000
Inspired by the Spirit Campaign	-	779,826
Building renovation	<u>-</u>	<u>152,467</u>
Total Restrictions Released	<u>\$ 5,359,686</u>	<u>\$ 8,051,351</u>

**NOTE 14 – LEASES**

Lessee

The Organization leases copiers at its office. Lease expense was \$6,525 for the year ended June 30, 2023 and \$6,139 for the year ended June 30, 2022.

Lease commitments were as follows:

<u>Year</u>	<u>Amount</u>
2023/2024	\$ 6,830
2024/2025	5,650
2025/2026	5,334
2026/2027	4,892
2027/2028	2,853

**DIOCESE OF LA CROSSE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 14 – LEASES, continued**

Lessor

The Organization has current lease agreements with two agencies for the rental of space owned by the Organization. Western Technical College leases gymnasium space for \$13,500 per year. The lease commenced on July 1, 2021 and expires on June 30, 2024. A month to month lease with Catholic Charities for office space includes annual rent adjustments.

Lease income was as follows:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Western Technical College	\$ 13,500	\$ 13,500
Catholic Charities	132,600	125,173

**NOTE 15 – 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 reserves at St. Ambrose Financial Services, Inc. of \$1,239,906 as of June 30, 2023 and \$1,707,886 as of June 30, 2022 represent 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 years ended June 30, 2023 and 2022. The Diocese has estimated its liability for self-insurance to be \$321,203 as of June 30, 2023 and \$855,412 as of June 30, 2022.

**NOTE 16 – 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.

**DIOCESE OF LA CROSSE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 16 – ENDOWMENT FUNDS AND PERPETUAL TRUSTS, continued**

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.

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.

**DIOCESE OF LA CROSSE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 16 – ENDOWMENT FUNDS AND PERPETUAL TRUSTS, continued**

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. Rates of 5.17 and 2.75 percent were in place as of June 30, 2023 and 2022, respectively.

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.

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.

**DIOCESE OF LA CROSSE**  
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**NOTE 16 – ENDOWMENT FUNDS AND PERPETUAL TRUSTS, continued**

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 adjustment 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.

Endowment and perpetual trust net asset composition by type of fund as of June 30, 2023 is as follows:

	With Donor Restriction	Without Donor Restriction	Total
Board-designated endowment funds	\$ -	\$ 1,523,882	\$ 1,523,882
Donor-restricted endowment funds			
Original donor-restricted gift and amounts required to be maintained in perpetuity by donors	19,882,199	-	19,882,199
Accumulated investment gains	<u>3,631,927</u>	<u>-</u>	<u>3,631,927</u>
Totals	<u>\$ 23,514,126</u>	<u>\$ 1,523,882</u>	<u>\$ 25,038,008</u>

Endowment and perpetual trust net asset composition by type of fund as of June 30, 2022 is as follows:

	With Donor Restriction	Without Donor Restriction	Total
Board-designated endowment funds	\$ -	\$ 1,998,052	\$ 1,998,052
Donor-restricted endowment funds			
Original donor-restricted gift and amounts required to be maintained in perpetuity by donors	19,883,672	-	19,883,672
Accumulated investment gains	<u>2,208,743</u>	<u>-</u>	<u>2,208,743</u>
Totals	<u>\$ 22,092,415</u>	<u>\$ 1,998,052</u>	<u>\$ 24,090,467</u>

**DIOCESE OF LA CROSSE**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 16 – ENDOWMENT FUNDS AND PERPETUAL TRUSTS, continued**

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, 2023 or 2022.

Changes in endowment and perpetual trust net assets for the year ended June 30, 2023 are as follows:

	With Donor Restriction	Without Donor Restriction	Total
Balance at beginning of year	\$ 22,092,415	\$ 1,998,052	\$ 24,090,467
Contributions	17,355	-	17,355
Investment return, net	2,761,526	50,052	2,811,578
Appropriation of assets pursuant to spending-rate policy	<u>(1,357,170)</u>	<u>(524,222)</u>	<u>(1,881,392)</u>
Balance at end of year	<u>\$ 23,514,126</u>	<u>\$ 1,523,882</u>	<u>\$ 25,038,008</u>

Changes in endowment and perpetual trust net assets for the year ended June 30, 2022 are as follows:

	With Donor Restriction	Without Donor Restriction	Total
Balance at beginning of year	\$ 25,654,823	\$ 1,945,801	\$ 27,600,624
Contributions	18,440	-	18,440
Investment return, net	(2,548,145)	52,251	(2,495,894)
Appropriation of assets pursuant to spending-rate policy	<u>(1,032,703)</u>	<u>-</u>	<u>(1,032,703)</u>
Balance at end of year	<u>\$ 22,092,415</u>	<u>\$ 1,998,052</u>	<u>\$ 24,090,467</u>

**DIOCESE OF LA CROSSE**  
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**NOTE 17 – 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, 2023</u>	<u>June 30, 2022</u> <u>Restated</u>
Financial assets, at year-end:		
Cash and cash equivalents	\$ 2,523,439	\$ 4,178,831
Accounts receivable	1,258,151	1,319,292
Pledges receivable	6,739,529	1,358,418
Total financial assets available within one year	<u>10,521,119</u>	<u>6,856,541</u>
Less contractual or donor-imposed restrictions:		
Donor restrictions for specific purposes	6,748,094	1,498,834
Board designated fund	<u>2,430,676</u>	<u>2,663,735</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 1,342,349</u>	<u>\$ 2,693,972</u>

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 18 – 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, 2023 and 2022. 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, 2023 and 2022, the total assets held under split-interest agreements as a part of restricted investments were \$786,345 and \$826,461, respectively. 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**  
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**NOTE 19 – 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. Due to the Inspired By the Spirit campaign for year ending June 30, 2023, no rebates were refunded to the parishes. The rebates totaled \$760,942 for the year ended June 30, 2022.

Diocesan Annual Appeal Campaign results are as follows:

	Year ended June 30, 2023		Year ended June 30, 2022	
	Amount	%	Amount	%
<u>Revenue</u>				
Gift Receipts	\$ 4,517,724		\$ 6,206,318	
Less Parish cash rebates	-		(760,942)	
	4,517,724	96%	5,445,376	103%
Investment gain (loss)	175,160	4%	(509,800)	-10%
Assessments to Parishes under target	-	0%	369,370	7%
Total	<u>\$ 4,692,884</u>	<u>100%</u>	<u>\$ 5,304,946</u>	<u>100%</u>
<u>Expenditures</u>				
Case Statement disbursement	\$ 5,738,274	100%	\$ 5,625,126	100%
Operating expenses	20,385	0%	21,790	0%
Total	<u>\$ 5,758,659</u>	<u>100%</u>	<u>\$ 5,646,916</u>	<u>100%</u>

**NOTE 20 – REVENUE FROM CONTRACTS WITH CUSTOMERS**

In accordance with Topic 606, the Organization accounts for a customer contract when both parties have approved the contract and are committed to perform their respective obligations, each party's rights can be identified, payment terms can be identified, the contract has commercial substance, and it is probable that they will collect substantially all of the consideration to which they are entitled. Revenue is recognized when, or as, performance obligations are satisfied by transferring control of a promised product or service to a customer.

The Organization generates revenue from the following primary activity:

- Program revenue: admissions and fees charged for various services performed for parishes and members of the public
- Subscription revenue: dues for publications paid by subscribers



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**NOTE 20 – REVENUE FROM CONTRACTS WITH CUSTOMERS, continued**

Disaggregation of Revenue

The following table presents net sales disaggregated by timing of revenue recognition and segment:

<u>Segments</u>	<u>6/30/2023 Program &amp; Subscription Revenue</u>	<u>6/30/2022 Program &amp; Subscription Revenue</u>
Timing of revenue recognitions:		
Services transferred at a point in time	\$ 2,302,749	\$ 1,914,189
Services transferred over time	-	-
	<u>\$ 2,302,749</u>	<u>\$ 1,914,189</u>

Opening and Closing Balance of Receivables and Contract Liability

The table below provides information about accounts receivable and contract liability balances:

	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>
Accounts receivable	\$ 1,258,151	\$ 1,319,292	\$ 812,473
Estimated contracts payable	-	-	9,479

Practical Expedients

The Organization has elected to apply the following practical expedients when determining revenue from contracts with customers and capitalization of related costs:

-The Organization has elected to not adjust revenue for the effects of a significant finance component when the timing difference between receipt of payment and recognition of revenue is less than one year.

-The Organization has elected to expense incremental costs to obtain a contract when the amortization period of the related asset is expected to be less than one year.

**NOTE 21 – FUNDRAISING**

The Diocese entered into an agreement with Lynch Development Associates (LDA), a professional fundraising firm that assists Catholic entities with their development needs, in August, 2021. LDA launched the Inspired By The Spirit campaign, which ran through June, 2023. In the year ending June 30, 2023, \$18,021,053 was collected from the campaign. Of this amount, \$731,952 was paid to the Catholic Foundation of West Central Wisconsin (CFWCW) and \$9,571,207 was distributed to the parishes. For the year ended June 30, 2022 the Diocese collected \$3,428,958 from the campaign. Of this amount, \$132,290 was paid to the CFWCW and \$1,411,094 was distributed to parishes. For the years ending June 30, 2023 and 2022, LDA was paid \$1,421,001 and \$839,138, respectively, for contracted services and related expenses.

**DIOCESE OF LA CROSSE**  
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**NOTE 22 – PENDING LITIGATION**

The Diocese is involved in an open legal proceeding as of June 30, 2023, 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 23 – COMMITMENTS**

The Organization has a building security project in process, of which \$59,000 of work remains to be completed as of June 30, 2023. A grant of \$150,000 from Homeland Security has been awarded to offset the majority of the cost.

**NOTE 24 – SUBSEQUENT EVENTS**

An offer to purchase the Organization's property located on Waterplace Drive for \$540,000 was accepted.

Management has evaluated subsequent events through October 25, 2023, the date these financial statements were available to be issued. No adjustments were made to the current year financials.