

**THE ARCHDIOCESE OF SAINT PAUL AND
MINNEAPOLIS CHANCERY CORPORATION
ST. PAUL, MINNESOTA**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022



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**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
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YEARS ENDED JUNE 30, 2023 AND 2022**

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INDEPENDENT AUDITORS' REPORT

Archdiocesan Finance Council
Corporate Board of The Archdiocese of Saint Paul and Minneapolis
Minneapolis, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The Archdiocese of Saint Paul and Minneapolis, which comprise the statements 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 Archdiocese of Saint Paul and Minneapolis 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Archdiocese of Saint Paul and Minneapolis and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Archdiocese of Saint Paul and Minneapolis' ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than from one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Archdiocese of Saint Paul and Minneapolis' 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 Archdiocese of Saint Paul and Minneapolis' 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.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 21, 2023

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash - Board-Designated and Undesignated	\$ 4,127,407	\$ 5,803,925
Cash - With Donor Restriction	690,151	776,728
Contributions Receivable	246,618	316,685
Estates Receivable	-	151,734
Accounts Receivable, Net of Allowances	3,377,406	2,381,145
Loans Receivable	651,566	657,066
Investments Without Donor Restrictions	6,435,780	5,826,438
Investments With Donor Restrictions	1,188,444	1,148,113
Beneficial Interest in Perpetual Trusts	1,595,701	1,506,511
Prepaid Expenses and Other Assets	249,267	215,920
Land, Property & Equipment, Net	<u>8,459,022</u>	<u>9,035,056</u>
Total Assets	<u>\$ 27,021,362</u>	<u>\$ 27,819,321</u>
LIABILITIES & NET ASSETS		
Liabilities		
Accounts Payable and Accrued Liabilities	\$ 1,825,321	\$ 1,864,344
Amounts Held for Others Under Agency Transactions	388,071	361,750
Deferred Revenue	388,504	337,255
Reserve for Priest Benefits Claims	-	151,198
Pledge Payable	<u>800,000</u>	<u>1,000,000</u>
Total Liabilities	3,401,896	3,714,547
Net Assets		
Without Donor Restrictions		
Undesignated	17,937,886	18,127,569
Board Designated	<u>1,860,571</u>	<u>2,184,396</u>
Total Net Assets Without Donor Restrictions	19,798,457	20,311,965
With Donor Restrictions		
Restricted by Time and/or Purpose	1,988,157	2,049,148
Restricted in Perpetuity	<u>1,832,852</u>	<u>1,743,661</u>
Total Net Assets With Donor Restrictions	<u>3,821,009</u>	<u>3,792,809</u>
Total Net Assets	<u>23,619,466</u>	<u>24,104,774</u>
Total Liabilities and Net Assets	<u>\$ 27,021,362</u>	<u>\$ 27,819,321</u>

See accompanying Notes to Financial Statements.

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

	Without Donor Restriction	With Donor Restriction	Total
OPERATING REVENUE			
Contributions	\$ 2,467,518	\$ 623,075	\$ 3,090,593
Parish Assessments	15,057,822	-	15,057,822
Fees and Program Revenues	3,292,113	-	3,292,113
Investment Income (Loss), Net	643,192	261,838	905,030
Other Income	101,500	-	101,500
Total Operating Revenue	<u>21,562,145</u>	<u>884,913</u>	<u>22,447,058</u>
Net Assets Released from Restrictions	<u>856,713</u>	<u>(856,713)</u>	<u>-</u>
Net Operating Revenue	22,418,858	28,200	22,447,058
OPERATING EXPENSE			
Program Services			
Catholic Education	1,720,837	-	1,720,837
Central Services	6,107,672	-	6,107,672
Clergy Services	5,342,295	-	5,342,295
Communications	2,196,897	-	2,196,897
Community Services	447,457	-	447,457
Marriage, Family and Life	844,134	-	844,134
Parish Service and Outreach	1,434,888	-	1,434,888
Latino Ministries	382,651	-	382,651
Total Program Services	<u>18,476,831</u>	<u>-</u>	<u>18,476,831</u>
Support Services			
General and Administrative	3,525,925	-	3,525,925
Mission Advancement	283,951	-	283,951
Total Support Services	<u>3,809,876</u>	<u>-</u>	<u>3,809,876</u>
Total Operating Expense	<u>22,286,707</u>	<u>-</u>	<u>22,286,707</u>
Change in Net Assets from Operations	132,151	28,200	160,351
NON-OPERATING ACTIVITY			
Loss on Disposition of Assets	<u>(645,659)</u>	<u>-</u>	<u>(645,659)</u>
Change in Net Assets from Non-Operating Activities	<u>(645,659)</u>	<u>-</u>	<u>(645,659)</u>
CHANGES IN NET ASSETS	(513,508)	28,200	(485,308)
Net Assets - Beginning of Year	<u>20,311,965</u>	<u>3,792,809</u>	<u>24,104,774</u>
NET ASSETS - END OF YEAR	<u><u>\$ 19,798,457</u></u>	<u><u>\$ 3,821,009</u></u>	<u><u>\$ 23,619,466</u></u>

See accompanying Notes to Financial Statements.

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

	Without Donor Restriction	With Donor Restriction	Total
OPERATING REVENUE			
Contributions	\$ 2,615,410	\$ 809,176	\$ 3,424,586
Parish Assessments	15,882,686	-	15,882,686
Fees and Program Revenues	2,793,649	-	2,793,649
Investment Income (Loss), Net	(657,052)	(375,971)	(1,033,023)
Other Income	103,000	-	103,000
Total Operating Revenue	<u>20,737,693</u>	<u>433,205</u>	<u>21,170,898</u>
Net Assets Released from Restrictions	<u>1,055,718</u>	<u>(1,055,718)</u>	<u>-</u>
Net Operating Revenue	21,793,411	(622,513)	21,170,898
OPERATING EXPENSE			
Program Services			
Catholic Education	1,728,631	-	1,728,631
Central Services	5,399,026	-	5,399,026
Clergy Services	4,662,285	-	4,662,285
Communications	2,157,271	-	2,157,271
Community Services	299,216	-	299,216
Evangelization	223	-	223
Marriage, Family and Life	719,710	-	719,710
Parish Service and Outreach	1,420,605	-	1,420,605
Latino Ministries	354,301	-	354,301
Total Program Services	<u>16,741,268</u>	<u>-</u>	<u>16,741,268</u>
Support Services			
General and Administrative	4,265,914	-	4,265,914
Mission Advancement	101,709	-	101,709
Total Support Services	<u>4,367,623</u>	<u>-</u>	<u>4,367,623</u>
Total Operating Expense	<u>21,108,891</u>	<u>-</u>	<u>21,108,891</u>
Change in Net Assets from Operations	684,520	(622,513)	62,007
NON-OPERATING ACTIVITY			
Gain (Loss) on Disposition of Assets	(256,093)	-	(256,093)
Priest Benefits Revenue	3,267,646	-	3,267,646
Priest Benefits Expense	(3,758,262)	-	(3,758,262)
Change in Net Assets from Non-Operating Activities	<u>(746,709)</u>	<u>-</u>	<u>(746,709)</u>
CHANGES IN NET ASSETS	(62,189)	(622,513)	(684,702)
Net Assets - Beginning of Year	<u>20,374,154</u>	<u>4,415,322</u>	<u>24,789,476</u>
NET ASSETS - END OF YEAR	<u><u>\$ 20,311,965</u></u>	<u><u>\$ 3,792,809</u></u>	<u><u>\$ 24,104,774</u></u>

See accompanying Notes to Financial Statements.

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2023 AND 2022**

June 30, 2023

Functional Expense	Program Services		Total Program	Management	Fundraising	Total
	ADSM Program	Priest Benefits				
Salaries and Benefits	\$ 11,581,028	\$ -	\$ 11,581,028	\$ 2,723,636	\$ 203,629	\$ 14,508,293
Gifts in Kind	-	-	-	36,593	-	36,593
Grants and Allocations	830,525	-	830,525	10,400	11,000	851,925
Professional Services	2,035,534	-	2,035,534	295,417	-	2,330,951
Supplies and Equipment	1,848,987	-	1,848,987	137,045	2,354	1,988,386
Travel and Meetings	356,314	-	356,314	71,481	181	427,976
Other and Occupancy	1,560,934	-	1,560,934	198,106	57,948	1,816,988
Depreciation	263,509	-	263,509	53,247	8,839	325,595
Total	<u>\$ 18,476,831</u>	<u>\$ -</u>	<u>\$ 18,476,831</u>	<u>\$ 3,525,925</u>	<u>\$ 283,951</u>	<u>\$ 22,286,707</u>

June 30, 2022

Functional Expense	Program Services		Total Program	Management	Fundraising	Total
	ADSM Program	Priest Benefits				
Salaries and Benefits	\$ 10,951,671	\$ -	\$ 10,951,671	\$ 2,447,698	\$ 13,686	\$ 13,413,055
Grants and Allocations	99,367	-	99,367	-	12,250	111,617
Professional Services	1,800,663	7,333	1,807,996	333,400	1,550	2,142,946
Supplies and Equipment	1,758,427	-	1,758,427	101,397	1,056	1,860,880
Travel and Meetings	122,416	-	122,416	68,456	2,350	193,222
Other and Occupancy	1,783,225	1,526	1,784,751	1,270,353	63,212	3,118,316
Priest Benefits Claims and Administrative Fee	-	3,749,403	3,749,403	-	-	3,749,403
Depreciation	225,499	-	225,499	44,610	7,605	277,714
Total	<u>\$ 16,741,268</u>	<u>\$ 3,758,262</u>	<u>\$ 20,499,530</u>	<u>\$ 4,265,914</u>	<u>\$ 101,709</u>	<u>\$ 24,867,153</u>

See accompanying Notes to Financial Statements.

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022**

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2023</u>	<u>2022</u>
Change in Net Assets	\$ (485,308)	\$ (684,702)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation	325,595	277,714
Loss on Disposal of Assets	645,659	256,093
Unrealized and Realized (Gains) and Losses on Investments	(805,467)	1,086,330
Bad Debt Expense	24,602	-
Change in Assets and Liabilities		
Contributions Receivable	70,067	8,429
Estates Receivable	151,734	(11,734)
Accounts Receivable	(1,020,863)	9,861
Prepaid Expenses and Other Assets	(33,347)	(71,080)
Accounts Payable and Accrued Liabilities	122,164	(42,388)
Amounts Held for Others under Agency Transactions	26,321	30,024
Deferred Rent	-	(163,958)
Deferred Revenue	51,249	(45,409)
Reserve for Priest Benefits Claims	(151,198)	49,911
Pledge Payable	(200,000)	1,000,000
Net Cash Provided (Used) by Operating Activities	<u>(1,278,792)</u>	<u>1,699,091</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Repayment of Loans Receivable	5,500	6,000
Purchase of Investments	(75,646)	(6,551,550)
Proceeds from Sale of Investments	142,250	125,265
Purchase of Property and Equipment	(556,407)	(6,292,870)
Net Cash Used by Investing Activities	<u>(484,303)</u>	<u>(12,713,155)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Lease Payable	-	(16,686)
Net Cash Used by Financing Activities	<u>-</u>	<u>(16,686)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,763,095)	(11,030,750)
Cash and Cash Equivalents - Beginning of Year	<u>6,580,653</u>	<u>17,611,403</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 4,817,558</u>	<u>\$ 6,580,653</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Property and Equipment Additions Included in Accounts Payable	<u>\$ -</u>	<u>\$ 161,187</u>
CASH CONSISTS OF:		
Cash - Board-Designated and Undesignated	\$ 4,127,407	\$ 5,803,925
Cash - With Donor Restriction	690,151	776,728
Total Cash - End of Year	<u>\$ 4,817,558</u>	<u>\$ 6,580,653</u>

See accompanying Notes to Financial Statements.

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF THE ORGANIZATION

The Archdiocese

The Archdiocese of Saint Paul and Minneapolis (the Archdiocese or Chancery Corporation) was first established as a diocese by the Holy See in 1850 (originally Minnesota and the Dakotas) and elevated to archdiocese 38 years later. Now comprising a 12-county area, there are 183 parishes and 91 Catholic schools (including elementary and high schools) within the Archdiocese. The Archdiocese is home to over 825,000 Catholics, including hundreds of clergy, religious sisters and brothers as well as thousands of lay personnel and volunteers who serve in parishes, Catholic schools and in many other ministries within the Archdiocese. The mission of The Archdiocese of Saint Paul and Minneapolis is making the name of Jesus Christ known and loved by promoting and proclaiming the Gospel in word and deed through vibrant parish communities, quality Catholic education and ready outreach to the poor and marginalized.

Nature of Organization

The financial statements include administrative and program offices and departments of the Chancery Corporation, which serves as the secular arm of the Archdiocese. Under the laws of the state of Minnesota, parishes, their related schools and other separately incorporated and operated Roman Catholic entities within the 12-county area of the Archdiocese are not under the fiscal or operating control of the Chancery Corporation and, therefore, in accordance with accounting principles generally accepted in the United States of America, are not included in the Chancery Corporation's financial statements.

Catholic Services Appeal Foundation

Effective January 1, 2014, an independent 501(c)(3) organization called the Catholic Services Appeal Foundation (CSAF) was established to solicit, collect, hold and distribute all Catholic Services Appeal (CSA) donations for the benefit of a prescribed group of Catholic organizations and Chancery Corporation ministries as outlined in the CSAF by-laws. The Chancery Corporation received contributions from the CSAF to provide for these ministries, including but not limited to Latino Ministry, Evangelization and Catechesis, Youth Ministry, Venezuela Mission, seminarian education, and chaplain services at hospitals and prisons throughout the Archdiocese. See further impact of this within contributions receivable in Note 2. See Note 13 regarding the Catholic Services Appeal program being managed and operated by the Chancery Corporation effective January 2024.

Programs and Other Activities

The Chancery Corporation accomplishes its mission in the following program areas:

Catholic Education

The Office for the Mission of Catholic Education provides vision, support, and direction to Catholic schools and parish catechetical programs so that they can achieve their mission to proclaim Christ and form authentic disciples of Jesus Christ through an integrated Catholic education developing the spirit, mind, and body.

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF THE ORGANIZATION (CONTINUED)

Programs and Other Activities (Continued)

Catholic Education (Continued)

The Office for the Mission of Catholic Education is divided into a Department of Parish Catechesis, Department of Educational Quality and Excellence, and Department of Catholic Schools. Major responsibilities for Catholic schools and parishes are aligned with the Roadmap for Excellence in Catholic Education and include strategically assisting pastors, principals, and parish catechetical leaders; implementing a comprehensive talent management framework; encouraging and acknowledging quality and excellence in Catholic education; serving as a resource for those involved in the essential work of parish catechesis; maintaining policies that support the work of Catholic education; representing the interests of Catholic education to a diverse set of stakeholders; and working with community partners to ensure the sustainability of programs, including the Drexel Mission Schools which serves those in most need.

Central Services

Central Services provides support and services to the Chancery Corporation staff and the parishes. The Department includes Parish Accounting Service Center; Parish Standards; Parish Payroll Services Center; Metropolitan Tribunal; Records and Archives; Chancellor's Office; IT/Computer Services; Human Resources and Benefits Administration; and Printing Services.

Clergy Services

Various offices and programs of the Archdiocese's Catholic Center work to provide personal and ministerial resources as well as formation and ongoing clergy education for priests and deacons to enhance the fruitfulness of their ministries. The Office of Clergy Services helps support clergy assignments at parishes and other institutions, as well as hospital and correctional facility chaplaincies. The Office of Vocations encourages prayerful discernment of call to ordained or religious life. Clergy Services supports seminarians who enter the Saint Paul Seminary, which provides formation for men preparing for ordination to the priesthood. The Byrne Residence offers housing for retired priests. The Office of Clergy Services also assists the Office of Ministerial Standards and Safe Environment with victim advocacy, abuse prevention efforts and support of the work of the Ministerial Review Board to ensure that all priests and deacons uphold the standards expected of Catholic clergy, and are provided appropriate support for their spiritual, physical, and mental well-being.

Communications

The mission of the Office of Communications is to communicate the spiritual messages and theological teachings of the Church as articulated through the Archbishop and his auxiliary bishops. The Office of Communications is also charged with ensuring effective ongoing two-way communications between the Chancery Corporation offices and the many audiences they serve, particularly parishes, Catholic schools and the general public through direct communication and the news media.

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF THE ORGANIZATION (CONTINUED)

Programs and Other Activities (Continued)

Communications (Continued)

Office of Communications staff produce 24 issues of *The Catholic Spirit* newspaper annually, produce the weekly Practicing Catholic radio show, along with the weekly Parish Leadership Update and Archdiocesan Update electronic newsletter to 1,500 parish and Catholic school leaders and staff. The team also provides parishes and schools with crisis and communications strategy consultation and manages nearly 20 web sites, blogs, and social media sites.

Community Services

Through the work of offices of the Chancery Corporation and the support of community partners, we help men, women, and children most in need, including the hungry and homeless, as well as immigrants, the elderly, those with disabilities and others with special needs.

Marriage, Family, and Life

The mission of the Office of Marriage, Family, and Life is to assist and encourage all Christians to fulfill their call to holiness. This office promotes a culture of life through programs that support the vocation of marriage, the single state and outreach to youth and young adults. Programs and advocacy efforts include marriage enrichment, marriage preparation, Early Catholic Family Life and other family outreach, respect life and prolife groups, bio-medical ethics and outreach and catechetical preparation for persons with disabilities. In addition, Archdiocesan Youth Day, World Youth Day, the Men's Conference, National Catholic Youth Conference and other events are coordinated through the staffing and support of the department. In all, the office sponsors or collaborates on over 50 events and programs annually, and coordinates with 125 prolife parish liaisons and local organizations.

Parish Services and Outreach

Several offices and programs offer services to parishes within the Archdiocese, including the Office of Parish Services. The mission of the Office of Parish Services is to support, communicate with and collaborate with parishes and clergy, offering a direct link to the Archdiocese and its resources.

The Office of Worship supports the liturgical life of the local Church and serves as a resource on liturgical law and practice for pastors and parishes serving within the Archdiocese.

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF THE ORGANIZATION (CONTINUED)

Programs and Other Activities (Continued)

Parish Services and Outreach (Continued)

The Office coordinates major Archdiocesan liturgical celebrations and provides catechetical and practical support for the full, conscious and active participation of God's Holy People in the Church's sacramental and liturgical life.

Other ministries within Parish Services include the Deaf Ministry along with the Indian Ministry for members of the local Native American community. Through the generosity of Catholics in the Archdiocese, 65,000 people in Ciudad Guayana, Venezuela are offered access to the sacraments, food and essential services at the Jesucristo Resucitado mission parish.

Latino Ministries

The Office of Latino Ministry develops and offers formation and evangelization programs for youth, young adults, family, and parish leaders. These programs serve the growing Latino community in the 25 parishes that offer Masses, sacramental preparation, and pastoral care in Spanish.

Support Services

General and Administrative

The offices of the retired archbishops, auxiliary bishop, vicar general, chief operating officer, accounting, finance, and general administration are included in the General and Administrative category. Over half of this category of expense supports salaries and benefits of staff.

Mission Advancement

The Office of Mission Advancement leads efforts to promote stewardship within all ministries of the Chancery Corporation. The office engages in outreach to benefactors to solicit support for specific ministries or programs of the Archdiocese Catholic Center.

Priest Benefits

The Archdiocese of St. Paul and Minneapolis coordinates a self-insured health and dental benefit fund for active clergy members, seminarians, international clergy members and religious order sisters within the Archdiocese. The Archdiocese invoices other Catholic entities for benefit premiums based on clergy assignments and pays benefit providers directly for health and dental claims.

As of July 1, 2022, the Priest Benefits program is no longer part of the Chancery Corporation and is included in the Archdiocese of Saint Paul and Minneapolis Medical Benefits Plan Trust.

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of New Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Chancery Corporation has elected to apply the practical expedient available that does not require contracts to be separated between lease and non-lease components. In addition, the Chancery Corporation has elected to adopt the available practical expedient to use hindsight in determining the lease term.

The Chancery Corporation adopted the requirement of the guidance effective July 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption, with certain practical expedients available. The standard did not have a material impact on the statements of financial position, statements of activities, or statements of cash flows.

Basis of Presentation – Accounting for Net Assets

The financial statements of the Chancery Corporation have been prepared on the accrual basis of accounting.

The Chancery Corporation reports information regarding its financial position and activities according to two classes of net assets: Net Assets Without Donor Restrictions and Net Assets With Donor Restrictions. These classes of net assets are summarized as follows:

Net Assets Without Donor Restrictions – Net assets that are those currently available at the discretion of the Chancery Corporation for use in operations and are not subject to donor (or certain grantor) restrictions. This includes net assets designated by the board of directors for specific purposes.

Net Assets With Donor Restrictions – Accounts for resources that are limited by donor restrictions as to either time restrictions or purpose restrictions to support certain program activities. Also includes resources that are limited by donor-imposed stipulations to invest the principal in perpetuity and to expend the income for program activities.

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash

At times throughout the year, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation (FDIC) by a minimal amount. The Chancery Corporation has additional insurance up to \$4,000,000 with one financial institution and funds deposited into a Money Center account with another financial institution that spreads deposits in total so they are fully insured. Cash is classified into two categories, undesignated and board-designated, and with donor restriction. As of June 30, 2023 and 2022, \$1,860,571 and \$2,184,396, respectively, were classified as board-designated funds representing estate contributions designated for capital projects of \$1,060,571 and \$1,184,396, respectively, in addition to a Seminary Pledge payable as designated below in Pledges Payable.

For purposes of the statements of cash flows, the Chancery Corporation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Conditional promises to give are not included as support until the conditions are substantially met.

Included within contributions receivable are contributions and reimbursable expenses receivable from Catholic Services Appeal Foundation of \$246,618 and \$316,685 at June 30, 2023 and 2022, respectively.

Estates Receivable

When the Chancery is made aware of estate gifts that are forthcoming, it is recorded as a receivable and recognized as contribution income in the appropriate fiscal year. As of June 30, 2023 and 2022, the estate receivable balance was \$-0- and \$151,734, respectively.

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable are due from parishes and other Catholic entities and are noninterest bearing, unsecured and due currently. Credit terms for payment of assessments, insurance and other billings are extended to the borrowers in the normal course of operations, and no collateral is required. Approximately 97% and 99% of the outstanding receivables from parishes and other related entities are attributable to 16 parishes at June 30, 2023 and 2022, respectively. A portion of the parish assessments will be repaid over a period of several years. The aging of these receivables, as well as any extended payment terms, are factored into the allowance for doubtful accounts. The Chancery Corporation provides for an allowance for doubtful accounts, and bases its estimate of the allowance on a variety of factors including the status of the receivables, collection experience, and the financial condition of the creditor. Accounts receivable are written off and charged to the allowance only under extraordinary circumstances. Because of the inherent uncertainties in estimating the allowance for doubtful accounts, it is at least reasonably possible that the estimates used will change within the near term. Approximately 82% and 95% of total accounts receivable are due from parish assessments at June 30, 2023 and 2022, respectively.

Loan Receivable

The loan is due from a parish and represents an outstanding demand note with a balance of \$651,566 and \$657,066 as of June 30, 2023 and 2022, respectively (to be paid on a long-term basis). Loans receivable are recorded at their net realizable values, net of an allowance for doubtful accounts, where applicable. No allowance was deemed necessary for the years ended June 30, 2023 and 2022.

The Chancery Corporation provides for an allowance for doubtful loans, and bases its estimate of the allowance on a variety of factors including the status of the receivables, collection experience, and the financial condition of the borrower. Loans receivable are written off and charged to the allowance only under extraordinary circumstances, and write-offs must be approved by the Archbishop.

Investments

Investments are measured at fair value. Investments which are long-term or held in perpetual trust are held at The Catholic Community Foundation of Minnesota (CCF), are pooled with other organizations' funds and invested in diversified portfolios of marketable equity and fixed income securities, as well as limited marketability investments. Such assets held at CCF are reported at fair value/estimated fair value as reported to the Chancery Corporation by CCF.

The Chancery Corporation's remaining interest in perpetual trust assets held at a bank is reported based on the fair value of the underlying trust assets.

Realized and unrealized gains and losses on investments are recorded in the statements of activities based upon the existence or absence of donor-imposed restrictions.

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Fair Value

The Chancery Corporation's accounting for fair value measurements of assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring or nonrecurring basis adhere to the Financial Accounting Standards Board (FASB) fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Chancery Corporation has the ability to access at the measurement date.

Level 2 – Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Chancery Corporation uses valuation techniques in a consistent manner from year-to-year.

Leases

The Chancery Corporation determines if an arrangement is a lease at inception. Operating leases are reported on the statement of financial position as an ROU asset and lease liability when applicable. ROU assets represent the Chancery Corporation's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Chancery Corporation uses a risk-free rate based on the information available at the lease commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Chancery Corporation will exercise that option.

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Chancery Corporation has elected to recognize payments for short-term leases with a lease term of 12 months or less and these leases are not included as lease liabilities or right of use assets on the statement of financial position.

Certain facilities owned by the Chancery Corporation are utilized and subject to third-party mortgages. The Chancery Corporation has a lease agreement with the Cathedral of Saint Paul with a base rent of \$1 per year. The lease agreement was renewed on May 1, 2023 with a term of five years.

Land, Property, and Equipment

Land, property, and equipment are recorded at their net book value. Depreciation is recorded over the estimated useful lives of the assets using the straight-line method. Maintenance and repairs are expensed as incurred; major improvements and betterments are capitalized according to the Archdiocesan capitalization policy.

Contributions and Revenue Recognition

Revenue is recognized as the performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Chancery Corporation. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided, and the Chancery Corporation does not believe they are required to provide additional goods or services to the client.

Parish Assessments and Priest Benefits Revenue are recognized over time, within the fiscal year, as the underlying services are rendered. Fees and Program Revenues are recognized at both a point in time and over time depending on the underlying nature of the revenue producing activity.

The Chancery Corporation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions in the statements of activities.

The Chancery Corporation reports gifts of land, buildings, and equipment as support without donor restriction unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Chancery Corporation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Program revenue received for services to be provided in a future period are recorded as deferred revenue at the time of receipt and earned when the services are delivered.

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets, liabilities and net assets, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates and estimates may change during the near term.

Pension and Medical Benefit Plans

The Chancery Corporation contributes to the Pension Plan for Priests and to the Pension Plan for Lay Employees of the Chancery Corporation, parishes and Catholic schools, and certain other Catholic entities within the Archdiocese. These contributions include normal costs, and an amount to amortize the unfunded past service liabilities of the plans. The actuarial present values of accumulated plan benefits and net assets available for benefits are not available at the individual organization level.

The plans are multiple-employer, defined benefit plans and cover substantially all priests and most full-time lay employees of participating employers operating within the boundaries of the Archdiocese. In accordance with FASB *Accounting Standards Codification* Paragraph 715-30-55-63, the Chancery Corporation accounts for its participation in the plans as multiple-employer plans.

Benefits for full-time lay employees under the Pension Plan for Lay Employees were frozen January 31, 2011. The Chancery Corporation contributes to the Archdiocesan Medical Benefit Plan, which is a multiple-employer plan, providing medical, dental and other flexible benefits to the participating employer's participating employees. The plan is a self-insured plan with stop-loss protection. In the event the plan is terminated and all obligations to the insurers providing group benefits and to the beneficiaries of the plan have been satisfied, any remaining trust funds shall be distributed to the Chancery Corporation and the Trust shall terminate. The plan's Trustees have no plans to terminate the plan.

The following is the amount charged to expense on the Chancery Corporation's Statements of Activities as of June 30:

	2023	2022
Lay Pension	\$ 267,660	\$ 267,660
Priests' Pension	476,162	443,469
Archdiocesan Medical Benefit Plan	1,790,376	1,642,279
Total	<u>\$ 2,534,198</u>	<u>\$ 2,353,408</u>

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Chancery Corporation is exempt from federal and state income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code, and similar state statutes.

The Chancery Corporation has evaluated whether it has any significant tax uncertainties that would require recognition or disclosure. Primarily due to the exempt status, the Chancery Corporation does not have any significant tax uncertainties that would require recognition or disclosure.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

NOTE 3 INVESTMENTS

The fair value and composition of investments with donor restriction consists of two funds with donor restrictions solely for the purpose of the General Seminary Endowment and the Braun Fund. Both with donor restrictions towards seminary education. The fair value and composition of investment without donor restriction consists of the Long-Term Fund.

The Chancery Corporation is the beneficiary of the General Seminary Endowment. CCF retains variance power over these funds and can redirect the distribution of these assets at the discretion of its board.

The Braun Fund is invested with American Funds and the Chancery Corporation receives distributions annually.

Investments are carried at fair value. The balances of invested funds are as follows as of June 30:

	2023	2022
General Seminary Endowment	\$ 1,160,252	\$ 1,102,157
Braun Priest Education Fund	28,192	45,956
Long Term Fund	6,435,780	5,826,438
Total	<u>\$ 7,624,224</u>	<u>\$ 6,974,551</u>

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 3 INVESTMENTS (CONTINUED)

The following is the approximate fund allocation of investments at June 30:

2023				
	American Funds	CCF - General Seminary	CCF - Long Term Fund	Total
Cash and Cash Equivalents	\$ -	\$ 34,808	\$ 193,074	\$ 227,882
Corporate Bonds	-	162,435	901,009	1,063,444
Corporate and International Equities	28,192	812,176	4,762,477	5,602,845
Alternative Investments	-	150,833	579,220	730,053
Total	<u>\$ 28,192</u>	<u>\$ 1,160,252</u>	<u>\$ 6,435,780</u>	<u>\$ 7,624,224</u>

2022				
	American Funds	CCF - General Seminary	CCF - Long Term Fund	Total
Cash and Cash Equivalents	\$ -	\$ 33,065	\$ 174,794	\$ 207,859
Corporate Bonds	-	154,302	815,701	970,003
Corporate and International Equities	45,956	771,510	4,311,564	5,129,030
Alternative Investments	-	143,280	524,379	667,659
Total	<u>\$ 45,956</u>	<u>\$ 1,102,157</u>	<u>\$ 5,826,438</u>	<u>\$ 6,974,551</u>

The following schedules summarize the investment return and its classification in the statement of activities for the year ended June 30:

2023			
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and Dividends	\$ 19,477	\$ 11,675	\$ 31,152
Unrealized Gains	623,715	250,163	873,878
Total	<u>\$ 643,192</u>	<u>\$ 261,838</u>	<u>\$ 905,030</u>

2022			
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and Dividends	\$ 16,939	\$ (14,144)	\$ 2,795
Unrealized Losses	(673,991)	(361,827)	(1,035,818)
Total	<u>\$ (657,052)</u>	<u>\$ (375,971)</u>	<u>\$ (1,033,023)</u>

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 4 BENEFICIAL INTEREST IN PERPETUAL TRUST

The Chancery Corporation is the sole income beneficiary in three irrevocable perpetual trusts, the assets of which are not in the possession of the Chancery Corporation and for which the Chancery Corporation is not the trustee. The values of these trusts totaled \$1,595,701 and \$1,506,511 at June 30, 2023 and 2022, respectively. These trusts were established with specific donor intent for restricted purposes. The assets recorded on the statements of financial position represent the estimated present values of future cash flows from the trusts, which are assumed to equal the fair value of the underlying trust investments.

The Chancery Corporation has legally enforceable rights and claims to distributions from the trusts but not to the underlying assets themselves and receives income distributions based on the funds' income after certain trust expenses. These income distributions are received with donor restrictions for specific purposes: the Saint Paul Seminary support, support for physically disabled priests, and housing for elderly members of the Christian Brothers religious order.

NOTE 5 FAIR VALUE

The following tables set forth the balance of assets by level, within the fair value hierarchy, carried at fair value as of June 30:

2023				
	Fair Value Measurement Using			Fair Value Amount
	Level 1	Level 2	Level 3	
Assets:				
Investments:				
Mutual Funds - American Funds	\$ 28,192	\$ -	\$ -	\$ 28,192
Investments Held at CCF	-	-	7,596,032	7,596,032
Beneficial Interest in Perpetual Trusts	-	-	1,595,701	1,595,701
Total	<u>\$ 28,192</u>	<u>\$ -</u>	<u>\$ 9,191,733</u>	<u>\$ 9,219,925</u>
2022				
	Fair Value Measurement Using			Fair Value Amount
Assets:				
Investments:				
Mutual Funds - American Funds	\$ 45,956	\$ -	\$ -	\$ 45,956
Investments Held at CCF	-	-	6,928,595	6,928,595
Beneficial Interest in Perpetual Trusts	-	-	1,506,511	1,506,511
Total	<u>\$ 45,956</u>	<u>\$ -</u>	<u>\$ 8,435,106</u>	<u>\$ 8,481,062</u>

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
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JUNE 30, 2023 AND 2022**

NOTE 5 FAIR VALUE (CONTINUED)

Instrument	Fair Value		Principal Valuation Technique	Unobservable Inputs
	2023	2022		
Community Foundation Holdings	\$ 7,596,032	\$ 6,928,595	Net Asset Value	Value of Underlying Assets
Beneficial Interest in Perpetual Trusts	\$ 1,595,701	\$ 1,506,511	FMV of Trust Investments	Time Period of Trust

For the years ended June 30, 2023 and 2022, there were distributions (sales) out of the Community Foundation totaling \$43,400 and \$41,300, respectively. For the Beneficial Interest in Perpetual Trust, distributions (sales) totaled \$73,850 and \$58,400 for the years ended June 30, 2023 and 2022, respectively.

NOTE 6 LAND, PROPERTY, AND EQUIPMENT

Land, property, and equipment consisted of the following at June 30:

	Life in Years	2023	2022
Land		\$ 1,195,400	\$ 1,195,400
Buildings	20-400	8,145,627	8,141,584
Furniture, Equipment, and Technology	3-10	2,801,345	2,606,744
Vehicles	3-5	101,971	102,305
Leasehold Improvements	See Below	-	1,205,131
Right to Use Asset	See Below	-	1,721,613
Subtotal		12,244,343	14,972,777
Less: Accumulated Depreciation		(3,785,321)	(5,937,721)
Net Land, Property, and Equipment		<u>\$ 8,459,022</u>	<u>\$ 9,035,056</u>

The Byrne Residence and its related assets were written off as of October 11, 2022 resulting in a loss and write-off of assets totaling approximately \$671,000. The total loss on disposition of assets during the fiscal year was \$645,659 within the statements of activities.

In June 2022, the Chancery Corporation purchased the property where their offices are located, referred to as the Catholic Center, at 777 Forest Street, St Paul, Minnesota. The total purchase price of the property was \$5,908,267. Board-designated cash was utilized to fund this purchase and no debt was incurred as a result.

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 7 AMOUNTS HELD FOR OTHERS UNDER AGENCY TRANSACTIONS

Amounts held for others under agency transactions consist of charitable collection accounts and funds held for others totaling \$388,071 and \$361,750 at June 30, 2023 and 2022, respectively.

NOTE 8 PLEDGE PAYABLE

During the fiscal year ended June 30, 2022, the Chancery Corporation agreed to contribute \$1,000,000 to the Joyful Catholic Leaders campaign of The Seminaries of Saint Paul. This pledge is payable in annual installments of \$200,000 over five years beginning in fiscal year 2023. The pledge payable balance totaled \$800,000 and \$1,000,000 at June 30, 2023 and 2022, respectively.

The gift will be allocated between the building project at St. John Vianney Seminary and for the Saint Paul Seminary.

NOTE 9 NET ASSETS

Net assets with donor restrictions whether restricted by time or purpose consist of the following at June 30:

	2023	2022
Clergy Services	\$ 603,613	\$ 616,529
Catholic Education	209,134	254,918
Parish Services	39,279	49,345
Marriage, Family, and Life	145,179	146,083
Other	19,490	69,052
Total	<u>\$ 1,016,695</u>	<u>\$ 1,135,927</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, by the occurrence of other events specified by donors, or by the passage of time. Net assets released from restrictions are as follows for the years ended June 30:

	2023	2022
Clergy Services	\$ 271,105	\$ 609,856
Catholic Education	322,242	253,533
Parish Services	10,066	36
Marriage, Family, and Life	54,230	26,118
Other	199,070	166,175
Total	<u>\$ 856,713</u>	<u>\$ 1,055,718</u>

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 9 NET ASSETS (CONTINUED)

Net assets with donor restrictions on accumulated endowment earnings consist of the following at June 30:

	2023	2022
Clergy Services	\$ 928,102	\$ 870,006
Marriage, Family, and Life	43,360	43,215
Total	<u>\$ 971,462</u>	<u>\$ 913,221</u>

Net assets with donor restrictions that are restricted in perpetuity consist of the following at June 30:

	2023	2022
Clergy Services	\$ 1,827,852	\$ 1,738,661
Other	5,000	5,000
Total	<u>\$ 1,832,852</u>	<u>\$ 1,743,661</u>

NOTE 10 ENDOWMENT FUNDS

The Chancery Corporation's endowment consists of endowment funds with donor restrictions established for a variety of purposes. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Chancery Corporation receives distributions from these endowments each year based on the spending policies of the financial institution where these endowment funds are held.

Interpretation of Relevant Law

The Archdiocesan Corporate Board has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Chancery Corporation classifies these net assets with donor restrictions in perpetuity at the original value of gifts donated to the endowment, the original value of subsequent gifts to the endowment with donor restrictions, and accumulations to the endowment with donor restrictions made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified as donor restricted in perpetuity is classified as net assets with donor restrictions by time and/or purpose until those amounts are appropriated for expenditure by the Chancery Corporation in a manner consistent with the standard of prudence prescribed by UPMIFA.

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
CHANCERY CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 10 ENDOWMENT FUNDS (CONTINUED)

Return Objectives and Risk Parameters

As approved by the Corporate Board, a majority of the Chancery Corporation's endowment funds are held at CCF. Those funds are managed according to CCF's investment and spending policies. These policies attempt to provide a consistent return on assets, preserve capital and the purchasing power of the endowment assets, while providing a predictable funding stream to support programs. Endowment assets held at CCF include those assets with donor restrictions that the Chancery Corporation must hold in perpetuity. Under these policies, these assets are invested by CCF in a manner to achieve a return over a rolling 10-year period, which exceeds the rate of inflation by 5% to 7%, while outperforming a passive market index portfolio consisting of similar asset allocations over a rolling 5-year period.

The endowment funds held and managed by the Chancery Corporation are subject to similar policies as directed by the Chancery Corporation Corporate Board.

To satisfy its long-term rate-of-return objectives, the Chancery Corporation rely 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 Chancery Corporation targets diversified asset allocations that seek to achieve its long-term return objectives within prudent risk constraints. CCF targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

As approved by the Chancery Corporation Corporate Board, the endowment assets invested by CCF are managed according to CCF's investment and spending policies. The Chancery Corporation receives distributions from these endowments each year based on CCF's spending policies. CCF has a policy of appropriating for distribution each year a board-determined percentage of its endowment fund's average fair value over a designated measurement period. CCF's board-determined distribution percentage was 4% for 2023 and 2022. In establishing this policy, CCF considered the long-term expected return on its endowment.

With respect to endowment funds held and managed by the Chancery Corporation, the board has an informal policy of appropriating for distribution sufficient funds to achieve program objectives while considering the long-term expected return on its investment assets, considering the nature and duration of the individual endowment funds, and the possible effects of inflation.

These spending policies are consistent with the Chancery Corporation's objective to maintain the purchasing power of endowment assets held in perpetuity, to provide a consistent and predictable funding stream to support the endowment purposes specified, as well as to provide additional growth through investment return.

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
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JUNE 30, 2023 AND 2022**

NOTE 10 ENDOWMENT FUNDS (CONTINUED)

Endowment Net Assets – Composition of Type of Fund

	June 30, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Funds with Donor Restrictions	\$ -	\$ 1,208,612	\$ 1,208,612

	June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Funds with Donor Restrictions	\$ -	\$ 1,150,372	\$ 1,150,372

Changes in Endowment Net Assets

	June 30, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ -	\$ 1,150,372	\$ 1,150,372
Investment Return:			
Investment Income, Net of Fees	-	11,317	11,317
Net Appreciation (Realized and Unrealized)	-	90,323	90,323
Total Investment Income	-	101,640	101,640
Appropriations of Funds	-	(43,400)	(43,400)
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ 1,208,612</u>	<u>\$ 1,208,612</u>

	June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ -	\$ 1,286,707	\$ 1,286,707
Investment Return:			
Investment Income, Net of Fees	-	7,219	7,219
Net Depreciation (Realized and Unrealized)	-	(102,254)	(102,254)
Total Investment Income	-	(95,035)	(95,035)
Appropriations of Funds	-	(41,300)	(41,300)
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ 1,150,372</u>	<u>\$ 1,150,372</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Chancery Corporation to retain as a fund of perpetual duration. In accordance, with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in net assets with donor restriction. As of June 30, 2023 and 2022, no endowments had deficiencies.

**THE ARCHDIOCESE OF SAINT PAUL AND MINNEAPOLIS
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JUNE 30, 2023 AND 2022**

NOTE 11 PENSION AND MEDICAL BENEFIT PLANS

Pension Plans

Effective January 31, 2011, the Pension Plan for Lay Employees (Lay Pension Plan) was frozen. Due to the frozen status of the plan, active plan participants are no longer earning benefits, are no longer accruing additional credited years of service, and pension benefits upon participant retirement will be based upon the participant's credited years of service and salary history as of January 31, 2011. Participants in the plan who were not vested as of the freeze date will continue to earn vesting service after January 31, 2011, for each year in which they work in a full-time capacity until these participants become fully vested by reaching five years of full-time service. Employees who terminate with five or more years of credited service are generally entitled to annual pension benefits as defined by the Lay Employee Plan. Pension benefits are based primarily on years of service and final average earnings calculated as the average of the employee's five highest earning years.

The Pension Plan for Priests (Priest Pension Plan) covers substantially all incardinated priests, or those beginning the process of incardination established by the Chancery Corporation or one of the participating employers. Priest retirement benefits are computed in accordance with the plan document, which can be changed by the trustees of the plan.

Pension benefits are calculated primarily based on age at the date of retirement and years of service, not to exceed 40. Active participants who become totally and permanently disabled receive disability benefits computed as though they had been employed to normal retirement age. The board of trustees has the discretionary authority to pay the cost of medical and dental insurance for participants who retire or become disabled.

The risks of participating in these multiple-employer plans are shared with the other employers participating in the plans. Because this is a multiple-employer plan, valuation information is not available specific to each individual or participating employer. The Chancery Corporation's contribution to the Lay Pension Plan is a fixed amount based on a percentage of qualified salaries and the contribution to the Priest Pension Plan is a fixed amount per priest established by the trustees of the Priest Pension Plan.

NOTE 12 CONTINGENCIES AND COMMITMENTS

Loan Guarantees

Loan guarantees were given to enable parishes and schools to finance property additions or refinance existing debt.

At June 30, 2023, the Chancery Corporation was contingently liable as guarantor for approximately \$3,200,000 on three loans with Catholic institutions operating within the boundaries of the Archdiocese. Of this, the Chancery Corporation guaranteed approximately \$1,300,000 lent by a related financial institution.

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NOTE 12 CONTINGENCIES AND COMMITMENTS (CONTINUED)

Loan Guarantees (Continued)

Also included in this amount is a guarantee in which the Chancery Corporation is liable under a replenishment agreement. The replenishment agreement has no stated length for covering the payment; therefore, the entire value of the loan is included. The guarantee pertains to a loan with a maturity date of January 2035.

Although generally not specifically limited, the maximum potential amount of future payments (undiscounted) the Chancery Corporation could be required to make under these guarantees would be the outstanding amount plus stated interest. The Chancery Corporation would be required to perform under a guarantee only in the event of default, which is generally nonpayment of installments when due. In certain cases, the requirements of the guarantee call for the Chancery Corporation to continue making debt payments while others become due on demand. Management believes the fair value of such assets are in excess of any guaranteed amounts and that material payments will not be required under these guarantees.

Cathedral of Saint Paul

In 2001, the Cathedral of Saint Paul Parish (the Parish) took out a loan for improvements to the Cathedral property that the Parish leases and which the Chancery Corporation owns. The Chancery Corporation approved the property to be mortgaged at that time. In August 2011, the Parish loan was refinanced to an interest only loan with principal due at maturity in August 2017.

In August 2016, the loan was refinanced, requiring accrued interest payments monthly by the Parish and interest and principal due at maturity in August 2021. In August 2021, the loan was refinanced under the same conditions as above until maturity in August 2025. The amount outstanding on this loan was \$3,848,603 and \$3,896,737 as of June 30, 2023 and 2022, respectively.

The Chancery Corporation is not a legal guarantor of the loan. In the event of a default by the Parish, the lender would have the right to foreclose on the property owned by the Chancery Corporation.

Byrne Residence Trust

On October 11, 2022, the Chancery Corporation entered into an Assignment of Ground Lease with the Saint Paul Seminary (Seminary) and the Leo C. Byrne Residence Trust (Trust), which transferred the building, fixtures and personal property owned by the Chancery Corporation, known as the Leo C. Byrne Residence (Residence), to a newly formed irrevocable tax-exempt Trust. The Seminary and the Chancery Corporation entered into a 99-year Ground Lease Agreement in May of 1995 wherein the Seminary leased to the Chancery Corporation, rent free, exclusive use of the land upon which the Residence is located. The Trust received all of the Chancery Corporation's rights, title and interest in the Ground Lease.

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NOTE 12 CONTINGENCIES AND COMMITMENTS (CONTINUED)

Byrne Residence Trust (Continued)

The Trust established a designated fund (Fund) at the Catholic Community Foundation and certain donors are anticipated to contribute \$11 million for the initial renovations to the Residence, and for ongoing capital expenditures, maintenance, and operating expenses in perpetuity. On October 11, 2022, the Chancery Corporation entered into a Byrne Residence Funding Agreement with the Trust, committing to an initial contribution of \$250,000 and in addition contributing up to \$500,000 annually, with an annual escalator, for operating costs and standard maintenance at the Residence. Capital expenditures, enhanced maintenance expenses, and enhanced programming approved by the Trust will be paid through draws from the Fund. In addition, an Administrative Services Agreement dated October 11, 2022, between the Chancery Corporation and the Trust, defines the services, responsibilities and requirements of each entity for ongoing operations of the Residence.

Priest Benefits Plan

The Chancery Corporation funded medical and dental claims and related expenses of the Priest Benefits Plan in the amount of \$669,662 between July 1, 2022 and December 31, 2022 which is included in accounts receivable as of June 30, 2023. The Chancery Corporation will fund this program in the event cash is needed to fund claims. All amounts advanced are to be repaid to the Chancery Corporation by the Priest Benefits Plan.

NOTE 13 LIQUIDITY

Liquidity Disclosure

As part of its liquidity management, the Chancery Corporation structures its financial assets to be available as general expenditures, liabilities and other obligations become due. Financial assets available for these purposes totaled the following at June 30:

	2023	2022
Cash - Board-Designated and Undesignated	\$ 4,127,407	\$ 5,803,925
Investments Without Donor Restrictions	6,435,780	5,826,438
Contributions Receivable	246,618	316,685
Estates Receivable	-	151,734
Accounts Receivable, Net of Allowances	3,377,406	2,381,145
Total Financial Assets Available for General Expenditure	<u>\$ 14,187,211</u>	<u>\$ 14,479,927</u>

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NOTE 14 SUBSEQUENT EVENTS

In August 2023, the Chancery Corporation received a donor restricted contribution in the amount of \$634,000 for the establishment of an endowment for the education of archdiocesan seminarians. This endowment will continue in perpetuity.

The 2024 annual Archbishop Appeal will be managed by the Office of Mission Advancement. The Archdiocesan Finance Council and Corporate Board have agreed that effective January 2024 what is known as the Catholic Services Appeal program will be managed and operated by the Chancery Corporation.

