

**Roman Catholic Diocese of Gaylord
Pastoral Center**

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

June 30, 2024 and 2023

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT.....	2
STATEMENTS OF FINANCIAL POSITION.....	5
STATEMENTS OF ACTIVITIES.....	6
STATEMENT OF FUNCTIONAL EXPENSES	
YEAR ENDED JUNE 30, 2024.....	7
YEAR ENDED JUNE 30, 2023.....	8
STATEMENTS OF CASH FLOWS.....	9
NOTES TO FINANCIAL STATEMENTS.....	10
SUPPLEMENTARY FINANCIAL INFORMATION	
SCHEDULE OF FINANCIAL POSITION BY FUND CLASSIFICATION.....	23
SCHEDULE OF ACTIVITIES BY FUND CLASSIFICATION.....	24

INDEPENDENT AUDITOR'S REPORT

The Most Reverend Jeffrey J. Walsh
Bishop of the Diocese of Gaylord
Roman Catholic Diocese of Gaylord Pastoral Center

Opinion

We have audited the accompanying financial statements of the ***Roman Catholic Diocese of Gaylord Pastoral Center*** (the "Diocese") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2024 and 2023, 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 Roman Catholic Diocese of Gaylord Pastoral Center as of June 30, 2024, and 2023, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the Diocese 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 these 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.

The Most Reverend Jeffrey J. Walsh
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Roman Catholic Diocese of Gaylord Pastoral Center

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'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 the Diocese'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'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.

The Most Reverend Jeffrey J. Walsh
Bishop of the Diocese of Gaylord
Roman Catholic Diocese of Gaylord Pastoral Center

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 23 - 24 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Information

Funds Presented

As discussed in Note A to the financial statements, the financial statements being presented are only for funds for which the Roman Catholic Diocese of Gaylord Pastoral Center retains operational control and do not reflect the assets, liabilities, and results of operations of parishes, schools, and other diocesan programs and organizations. Accordingly, the accompanying financial statements are not intended to present the financial position of the parishes, schools, and other diocesan programs and organizations as of June 30, 2024 and 2023 or the changes in their net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Dennis, Gartland & Niergarth

Certified Public Accountants
Traverse City, Michigan

December 16, 2024

**Roman Catholic Diocese of Gaylord
Pastoral Center**

STATEMENTS OF FINANCIAL POSITION

June 30,

	2024	2023
ASSETS		
Cash and cash equivalents	\$ 6,192,083	\$ 4,390,247
Restricted cash - no-fault insurance reserve	20,973	-
Investments in marketable securities	25,427,073	22,185,959
Accounts receivable	324,509	155,199
Pledges receivable, net	1,408,337	1,360,965
Inventory	172,893	184,847
Land held for sale	415,000	-
Prepaid expense	53,522	80,133
Total current assets	34,014,390	28,357,350
Land, buildings and equipment, net of accumulated depreciation	2,260,791	2,360,403
Total assets	\$36,275,181	\$30,717,753
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 168,743	\$ 200,639
No-fault insurance reserve liability	20,973	-
Deferred revenue	103,870	69,868
Accrued retirement and payroll withholdings	110,529	102,044
Due to other organizations	617,653	235,239
Total liabilities	1,021,768	607,790
NET ASSETS		
Without donor restrictions		
Designated	23,673,703	19,082,242
Undesignated	5,403,313	4,437,002
With donor restrictions for use in future years	4,612,283	5,138,315
With donor restrictions in perpetuity		
Perpetual care of cemetery	444,672	439,504
Endowments	1,119,442	1,012,900
Total net assets	35,253,413	30,109,963
Total liabilities and net assets	\$36,275,181	\$30,717,753

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

**Roman Catholic Diocese of Gaylord
Pastoral Center**

STATEMENTS OF ACTIVITIES

Years Ended June 30,

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
CSA campaign - contributions	\$ -	\$ 3,741,974	\$ 3,741,974	\$ -	\$ 3,598,052	\$ 3,598,052
Professional fees	511,261	-	511,261	528,551	-	528,551
Grants	623,183	-	623,183	375,451	-	375,451
Cemetery income	87,477	5,168	92,645	61,226	3,257	64,483
Conference and stipends fees	36,300	-	36,300	39,200	-	39,200
Contributions	1,820,239	-	1,820,239	354,674	252,050	606,724
Investment income, net of fees	630,249	-	630,249	517,218	-	517,218
Net gain (loss) on investments	552,063	112,597	664,660	(245,089)	81,632	(163,457)
Unrealized gain (loss) on investments	1,472,872	-	1,472,872	1,676,425	-	1,676,425
Gain (loss) on disposal of property	(2,436)	-	(2,436)	7,922	-	7,922
Excess reserves from MCC	2,758,900	-	2,758,900	-	-	-
Program and other revenue	470,304	-	470,304	81,163	-	81,163
Net assets released from restrictions	<u>4,274,061</u>	<u>(4,274,061)</u>	<u>-</u>	<u>2,230,151</u>	<u>(2,230,151)</u>	<u>-</u>
Total support and revenue	<u>13,234,473</u>	<u>(414,322)</u>	<u>12,820,151</u>	<u>5,626,892</u>	<u>1,704,840</u>	<u>7,331,732</u>
EXPENSES						
Program services	<u>5,317,231</u>	<u>-</u>	<u>5,317,231</u>	<u>2,714,855</u>	<u>-</u>	<u>2,714,855</u>
Supporting services						
General and administrative	2,012,764	-	2,012,764	2,227,808	-	2,227,808
Fundraising	<u>346,706</u>	<u>-</u>	<u>346,706</u>	<u>392,607</u>	<u>-</u>	<u>392,607</u>
Total supporting services	<u>2,359,470</u>	<u>-</u>	<u>2,359,470</u>	<u>2,620,415</u>	<u>-</u>	<u>2,620,415</u>
Total expenses	<u>7,676,701</u>	<u>-</u>	<u>7,676,701</u>	<u>5,335,270</u>	<u>-</u>	<u>5,335,270</u>
CHANGE IN NET ASSETS	5,557,772	(414,322)	5,143,450	291,622	1,704,840	1,996,462
NET ASSETS, beginning of year	<u>23,519,244</u>	<u>6,590,719</u>	<u>30,109,963</u>	<u>23,227,622</u>	<u>4,885,879</u>	<u>28,113,501</u>
NET ASSETS, end of year	<u>\$ 29,077,016</u>	<u>\$ 6,176,397</u>	<u>\$ 35,253,413</u>	<u>\$ 23,519,244</u>	<u>\$ 6,590,719</u>	<u>\$ 30,109,963</u>

-6- The accompanying notes are an integral part of these financial statements.

Roman Catholic Diocese of Gaylord Pastoral Center

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2024

	Program Services	Supporting Services			Total Functional Expenses
		General and Administrative	Fundraising	Total	
Salaries	\$ 953,155	\$ 625,978	\$ 166,957	\$ 792,935	\$ 1,746,090
Employee benefits	273,338	177,506	44,770	222,276	495,614
Taxes	<u>62,072</u>	<u>36,785</u>	<u>12,254</u>	<u>49,039</u>	<u>111,111</u>
Total salaries, benefits, and taxes	1,288,565	840,269	223,981	1,064,250	2,352,815
Donations to others	538,524	28,516	-	28,516	567,040
Seminarian	175,753	-	-	-	175,753
Priest and pastoral care	346,937	13,895	-	13,895	360,832
Instructional and program	385,602	-	30,124	30,124	415,726
Bookstore and Catholic studies	3,000	-	-	-	3,000
Conferences, stipends	40,975	5,321	-	5,321	46,296
Printing and production	26,893	881	24,538	25,419	52,312
Communications and media	214,440	-	-	-	214,440
Equipment repair and maintenance	17,721	193,165	-	193,165	210,886
Utilities, insurance and taxes	6,513	103,376	-	103,376	109,889
Office administration	46,117	63,333	59,828	123,161	169,278
Professional services	151,768	448,583	-	448,583	600,351
Travel, mileage, education and meetings	44,838	54,627	8,235	62,862	107,700
Contribution to Northern Michigan Catholic Foundation	2,000,000	-	-	-	2,000,000
Scholarships	11,050	-	-	-	11,050
Monuments, markers, foundation	<u>18,535</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,535</u>
Total expenses before depreciation	5,317,231	1,751,966	346,706	2,098,672	7,415,903
Depreciation	<u>-</u>	<u>260,798</u>	<u>-</u>	<u>260,798</u>	<u>260,798</u>
Total expenses	<u>\$ 5,317,231</u>	<u>\$ 2,012,764</u>	<u>\$ 346,706</u>	<u>\$ 2,359,470</u>	<u>\$ 7,676,701</u>

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

**Roman Catholic Diocese of Gaylord
Pastoral Center**

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2023

	Program Services	Supporting Services			Total Functional Expenses
		General and Administrative	Fundraising	Total	
Salaries	\$ 770,254	\$ 531,275	\$ 188,828	\$ 720,103	\$ 1,490,357
Employee benefits	210,118	163,421	60,308	223,729	433,847
Taxes	48,969	31,024	13,956	44,980	93,949
Total salaries, benefits, and taxes	1,029,341	725,720	263,092	988,812	2,018,153
Donations to others	531,402	191,421	-	191,421	722,823
Seminarian	173,870	-	-	-	173,870
Priest and pastoral care	167,681	14,219	-	14,219	181,900
Instructional and program	144,537	28,505	3,369	31,874	176,411
Bookstore and Catholic studies	4,957	-	-	-	4,957
Conferences, stipends	45,291	8,555	-	8,555	53,846
Printing and production	41,743	299	38,862	39,161	80,904
Communications and media	194,126	-	-	-	194,126
Equipment repair and maintenance	6,406	184,307	-	184,307	190,713
Utilities, insurance and taxes	6,185	106,749	-	106,749	112,934
Office administration	41,837	186,511	50,951	237,462	279,299
Professional services	268,810	429,935	33,961	463,896	732,706
Travel, mileage, education and meetings	33,711	76,012	2,372	78,384	112,095
Scholarships	17,100	-	-	-	17,100
Monuments, markers, foundation	7,858	-	-	-	7,858
Total expenses before depreciation	2,714,855	1,952,233	392,607	2,344,840	5,059,695
Depreciation	-	275,575	-	275,575	275,575
Total expenses	\$ 2,714,855	\$ 2,227,808	\$ 392,607	\$ 2,620,415	\$ 5,335,270

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

**Roman Catholic Diocese of Gaylord
Pastoral Center**

STATEMENTS OF CASH FLOWS

Years Ended June 30,

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 5,143,450	\$ 1,996,462
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation expense	260,798	275,575
Investment income reinvested, net of investment fees	(529,648)	(488,221)
Net (gain) loss on sales of investment of marketable securities	(664,660)	163,457
Net (gain) loss on sale of property and equipment	2,436	-
Unrealized gain on investments in marketable securities	(1,472,872)	(1,676,425)
(Increase) decrease in pledges and other receivables	(218,483)	108,666
Decrease in refundable employer taxes	-	115,571
Decrease (increase) in inventory and prepaid expense	38,566	(74,814)
(Decrease) increase in accounts payable and other liabilities	(1,022)	47,326
Net cash flows from operating activities	2,558,565	467,597
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(175,122)	(25,890)
Proceeds from sale of assets	13,300	2,078
Net MCC investment purchases	(573,934)	(6,230)
Net cash flows from investing activities	(735,756)	(30,042)
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,822,809	437,555
CASH AND CASH EQUIVALENTS, beginning of year	4,390,247	3,952,692
CASH AND CASH EQUIVALENTS, end of year	\$ 6,213,056	\$ 4,390,247
STATEMENT OF FINANCIAL POSITION PRESENTATION		
Cash and cash equivalents	\$ 6,192,083	\$ 4,390,247
Restricted cash	20,973	-
	\$ 6,213,056	\$ 4,390,247
NON-CASH TRANSACTION		
Land donation	\$ 415,000	\$ -
Disposal of fully depreciated assets	\$ 48,351	\$ -

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

**Roman Catholic Diocese of Gaylord
Pastoral Center**

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Roman Catholic Diocese of Gaylord was established on July 20, 1971 by His Holiness Pope Paul VI. Twenty-one counties, which originally had been part of the Diocese of Saginaw or the Diocese of Grand Rapids, were joined to form the Roman Catholic Diocese of Gaylord. Located in the Northern Lower Peninsula of Michigan, the Diocese encompasses 75 Parishes, 16 Catholic Schools, and other related institutions.

These financial statements report on the Roman Catholic Diocese of Gaylord Pastoral Center (the "Diocese") located in Gaylord, Michigan. The Diocese houses the office of the Bishop, who is the pastoral leader of the Diocese of Gaylord, and its administrative head. The Diocese performs a number of administrative and program service functions to aid the Bishop in carrying out the mission of the church.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. The accounting principles and reporting practices used to prepare the accompanying financial statements are those set forth in Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") No. 958, *Not-For-Profit Entities*.

Financial Statement Presentation

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

Net Assets Without Donor Restrictions - Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

NOTES TO FINANCIAL STATEMENTS - Continued

Revenue and support are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Diocese classifies donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

Reporting Entity

The Diocese and each of the related parishes, schools, and programs are under the common control of the Bishop of Gaylord as corporation sole status. Consequently, the Diocese does not have a controlling financial interest in any of the parishes, schools, or programs, including the Roman Catholic Diocese of Gaylord Deposit and Loan Trust program and combined financial statements are not presented.

Cash Equivalents

For purposes of the statements of cash flows, the Diocese considers all unmanaged cash and highly liquid investments with initial maturities of three months or less to be cash equivalents. Amounts held in the Roman Catholic Diocese of Gaylord Deposit and Loan Program and by investment advisors for investment purposes are not classified as cash equivalents.

Investments

Investments in marketable equity securities with readily determinable fair values and investments in debt securities are valued at their fair value in the statements of financial position. Participation in investment pools are valued at the fair value of the underlying securities on a pro-rata basis. Realized and unrealized gains and losses are included in the changes in net assets.

The Diocese participates in investment pools sponsored by the Michigan Catholic Conference (the "MCC") and Mission Diocese Fund, LLC. The Diocese is credited or charged for its pro-rata share of all income, gains, losses and expenses. Information on individual pool transactions is not available and, therefore, the statements of cash flows does not present proceeds on the sale or cash used to purchase investments.

Accounts Receivable and Allowance for Uncollectible Accounts

Accounts receivable consists primarily of amounts due from parishes. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Based on management's assessment of the history with various parishes, the Diocese has not established reserves for uncollectible accounts.

Pledges Receivable

Catholic Services Appeal ("CSA") pledges are recorded in the statements of financial position when the targeted amount is determined. All pledges are expected to be collected within one year. The Diocese provides for probable uncollectible amounts greater than one year through a charge to bad debt expense and a credit to an allowance for doubtful accounts. Pledges receivable at June 30, 2024 and 2023 are net of allowances for credit losses of \$81,614 and \$158,637, respectively.

Inventory

Inventory is valued at the lower-of-cost (first-in, first-out) or estimated net realizable value.

Land Held For Sale

During the years ended June 30, 2024 and 2023, the Diocese held fiduciary rights to land valued at \$415,000 and \$0, respectively. This land is held for sale, and all proceeds are donor restricted for the benefit of the Seminarian Fund.

Land, Buildings and Equipment

The Diocese follows the practice of capitalizing all expenditures for the acquisition of land, buildings and equipment which have an estimated useful life of three or more years. The fair value of donated fixed assets is similarly capitalized. Repairs and maintenance costs are expensed as incurred. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Estimated useful lives are as follows:

Buildings	40 years
Automobiles	5 years
Furniture and equipment	3-10 years

Revenue Recognition

The Diocese primarily derives its revenue from the Catholic Services Appeal, professional fees, cemetery fees, contributions, and grants.

Catholic Services Appeal

Collections from the CSA Fund Drive are allocated to Diocesan operations and programs, and to provide for local and national charitable contributions.

The targeted amount of CSA donations for the following year's fund drive are recorded as with donor restrictions. The targeted amount of the CSA Fund Drive donations for each Parish is computed using the Parishes' ordinary income which consists of Sunday and Holy Day offerings, loose plate collections and children's offerings.

Professional and Cemetery Fees

Professional and cemetery fees are derived from contracts with customers. Their respective revenues are recognized over time as the Diocese satisfies its performance obligations, or at the point in time when control of product transfers to the customer. Receivables from contracts with customers are reported on the statements of financial position. Contract liabilities from contracts with customers are reported within deferred revenues on the statements of financial position.

As of July 1, 2022, the accounts receivable balance was \$262,518.

Contributions and Grants

Monetary and non-monetary contributions received, including unconditional promises to give, are generally recognized as revenue in the period received at their fair values. Conditional promises to give are recognized when the conditions are substantially met.

Support arising from contributed services of certain religious and lay personnel has not been recorded in the financial statements as the rendering of such services does not involve creation of non-financial assets, and such services would not typically be procured if not provided by donation.

Grant funds are recognized as revenues when spent for their intended purpose.

Leases

The Diocese has elected to exclude short-term leases of 12 months or less from the statements of financial position. Operating lease expense is recognized on a straight-line basis over the lease term.

Use of Estimates in the Preparation of Financial Statements

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 revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statement of functional expenses present the natural classification detail of expenses by function. Salaried labor and overhead expenses have been allocated among program and supporting activities based upon job descriptions. Overhead was allocated based on a variety of factors related to labor and usage. Governing expenses (within supporting services) include both administrative costs of the Diocese as well as the cost of administrative services provided to Parishes and schools.

Reclassification

Certain prior year amounts have been reclassified to conform with the current year presentation.

NOTES TO FINANCIAL STATEMENTS - Continued

Subsequent Events

The Roman Catholic Diocese of Gaylord Pastoral Center has evaluated subsequent events and transactions for potential recognition and disclosure through December 16, 2024, the date the financial statements were available to be issued.

NOTE B - CHANGE IN ACCOUNTING PRINCIPLE

Allowance for Credit Losses

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing the Diocese's exposure to credit risk and the measurement of credit losses. Financial assets held by the Diocese that are subject to the guidance in FASB ASC 326 were trade accounts receivable.

The Diocese adopted the standard effective July 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

NOTE C - EMPLOYEE RETENTION TAX CREDITS

In response to the Coronavirus emergency, the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") was signed into law on March 27, 2020. The CARES Act provides, among other things, a refundable payroll tax credit of 50% of the first \$10,000 of qualified wages per employee for wages paid or incurred from March 13, 2020 through December 31, 2020. Effective January 1, 2021, The Consolidated Appropriations Act, 2021 increased the payroll tax credit from 50% to 70% up to \$10,000 of qualified wages per quarter per employee through June 30, 2021 for eligible employers. In connection therewith, such payroll tax credits through June 30, 2021 totaling \$279,829 were included in other income within the statements of activities. The Diocese received the remaining \$115,571 of the credit within the year ended June 30, 2023.

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE D - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position, are comprised of the following at June 30:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 6,192,083	\$ 4,390,247
Investments in marketable securities	25,427,073	22,185,959
Accounts receivable	324,509	155,199
Pledges receivable, net	1,408,337	1,360,965
Less investments with donor restrictions		
Olson Fund	(883,361)	(802,320)
Catholic Extension Seminarian Education	<u>(269,438)</u>	<u>(237,882)</u>
 Total	 <u>\$32,199,203</u>	 <u>\$27,052,168</u>

NOTE E - CASH AND CASH EQUIVALENTS

As of June 30, 2024, the Diocese maintained its cash and cash equivalents at multiple financial institutions. Some of the accounts exceed Federally insured limits, resulting in uninsured balances of approximately \$5.8 million and \$3.9 million at June 30, 2024 and 2023, respectively.

NOTE F - INVESTMENTS IN MARKETABLE SECURITIES

Investments comprise the following at June 30:

	<u>2024</u>		<u>2023</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Money market mutual funds	\$ 934,321	\$ 934,321	\$ 304,442	\$ 304,442
Stock mutual funds	11,709,817	13,725,185	11,110,293	11,857,234
Bond mutual funds	<u>10,925,045</u>	<u>10,767,567</u>	<u>10,361,731</u>	<u>10,024,283</u>
	<u>\$23,569,183</u>	<u>\$25,427,073</u>	<u>\$21,776,466</u>	<u>\$22,185,959</u>

Investment custody and management is performed by the Michigan Catholic Conference and Mission Diocese Fund, LLC, who manage investment pools on behalf of participating Diocese and other Catholic organizations. Amounts reported represent the pro-rata interest in the underlying securities cost, fair value, realized and unrealized gains and losses, investment income and expense.

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE G - LAND, BUILDINGS AND EQUIPMENT

The composition of land, buildings and equipment is as follows at June 30:

	<u>2024</u>	<u>2023</u>
Land and buildings	\$ 5,624,218	\$ 5,624,218
Furniture and equipment	1,668,630	1,545,127
Automobiles	<u>62,768</u>	<u>74,000</u>
Total land, buildings and equipment, at cost	7,355,616	7,243,345
Less accumulated depreciation	<u>(5,094,825)</u>	<u>(4,882,942)</u>
Total land, building and equipment, net of accumulated depreciation	<u>\$ 2,260,791</u>	<u>\$ 2,360,403</u>

Depreciation expense amounted to \$260,798 and \$275,575 for the years ended June 30, 2024 and 2023, respectively.

NOTE H - FAIR VALUE MEASUREMENTS

Under FASB ASC 820, the Diocese groups its investments at fair value into three levels, based on the markets in which the investments are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange, U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets and money market funds valued at net asset value of shares held by the Diocese at year-end.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates that market participants would use in pricing the asset or liability.

Fair value measurement for the Diocese's investments is based upon quoted prices. Level 1 investments include cash and cash equivalents. Level 2 investments include Michigan Catholic Conference ("MCC") Investment Pool Mutual funds, valued at the net asset value ("NAV") of underlying shares held on behalf of the Diocese at year-end.

NOTES TO FINANCIAL STATEMENTS - Continued

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Diocese believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Diocese's assets and liabilities at fair value:

	<u>2024</u>	<u>2023</u>
<u>Level 1 Assets at Fair Value as of June 30,</u>		
Fifth Third Securities		
Cash & Cash Equivalents	\$ 600,764	\$ -
<u>Level 2 Assets at Fair Value as of June 30,</u>		
MCC Investment Pool Mutual Funds		
Cash & Cash Equivalents	333,557	304,442
Equity Mid/Small Cap	1,330,949	1,188,196
Equity Large Cap	9,073,002	7,762,598
Equity International	3,321,234	2,906,440
Equity GSA	494,664	1,197,520
Bond - Intermediate	4,207,388	3,735,051
Bond - Short-Term	<u>6,065,515</u>	<u>5,091,712</u>
Total	<u>\$ 25,427,073</u>	<u>\$ 22,185,959</u>

NOTE I - ENDOWMENTS

The Diocese endowment consists of two funds established for a specific purpose. Its endowment consist of donor restricted donations, and net investment appreciation/depreciation. Net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

Endowment net assets are classified as the following as of June 30:

	<u>2024</u>	<u>2023</u>
With donor restrictions for use in future years	<u>\$ 33,357</u>	<u>\$ 27,302</u>
With donor restrictions in perpetuity		
Olson Fund	850,004	775,018
Catholic Extension Seminarian Education Endowment	<u>269,438</u>	<u>237,882</u>
Subtotal with donor restrictions in perpetuity	<u>1,119,442</u>	<u>1,012,900</u>
Total Endowment net assets	<u>\$ 1,152,799</u>	<u>\$ 1,040,202</u>

NOTES TO FINANCIAL STATEMENTS - Continued

The net changes in endowment net assets with donor restrictions are as follows for June 30:

	<u>2024</u>	<u>2023</u>
Endowment net assets, beginning of year	\$ 1,040,202	\$ 961,827
Investment income (loss)	<u>112,597</u>	<u>78,375</u>
Endowment net assets, end of year	<u>\$ 1,152,799</u>	<u>\$ 1,040,202</u>

Return Objectives and Risk Parameters

The Diocese has adopted investment and spending policies for each category of endowment assets that attempts to obtain the best total return on its assets consistent with low risk and preservation of principal. The Diocese's objective is for short-term investments (less than three years) to receive a total return better than could be received through a typical savings account, with minimum risk of principal. The goal for long-term assets is to receive a total return higher than the rate of inflation. Assets must also be invested in moral and socially responsible investments.

Strategies Employed for Achieving Objectives

The Diocese is the beneficiary of endowment funds held by the Northern Michigan Catholic Foundation; such funds are subject to Foundation objectives and strategies, which are consistent with those of the Diocese. These endowment funds are not reported in the financial statements of the Roman Catholic Diocese of Gaylord Pastoral Center.

To meet investment objectives for remaining endowment funds, the Diocese has set a target asset allocation of 50% fixed income and 50% equity, with periodic review and rebalancing when target percentages exceed +/- 10%. Investments are held with the Michigan Catholic Conference and Mission Diocese Fund to help insure they are moral and socially responsible.

Spending Policy and How the Investment Objectives Relate to Spending Policy

For the Olson Fund, capital gains, net of capital losses are required to be added to the corpus of the fund. Cumulative net capital gains totaling \$641,422, have been added to the original corpus of \$208,582. Interest and dividends are added to the spendable net assets without donor restrictions of the endowment.

For the Catholic Extension Seminarian Education Endowment, the original corpus from contributions solicited by the Diocese and partially matched by Catholic Extension is with donor restrictions. Net investment income and gains are with donor restrictions until used by the Diocese for the education of seminarians.

NOTE J - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following amounts at June 30:

	<u>2024</u>	<u>2023</u>
CSA pledges	\$ 3,741,974	\$ 3,598,052
Endowment	33,357	27,302
Reserve for future operating costs	<u>836,952</u>	<u>1,512,961</u>
Total net assets with donor restrictions	<u>\$ 4,612,283</u>	<u>\$ 5,138,315</u>

NOTE K - INTERESTS IN NET ASSETS OF NORTHERN MICHIGAN CATHOLIC FOUNDATION

The Diocese is the beneficiary under established agency endowment funds with the Northern Michigan Catholic Foundation ("Foundation"); such funds are subject to Foundation objectives and strategies. These assets are reported exclusively on the books of the Foundation.

These funds provide income to the Diocese in perpetuity. The Diocese is provided with the option of receiving a distribution of the investment income (interest and dividends) or reinvesting it. Distributions to the Diocese from the agency endowment funds are limited by the Foundation's distribution policies; such distributions are included in the statements of activities as grants.

The market value of these agency endowment funds held by the Foundation was \$20,823,652 and \$17,206,303 at June 30, 2024 and 2023, respectively. Distributions to the Diocese from the Foundation for the years ended June 30, 2024 and 2023 were \$687,923 and \$183,891, respectively.

NOTE L - RETIREMENT PLANS

Lay Employees' Plan

The Diocese contributes to a cost-sharing multiple-employer, State-wide pension plan which covers substantially all lay employees. The plan is administered by the Michigan Catholic Conference ("MCC"). Contributions to the plan are based on a percentage (determined annually by MCC) of covered employees' wages and amounted to \$125,262 and \$108,815 for the years ended June 30, 2024 and 2023, respectively.

Information as to the actuarial present value of vested and nonvested accumulated plan benefits, the plan's net assets available for benefits attributable to employees of the Diocese and other plan data are not available since the MCC does not compute such information for each participating employer.

NOTES TO FINANCIAL STATEMENTS - Continued

Priests' Plan

Effective January 1, 2004, the Bishop established the Diocese of Gaylord Priests' Retirement Plan and Trust (the "Plan") for the purpose of accumulating and distributing the money set aside for the benefit of priests who are ordained or incardinated in the Diocese of Gaylord and who provide services within the Diocese as a priest. The Plan is funded by the Diocese and Parishes.

Retirement benefits are based on age and years of service at retirement. The Plan also provides a post-retirement medical benefit.

The following information, which includes the Diocese as well as related Parishes and other organizations, is based on the most recent actuarial review conducted as of July 1, 2023.

Actuarial accrued liability	\$ 8,569,015
Market value of plan assets	12,632,758
Overfunded accrued liability	4,063,743
Interest rate	5.5%
Annual post-retirement premium increase	6.0%

Post-Retirement Benefits

In connection with the establishment of the Priests' Plan described above, the Diocese has created a Priests' Health and Welfare Fund (the "Fund") for the purpose of providing support to priests who are not eligible to participate in the retirement plan or who otherwise have special needs. The Fund does not provide any specified level of benefit and, therefore, the benefits that will actually be paid are contingent upon the outcome of unknown future events. This amount is not subject to reasonable estimation and no liability has been established in these financial statements. However, the net assets designated for future use within the fund totaled \$3,824,885 and \$3,481,264 as of June 30, 2024 and 2023, respectively.

NOTE M - CONTINGENCIES AND COMMITMENTS

Other Organizations

As indicated in Note A, the assets, liabilities, activities and cash flows of the Parishes, schools, programs and other Catholic organizations are not part of the accompanying financial statements. Management of the Diocese is not aware of any commitments or contingencies of these other Diocesan organizations that would have a material impact on these financial statements.

NOTE N - SELF-INSURANCE PROGRAMS

The Diocese participates in the Michigan Catholic Conference Protected Self-Insurance Program (the "Program"). The Program provides coverage for losses of property, liability and operation of Diocesan vehicles. Insurance expense representing the Diocese's contribution to the Program for the years ended June 30, 2024 and 2023 was \$48,832 and \$47,593, respectively. Premiums paid by all Parishes in excess of reserves for claims are made available to the Diocese.

NOTES TO FINANCIAL STATEMENTS - Continued

The Diocese also self insures for unemployment and workers' compensation, as administered by the Michigan Catholic Conference. Potential claims are not expected to have a significant impact on the financial statements.

Michigan No-Fault Self-Insurance Loss Reserve

The Diocese is authorized by the Michigan Department of Insurance and Financial Services to self-insure no-fault risk for its vehicles for the 12 month certification period ended June 30, 2024. An authorized self-insurer is required to establish a fully funded loss reserve to pay claims which are anticipated in, or submitted for payment during, the certification period, as well as to pay claims which have been incurred and submitted before then but have not yet been paid. The loss reserve for the Diocese has been determined by a qualified actuary and fully funded as of the commencement of the current certification period. The loss reserve is held at a financial institution and has a balance of \$20,973 as of June 30, 2024.

NOTE O - INCOME TAXES

The Roman Catholic Diocese of Gaylord and thereby its Pastoral Center are exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3). They are also classified as “other than a private foundation” within the meaning of Section 509(a). Accordingly, no provision for income taxes has been included in the accompanying financial statements.

As a religious organization, the Diocese is not required to file information returns with the Internal Revenue Service, and Internal Revenue Code Section 7611 severely limits the Internal Revenue Service's ability to initiate an inquiry or examination. Thus, the Diocese believes it does not have any reasonable exposure to Internal Revenue Service examinations.

SUPPLEMENTARY FINANCIAL INFORMATION

**Roman Catholic Diocese of Gaylord
Pastoral Center**

SCHEDULE OF FINANCIAL POSITION BY FUND CLASSIFICATION

June 30, 2024

(With Comparative Totals for June 30, 2023)

	Expendable Funds					Nonexpendable Funds				Total	2023 Total
	Operating	Reserve	Oakwood Cemetery	Priests	Bishop's Donations	Trust and Agency	Olson Fund	Endowment	Fixed Assets		
ASSETS											
Cash and cash equivalents	\$ 2,768,961	\$ 3,272,107	\$ (678,101)	\$ 448,450	\$ 52,994	\$ 205,572	\$ 23,904	\$ -	\$ 98,196	\$ 6,192,083	\$ 4,390,247
Restricted cash - no-fault insurance reserve	20,973	-	-	-	-	-	-	-	-	20,973	-
Investments in marketable securities	5,321,126	14,921,542	852,891	3,202,619	-	-	859,457	269,438	-	25,427,073	22,185,959
Accounts receivable	41,822	82,850	11,090	188,747	-	-	-	-	-	324,509	155,199
Pledges receivable	1,408,337	-	-	-	-	-	-	-	-	1,408,337	1,360,965
Prepaid expense	53,522	-	-	-	-	-	-	-	-	53,522	80,133
Inventory	8,000	-	164,893	-	-	-	-	-	-	172,893	184,847
Land held for sale	415,000	-	-	-	-	-	-	-	-	415,000	-
Total current assets	10,037,741	18,276,499	350,773	3,839,816	52,994	205,572	883,361	269,438	98,196	34,014,390	28,357,350
Land, buildings and equipment, net of accumulated depreciation	-	-	-	-	-	-	-	-	2,260,791	2,260,791	2,360,403
Total assets	\$ 10,037,741	\$ 18,276,499	\$ 350,773	\$ 3,839,816	\$ 52,994	\$ 205,572	\$ 883,361	\$ 269,438	\$ 2,358,987	\$ 36,275,181	\$ 30,717,753
LIABILITIES AND NET ASSETS											
LIABILITIES											
Accounts payable	\$ 125,495	\$ 2,710	\$ 22,688	\$ 14,931	\$ -	\$ 2,919	\$ -	\$ -	\$ -	\$ 168,743	\$ 200,639
No-fault insurance reserve liability	20,973	-	-	-	-	-	-	-	-	20,973	-
Deferred revenue	103,870	-	-	-	-	-	-	-	-	103,870	69,868
Accrued retirement and payroll withholdings	110,529	-	-	-	-	-	-	-	-	110,529	102,044
Due to other organizations	415,000	-	-	-	-	202,653	-	-	-	617,653	235,239
Total liabilities	775,867	2,710	22,688	14,931	-	205,572	-	-	-	1,021,768	607,790
NET ASSETS											
Without donor restrictions											
Designated											
Future operating costs	-	-	-	3,824,885	-	-	-	-	-	3,824,885	3,481,264
Capital purchases	-	-	-	-	-	-	-	-	2,358,987	2,358,987	2,458,599
Bishop's donations	-	-	-	-	52,994	-	-	-	-	52,994	51,448
Diocesan reserve	-	17,436,837	-	-	-	-	-	-	-	17,436,837	13,090,931
Undesignated	5,519,900	-	(116,587)	-	-	-	-	-	-	5,403,313	4,437,002
With donor restrictions for use in future years	3,741,974	836,952	-	-	-	-	33,357	-	-	4,612,283	5,138,315
With donor restrictions in perpetuity											
Perpetual care of cemetery	-	-	444,672	-	-	-	-	-	-	444,672	439,504
Olson Fund	-	-	-	-	-	-	850,004	-	-	850,004	775,018
Catholic Extension Seminarian Education	-	-	-	-	-	-	-	269,438	-	269,438	237,882
Total net assets	9,261,874	18,273,789	328,085	3,824,885	52,994	-	883,361	269,438	2,358,987	35,253,413	30,109,963
Total liabilities and net assets	\$ 10,037,741	\$ 18,276,499	\$ 350,773	\$ 3,839,816	\$ 52,994	\$ 205,572	\$ 883,361	\$ 269,438	\$ 2,358,987	\$ 36,275,181	\$ 30,717,753

**Roman Catholic Diocese of Gaylord
Pastoral Center**

SCHEDULE OF ACTIVITIES BY FUND CLASSIFICATION

Year Ended June 30, 2024

(With Comparative Totals for the Year Ended June 30, 2023)

	Expendable Funds					Nonexpendable Funds			Total	2023 Total
	Operating	Reserve	Oakwood Cemetery	Priests	Bishop's Donations	Olson Fund	Endowment	Fixed Assets		
SUPPORT AND REVENUE										
CSA campaign	\$ 3,741,974	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,741,974	\$ 3,598,052
Professional fees	511,261	-	-	-	-	-	-	-	511,261	528,551
Grants	623,183	-	-	-	-	-	-	-	623,183	375,451
Cemetery income	-	-	92,645	-	-	-	-	-	92,645	64,483
Conference and stipends fees	36,300	-	-	-	-	-	-	-	36,300	39,200
Contributions	503,667	1,285,890	-	30,006	-	-	676	-	1,820,239	606,724
Investment income, net of fees	182,947	344,868	(2,576)	85,311	1,546	17,105	1,048	-	630,249	517,218
Net gain (loss) on investment	133,895	393,214	22,783	85,791	-	23,620	5,357	-	664,660	(163,457)
Unrealized gain (loss) on investments	269,669	881,644	49,784	195,934	-	51,366	24,475	-	1,472,872	1,676,425
Gain (loss) on disposal of property	-	-	-	-	-	-	-	(2,436)	(2,436)	7,922
Excess reserves from MCC	-	2,758,900	-	-	-	-	-	-	2,758,900	-
Other revenue	186,095	3,264	-	280,945	-	-	-	-	470,304	81,163
Total support and revenue	6,188,991	5,667,780	162,636	677,987	1,546	92,091	31,556	(2,436)	12,820,151	7,331,732
EXPENSES										
Office of the Bishop	359,122	-	-	-	-	-	-	-	359,122	315,110
Administrative services and fundraising	1,647,276	-	-	-	-	-	-	-	1,647,276	1,628,085
Communications	534,070	-	-	-	-	-	-	-	534,070	510,995
Healing and Deliverance	685	-	-	-	-	-	-	-	685	-
Faith Formation	637,405	-	-	-	-	-	-	-	637,405	371,329
Building and grounds	300,501	-	-	-	-	-	-	-	300,501	314,248
Worship/Liturgy	143,864	-	-	-	-	-	-	-	143,864	115,030
Support of clergy	50,768	-	-	334,366	-	-	-	-	385,134	212,797
Vocations	261,896	-	-	-	-	-	-	-	261,896	248,640
Tribunal	222,540	-	-	-	-	-	-	-	222,540	201,113
Hispanic and Native American Ministry	218,905	-	-	-	-	-	-	-	218,905	182,825
National and local donations	504,224	-	-	-	-	-	-	-	504,224	507,562
Depreciation	-	-	-	-	-	-	-	260,798	260,798	275,575
Oakwood Diocesan Cemetery	-	-	141,600	-	-	-	-	-	141,600	81,042
Professional fees	-	2,654	-	-	-	-	-	-	2,654	14,186
Priest wages and benefits	-	4,300	-	-	-	-	-	-	4,300	2,370
School grants	-	-	-	-	-	-	-	-	-	120,001
Other	3,548	2,037,129	-	-	-	11,050	-	-	2,051,727	234,362
Total expenses	4,884,804	2,044,083	141,600	334,366	-	11,050	-	260,798	7,676,701	5,335,270
CHANGE IN NET ASSETS	1,304,187	3,623,697	21,036	343,621	1,546	81,041	31,556	(263,234)	5,143,450	1,996,462
Transfers in (out)	(209,822)	46,200	-	-	-	-	-	163,622	-	-
NET ASSETS, beginning of year	8,167,509	14,603,892	307,049	3,481,264	51,448	802,320	237,882	2,458,599	30,109,963	28,113,501
NET ASSETS, end of year	\$ 9,261,874	\$ 18,273,789	\$ 328,085	\$ 3,824,885	\$ 52,994	\$ 883,361	\$ 269,438	\$ 2,358,987	\$ 35,253,413	\$ 30,109,963