

St. Labre Indian School Educational Association

Financial Statements

June 30, 2023 and 2022

St. Labre Indian School Educational Association

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Independent Auditors' Report

To the Board of Directors of
St. Labre Indian School Educational Association

Opinion

We have audited the financial statements of St. Labre Indian School Educational Association (the Association), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association 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 (GAAP).

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 Association 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 GAAP, 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 Association's ability to continue as a going concern within one year after the date that 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 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 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 Association'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 Association'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.

Baker Tilly US, LLP

Milwaukee, Wisconsin
October 26, 2023

St. Labre Indian School Educational Association

Statements of Financial Position

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents:		
Demand deposits	\$ 5,695,282	\$ 8,356,535
Cash at broker	<u>5,517,948</u>	<u>4,033,457</u>
Total cash and cash equivalents	11,213,230	12,389,992
Contributions receivable, net	2,197,192	3,209,391
Accrued interest receivable	93,730	84,299
Marketable securities and investments	95,241,110	84,200,979
Notes receivable from employees	34,237	45,394
Other assets	1,829,287	1,758,845
Funds held in trust for others	151,918	176,517
Beneficial interest in trusts	14,652,371	8,613,791
Property, plant and equipment, net	15,087,059	17,984,205
Assets held for sale	<u>2,174,989</u>	<u>-</u>
Total assets	<u>\$ 142,675,123</u>	<u>\$ 128,463,413</u>
Liabilities and Net Assets		
Liabilities		
Trade accounts and other payables	\$ 3,863,106	\$ 3,369,024
Accrued payroll and related expenses	2,471,657	2,398,536
Tax-exempt bonds payable	6,110,000	6,490,000
Annuity liabilities and funds held in trust for others	<u>2,829,682</u>	<u>2,997,984</u>
Total liabilities	<u>15,274,445</u>	<u>15,255,544</u>
Net Assets		
Net assets without donor restrictions	84,992,951	77,319,060
Net assets with donor restrictions	<u>42,407,727</u>	<u>35,888,809</u>
Total net assets	<u>127,400,678</u>	<u>113,207,869</u>
Total liabilities and net assets	<u>\$ 142,675,123</u>	<u>\$ 128,463,413</u>

See notes to financial statements

St. Labre Indian School Educational Association

Statement of Activities

Year Ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public Support			
Contributions, active donors	\$ 39,081,433	\$ 1,786,903	\$ 40,868,336
Contributions, donor development	4,847,662	-	4,847,662
Contributions, trusts	-	5,721,982	5,721,982
In-kind contributions and grants	73,536	-	73,536
Legacies and bequests	6,314,310	2,417,853	8,732,163
Grants, state and federal	434,326	-	434,326
Annuity contracts funded	-	169,248	169,248
Restrictions met on contributions	4,881,502	(4,881,502)	-
Total public support	<u>55,632,769</u>	<u>5,214,484</u>	<u>60,847,253</u>
Revenue			
Interest and dividends	1,495,461	-	1,495,461
Net unrealized and realized gain on marketable securities and investments, net of fees	9,649,580	952,978	10,602,558
Other investment income	326,398	150,890	477,288
Change in beneficial interests in trusts	-	316,599	316,599
Change in value of funds held in trust for others	-	(19,301)	(19,301)
Change in value of annuity liabilities	-	(96,732)	(96,732)
Gain on property, plant and equipment	285,549	-	285,549
Other revenue	2,713,090	-	2,713,090
Total revenue	<u>14,470,078</u>	<u>1,304,434</u>	<u>15,774,512</u>
Total public support and revenue	<u>70,102,847</u>	<u>6,518,918</u>	<u>76,621,765</u>
Expenses			
Program services:			
Instructional	23,361,366	-	23,361,366
Youth and family services	1,867,825	-	1,867,825
Community services	2,302,853	-	2,302,853
Total program services	<u>27,532,044</u>	<u>-</u>	<u>27,532,044</u>
Supporting services:			
Fundraising	32,289,181	-	32,289,181
Management and general	2,607,731	-	2,607,731
Total supporting services	<u>34,896,912</u>	<u>-</u>	<u>34,896,912</u>
Total expenses	<u>62,428,956</u>	<u>-</u>	<u>62,428,956</u>
Change in net assets	7,673,891	6,518,918	14,192,809
Net Assets, Beginning	<u>77,319,060</u>	<u>35,888,809</u>	<u>113,207,869</u>
Net Assets, Ending	<u>\$ 84,992,951</u>	<u>\$ 42,407,727</u>	<u>\$ 127,400,678</u>

See notes to financial statements

St. Labre Indian School Educational Association

Statement of Activities

Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public Support			
Contributions, active donors	\$ 43,349,397	\$ 2,282,243	\$ 45,631,640
Contributions, donor development	6,363,496	-	6,363,496
In-kind contributions and grants	132,953	-	132,953
Legacies and bequests	4,568,691	3,623,413	8,192,104
Grants, state and federal	578,662	-	578,662
Annuity contracts funded	-	139,690	139,690
Restrictions met on contributions	<u>2,688,912</u>	<u>(2,688,912)</u>	<u>-</u>
Total public support	<u>57,682,111</u>	<u>3,356,434</u>	<u>61,038,545</u>
Revenue			
Interest and dividends	1,533,252	-	1,533,252
Net unrealized and realized loss on marketable securities and investments, net of fees	(12,733,756)	(1,083,730)	(13,817,486)
Other investment income	298,450	122,745	421,195
Change in beneficial interests in trusts	-	(1,653,449)	(1,653,449)
Change in value of funds held in trust for others	-	(28,065)	(28,065)
Change in value of annuity liabilities	-	(225,606)	(225,606)
Other revenue	<u>1,167,274</u>	<u>-</u>	<u>1,167,274</u>
Total revenue	<u>(9,734,780)</u>	<u>(2,868,105)</u>	<u>(12,602,885)</u>
Total public support and revenue	<u>47,947,331</u>	<u>488,329</u>	<u>48,435,660</u>
Expenses			
Program services:			
Instructional	21,161,375	-	21,161,375
Youth and family services	1,613,072	-	1,613,072
Community services	<u>2,463,894</u>	<u>-</u>	<u>2,463,894</u>
Total program services	<u>25,238,341</u>	<u>-</u>	<u>25,238,341</u>
Supporting services:			
Fundraising	33,824,049	-	33,824,049
Management and general	<u>2,165,575</u>	<u>-</u>	<u>2,165,575</u>
Total supporting services	<u>35,989,624</u>	<u>-</u>	<u>35,989,624</u>
Total expenses	<u>61,227,965</u>	<u>-</u>	<u>61,227,965</u>
Change in net assets	(13,280,634)	488,329	(12,792,305)
Net Assets, Beginning	<u>90,599,694</u>	<u>35,400,480</u>	<u>126,000,174</u>
Net Assets, Ending	<u>\$ 77,319,060</u>	<u>\$ 35,888,809</u>	<u>\$ 113,207,869</u>

See notes to financial statements

St. Labre Indian School Educational Association

Statements of Cash Flows

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 14,192,809	\$ (12,792,305)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	2,548,923	2,421,770
Gain on sale of property, plant and equipment	(285,549)	-
Net unrealized and realized (gain) loss on marketable securities and investments, net of fees	(10,602,558)	13,817,486
Change in actuarial valuation of annuity liabilities	96,732	225,606
Change in value of funds held in trust for others	24,599	37,757
Contributions restricted for capital improvements	-	(109,280)
Contributions, restricted in perpetuity	(55,748)	(931,871)
Contributions, perpetual trusts	(5,721,982)	-
Change in beneficial interests in trusts	(316,599)	1,662,098
Changes in assets and liabilities:		
Contributions receivable, net	1,012,200	(2,019,408)
Accrued interest receivable	(9,431)	(5,028)
Inventories	-	7,312
Other assets	(70,442)	(621,446)
Trade accounts and other payables	588,135	(271,245)
Accrued payroll and related expenses	73,121	245,484
Grant funds received in advance	-	(3,225,000)
Net cash flows from operating activities	<u>1,474,210</u>	<u>(1,558,070)</u>
Cash Flows From Investing Activities		
Proceeds from sales of marketable securities and investments	18,858,762	16,579,833
Purchases of marketable securities and investments	(19,296,335)	(17,965,948)
Purchases of property, plant and equipment	(1,988,893)	(3,098,205)
Proceeds from sale of property, plant and equipment	353,623	-
Net loans issued for notes receivable from employees	11,157	(5,328)
Net cash flows from investing activities	<u>(2,061,686)</u>	<u>(4,489,648)</u>
Cash Flows From Financing Activities		
Payments on tax-exempt bonds payable	(380,000)	(365,000)
New annuity liability obligations funded	115,752	111,460
Payments under annuity liabilities	(380,786)	(398,292)
Receipts of contributions restricted for capital improvements	-	109,280
Receipts of contributions restricted in perpetuity	55,748	931,871
Net cash flows from financing activities	<u>(589,286)</u>	<u>389,319</u>
Net change in cash and cash equivalents	(1,176,762)	(5,658,399)
Cash and Cash Equivalents, Beginning	<u>12,389,992</u>	<u>18,048,391</u>
Cash and Cash Equivalents, Ending	<u>\$ 11,213,230</u>	<u>\$ 12,389,992</u>
Noncash Investing Activities		
Purchase of property, plant and equipment included in trade accounts and other payables	<u>\$ 45,201</u>	<u>\$ 139,254</u>
Supplemental Cash Flow Disclosures		
Cash paid for interest	<u>\$ 209,236</u>	<u>\$ 273,209</u>

See notes to financial statements

St. Labre Indian School Educational Association

Statement of Functional Expenses

Year Ended June 30, 2023

	Program Services			Supporting Services			Total
	Instructional	Youth and Family Services	Community Services	Total Program Services	Fundraising	Management and General	
Salaries	\$ 8,240,836	\$ 755,765	\$ 94,668	\$ 9,091,269	\$ 1,595,251	\$ 826,896	\$ 11,513,416
Employee benefits	4,946,753	450,797	55,290	5,452,840	951,545	493,907	6,898,292
Total salaries and related expenses	13,187,589	1,206,562	149,958	14,544,109	2,546,796	1,320,803	18,411,708
Supplies, books, materials and printing	1,003,675	99,414	36,060	1,139,149	10,612,470	48,779	11,800,398
Food and food services	823,312	68,875	2,561	894,748	6,254	17,430	918,432
Maintenance, utilities and insurance	3,307,126	215,934	108,417	3,631,477	592,359	332,641	4,556,477
Transportation, travel and freight	1,535,078	5,198	8,583	1,548,859	20,120	26,008	1,594,987
Grants and other disbursements on behalf of the community	123,373	105,840	1,731,012	1,960,225	-	-	1,960,225
Postage	11,756	89	10	11,855	9,654,598	3,786	9,670,239
Mailing list acquisition	-	-	-	-	2,600,675	-	2,600,675
Costs of gifts sent to donors	-	-	-	-	4,006,375	-	4,006,375
Data processing and other outside support	972,103	46,301	124,439	1,142,843	1,977,173	56,403	3,176,419
Bank and professional fees	-	736	685	1,421	167,593	335,212	504,226
Miscellaneous	231,921	2,450	3,781	238,152	33,051	408,669	679,872
Total expenses before depreciation	21,195,933	1,751,399	2,165,506	25,112,838	32,217,464	2,549,731	59,880,033
Depreciation	2,165,433	116,426	137,347	2,419,206	71,717	58,000	2,548,923
Total expenses	<u>\$ 23,361,366</u>	<u>\$ 1,867,825</u>	<u>\$ 2,302,853</u>	<u>\$ 27,532,044</u>	<u>\$ 32,289,181</u>	<u>\$ 2,607,731</u>	<u>\$ 62,428,956</u>

See notes to financial statements

St. Labre Indian School Educational Association

Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services			Supporting Services			Total
	Instructional	Youth and Family Services	Community Services	Total Program Services	Fundraising	Management and General	
Salaries	\$ 7,919,712	\$ 689,744	\$ 61,692	\$ 8,671,148	\$ 1,508,671	\$ 780,524	\$ 10,960,343
Employee benefits	4,460,120	386,684	57,395	4,904,199	849,603	430,843	6,184,645
Total salaries and related expenses	12,379,832	1,076,428	119,087	13,575,347	2,358,274	1,211,367	17,144,988
Supplies, books, materials and printing	1,036,649	72,359	24,809	1,133,817	10,956,316	33,817	12,123,950
Food and food services	718,061	39,409	3,535	761,005	7,484	3,030	771,519
Maintenance, utilities and insurance	2,687,540	202,639	94,304	2,984,483	624,197	290,689	3,899,369
Transportation, travel and freight	1,217,334	3,658	13,411	1,234,403	17,687	14,560	1,266,650
Grants and other disbursements on behalf of the community	103,928	78,402	1,952,436	2,134,766	-	39	2,134,805
Postage	13,405	441	52	13,898	10,177,243	3,738	10,194,879
Mailing list acquisition	-	-	-	-	1,913,783	-	1,913,783
Costs of gifts sent to donors	-	-	-	-	5,528,313	-	5,528,313
Data processing and other outside support	833,550	24,105	95,045	952,700	1,931,495	78,346	2,962,541
Bank and professional fees	1,390	805	715	2,910	173,483	430,962	607,355
Miscellaneous	132,786	3,900	3,457	140,143	72,118	45,782	258,043
Total expenses before depreciation	19,124,475	1,502,146	2,306,851	22,933,472	33,760,393	2,112,330	58,806,195
Depreciation	2,036,900	110,926	157,043	2,304,869	63,656	53,245	2,421,770
Total expenses	<u>\$ 21,161,375</u>	<u>\$ 1,613,072</u>	<u>\$ 2,463,894</u>	<u>\$ 25,238,341</u>	<u>\$ 33,824,049</u>	<u>\$ 2,165,575</u>	<u>\$ 61,227,965</u>

See notes to financial statements

St. Labre Indian School Educational Association

Notes to Financial Statements

June 30, 2023 and 2022

1. Nature of Organization

St. Labre Indian School Educational Association (the Association) is a Native American Catholic School that provides educational opportunities and social outreach services primarily to the Northern Cheyenne and Crow people. The Association operates three schools with a total enrollment of approximately 500 students. The three schools operated by the Association are St. Labre Catholic School located in Ashland, Montana; St. Charles Mission School located in Pryor, Montana; and Pretty Eagle Catholic School located in St. Xavier, Montana. In addition, the Association operates a group home located in Ashland, Montana; a day care located in Ashland, Montana; and also provides counseling and assistance to students and their families.

The Association is supported by donations received from appealing to the public, primarily through direct mail. The Association's programs depend on the success of these solicitations for support.

2. Summary of Significant Accounting Policies

Organization

The Association is a not-for-profit religious organization.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The Association classifies net assets, revenues, gains and losses based on the existence or absence of donor-imposed restrictions.

Net assets without donor restrictions are those that are not subject to donor-imposed stipulations or time restrictions. The Association's Board of Directors has the ability to designate net assets without donor restrictions to be used by management for specific future projects or activities. These designations can be modified or removed by the Board of Directors at any time. The Board of Directors has not designated any net assets at June 30, 2023 and 2022.

Net assets with donor restrictions are those subject to donor-imposed stipulations that expire by passage of time, can be fulfilled and removed by actions of the Association pursuant to those stipulations or that they be maintained in perpetuity by the Association.

Revenues 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, net of fees, 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. If a donor restriction on investment income is met in the current year, it is presented as without donor restrictions in the statements of activities.

Expiration of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) is reported as reclassifications between the applicable classes of net assets as restrictions met on contributions in the statements of activities.

Cash and Cash Equivalents

The Association considers all highly liquid debt instruments purchased with an original maturity date of three months or less to be cash equivalents.

St. Labre Indian School Educational Association

Notes to Financial Statements

June 30, 2023 and 2022

Marketable Securities and Investments

The Association reports equity securities, having readily determinable fair values and all debt securities at fair value with unrealized gains and losses, net of fees, included in the statements of activities as increases or decreases to net assets without donor restrictions unless their use is restricted by explicit donor stipulation.

Notes Receivable From Employees

Notes receivable are recorded at cost, less any related allowance for impaired notes receivable. Management, taking into account current information and events regarding the borrowers' ability to repay their obligations, considers a note to be impaired when it is probable that the Association will be unable to collect all amounts due according to the contractual terms of the note agreement. The Association had no impaired notes receivable at June 30, 2023 and 2022. Interest is not charged on the notes receivable from employees.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Acquisitions of property, plant and equipment in excess of \$2,500 are capitalized. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which generally approximates 20 years for buildings, 7 years for building improvements, 3 to 7 years for equipment, and 5 years for livestock. Repairs and maintenance costs are expensed as incurred.

Impairment of Long-Lived Assets

Long-lived assets, such as property, plant and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. The Association did not have any impaired long-lived assets in 2023 and 2022.

Assets Held for Sale

Assets held for sale are recorded at cost or fair value, if gifted to the Association. The fair value is subsequently reviewed to ensure that these assets are reported at the lower of the respective carrying value or fair value less cost to sell. These assets are marketed for sale. Assets held for sale are not depreciated.

Collections

The Association has adopted a policy of not capitalizing collections in its financial statements. Accordingly, no collection items are recognized as assets, whether they are purchased or received as a donation. Purchases of collection items reduce net assets in the period when purchased. Proceeds from sales or insurance recoveries are recorded as increases in net assets when received. Although the financial statements do not disclose the cumulative cost of collections, each of the items in the collection is cataloged, preserved and cared for and activities verifying their existence and assessing their condition are performed continuously.

Public Support

The Association reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets.

St. Labre Indian School Educational Association

Notes to Financial Statements

June 30, 2023 and 2022

Unconditional contributions, including unconditional promises to give, are recognized as public support in the period received. Conditional promises, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the barriers on which they depend have been met. Unconditional promises to give that are scheduled to be received after the statements of financial position date are shown as increases in net assets with donor restrictions and are reclassified to net assets without restrictions when the cash is received and any purpose restrictions are met. Contributions of assets other than cash are recorded at their estimated fair value.

It is the policy of the Association to report gifts of land, buildings and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions specifying how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are recorded as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Legacies and bequests are recognized at the time the Association has an established right to such legacies and bequests and the proceeds are measurable. The Association estimates expenses and costs to settle the estate to be 10% before any distribution is made from the estate.

Grants are recognized as revenue in the period barriers are overcome. Grants where the conditions and restrictions are met simultaneously are presented as without donor restrictions on the statements of activities.

Allowance on Contributions Receivable

An allowance on contributions receivable is provided based upon management's assessment of the collectability of the receivables. The allowance on contributions receivable is \$404,000 as of June 30, 2023 and 2022. Contributions receivable at June 30, 2023 and 2022 are expected to be received within one year from the statements of financial position date.

Direct Mail Fundraising

The Association derives its public support primarily from direct mail solicitations. Direct mail fundraising involves two distinct functions. The functions are active donors and donor development.

Active donors include the appeals to the current donors in the "house file" of the Association.

Donor development includes the appeals to donors who have not previously contributed or are no longer actively participating in the "house mailings" of the Association.

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. The expenses that are allocated include: salaries; employee benefits; supplies, books, materials and printing; food and food services; maintenance, utilities and insurance; transportation, travel and freight; bank and professional fees; miscellaneous; and depreciation. These expenses are allocated based on estimated time and effort.

The Association conducted no fundraising activities during the years ended June 30, 2023 and 2022 that incurred joint costs allocable to program and management and general functions.

St. Labre Indian School Educational Association

Notes to Financial Statements

June 30, 2023 and 2022

In-Kind Contributions and Grants

Donated services are reported as in-kind contributions when the services (a) create or enhance nonfinancial assets or (b) would be purchased if they had not been provided by contribution, require specialized skills and are provided by individuals possessing those skills. In 2023 and 2022, the Association received donated services and goods valued in the amount of \$46,652 and \$106,112, respectively, which are included with in-kind contributions and grants in the statements of activities.

In 2023 and 2022, the Association received commodities from the State of Montana Office of Public Instruction in the amounts of \$26,884 and \$26,841, respectively, which are included with in-kind contributions and grants in the statements of activities. No other amounts have been included in these financial statements for donated materials such as food and clothing as the items received have minimal value.

Income Taxes

The Association is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Association is also exempt from federal and state income taxes as it is a qualifying tax-exempt organization listed in the 2023 and 2022 edition of the Official Catholic Directory.

The Association accounts for uncertainty in income taxes using a more-likely-than-not recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken. Tax positions are evaluated for recognition, de-recognition and measurement using consistent criteria. The Association has determined that no uncertain tax positions exist as of June 30, 2023 and 2022, and accordingly, no provision for income taxes is included in the financial statements.

Split-Interest Agreements

The Association is the beneficiary of deferred giving vehicles subject to split-interest agreements. Three different types of agreements are currently maintained: charitable gift annuities, charitable remainder trusts and perpetual trusts.

Charitable Gift Annuities

The Association is party to a number of charitable gift annuities in which donors have contributed assets to the Association in exchange for promises by the Association to pay fixed amounts to the donors, or to individuals or organizations designated by the donors, until the death of the donor or the donor's beneficiary. Contributions of charitable gift annuities are recognized at the date the agreement is established, net of the liability recorded for the present value of the estimated future payments to be made by the Association. Due to time restrictions within the agreements, the net contribution of new charitable gift annuities is classified as public support with purpose and time donor restrictions and reflected as annuity contracts funded on the statements of activities. Changes in the liability are accounted for prospectively as a change in estimate. Discount rates that approximate current market conditions to reflect the time value of money are employed to determine the net present value of both contributions and annuity liabilities pertaining to these deferred giving arrangements. Discount rates are established in the year that the gift is received and do not change. Discount rates ranged from 0.6% to 11% during the years ending June 30, 2023 and 2022.

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The Association is required to maintain approximately \$2,500,000 and \$2,700,000 of assets in reserve at June 30, 2023 and 2022, respectively, to comply with the reserve requirements of the states that contracts are issued. At June 30, 2023 and 2022, the total charitable gift annuity assets were \$6,562,596 and \$6,811,479, respectively. These assets were included within demand deposits, cash at broker and marketable securities and investments on the statements of financial position. The liability for payments to annuitants at June 30, 2023 and 2022 were \$2,801,171 and \$2,964,176, respectively, which were included within annuity liabilities and funds held in trust for others on the statements of financial position.

Charitable Remainder Trusts, the Association is Trustee

Contributions of charitable remainder trusts in which the Association serves as the trustee are recognized at the date the agreement is established, net of the liability recorded for the present value of the estimated future payments to be made to the respective donor or designated beneficiary. Changes in the liability are accounted for prospectively as a change in estimate. Discount rates are established in the year that the gift is received and do not change. The discount rate of 4.6% and 3.6% was used at June 30, 2023 and 2022, respectively. The estimated value of the remainder interest is recorded in net assets with donor restrictions (Note 7).

At June 30, 2023 and 2022, the asset recorded related to the charitable remainder trusts in which the Association serves as the trustee is \$151,918 and \$176,517, respectively, which is presented as funds held in trust for others on the statements of financial position. The liability for payments to income beneficiaries at June 30, 2023 and 2022 is \$28,511 and \$33,808, respectively, which was included within annuity liabilities and funds held in trust for others on the statements of financial position.

Charitable Remainder Trusts, Third Party is Trustee

Contributions of charitable remainder trusts in which the Association does not serve as the trustee are recognized at the date all necessary information needed to value the beneficial interest is received by the Association. The amount of the asset and contribution is determined based on the estimated net present value of the remainder to be received by the Association. The net present value is calculated using the current asset value of the trust, life expectancy of income beneficiary, estimated future investment income, estimated payments to the income beneficiary and the discount rate at the date of the gift (5% during 2023 and 2022). The Association is aware of seven additional charitable remainder trusts in which the Association is a named beneficiary but all information necessary to record the asset was not available to estimate the fair value of the beneficial interest.

Charitable remainder trusts in which the Association does not serve as the trustee have been recorded in net assets with donor restrictions within the statements of financial position. The change in the fair value of the beneficial interest in charitable remainder trusts in which the Association does not serve as the trustee has been recorded within the change in beneficial interest in trusts with donor restrictions within the statements of activities. Distributions from these trusts are recorded as a reduction of the beneficial interest.

At June 30, 2023 and 2022 the assets recorded related to charitable remainder trusts in which the Association does not serve as the trustee is \$6,124,993 and \$370,526, respectively, which were included within beneficial interests in trusts on the statements of financial position. There was \$5,721,982 and \$0 of contribution revenue recorded for charitable remainder trusts in which the Association does not serve as the trustee for the year ended June 30, 2023 and 2022, respectively.

St. Labre Indian School Educational Association

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Perpetual Trusts, Third Party is Trustee

Contributions of perpetual trusts held by others are recognized when the Association is made aware of the trust. The amount of the asset and contribution to be recorded is based on the Association's proportional interest in the trust and fair value of the trust assets. As the Association does not control the investment decision and timing of the distribution from the trust and there is no ability for the Association to transfer its interest, the beneficial interests have been measured at the fair value of the estimated income stream from the perpetual trusts.

Perpetual trusts held by others have been recorded in net assets with donor restrictions within the statements of financial position. The change in the fair value of the perpetual trusts held by others has been recorded within the change in beneficial interests in trusts and is restricted within the statements of activities. Distributions from these trusts are recorded within other investment income and are within other investment income without donor restrictions within the statements of activities unless otherwise restricted by the donor.

At June 30, 2023 and 2022, the assets recorded related to perpetual trusts in which the Association does not serve as the trustee is \$8,527,378 and \$8,243,265, respectively, which were included within beneficial interests in trusts on the statements of financial position. There was no contribution revenue recorded for perpetual trusts held by others for the years ended June 30, 2023 and 2022.

Use of Estimates

Management of the Association has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States. Significant items subject to such estimates and assumptions include the fair value of marketable securities and investments; the fair value of funds held in trust for others; the fair value of beneficial interests in trusts; and the carrying amount of annuity liabilities. Actual results could differ from those estimates.

St. Labre Indian School Educational Association

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Liquidity and Availability of Funds

The following reflects the Association's financial assets as of June 30 reduced by amounts not available within one year for general use because of contractual or donor-imposed restrictions.

	<u>2023</u>	<u>2022</u>
Total assets, at year-end	\$ 142,675,123	\$ 128,463,413
Less nonfinancial assets:		
Prepaid expenditures included within other assets on the statements of financial position	(1,025,874)	(1,176,207)
Property, plant and equipment, net	(15,087,059)	(17,984,205)
Assets held for sale	<u>(2,174,989)</u>	<u>-</u>
Financial assets, at year-end	124,387,201	109,303,001
Less those unavailable for general expenditures within one year due to contractual or donor imposed restrictions:		
Beneficial interest in trusts	(14,652,371)	(8,613,791)
Funds held in trust for others	(151,918)	(176,517)
Investments held for charitable gift annuities	(6,562,596)	(6,811,479)
Investments held in endowment	(17,136,172)	(16,127,446)
Investments in private equity fund	(5,615,570)	(5,516,751)
Investments held as collateral on bonds	(9,665,998)	(9,336,360)
Net assets restricted by donor for other purpose restrictions	<u>(4,657,113)</u>	<u>(4,084,267)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 65,945,463</u>	<u>\$ 58,636,390</u>

The Association's practice is to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Association does not charge tuition and other fees to its students and meets its liquidity needs by relying on public support and distributions of its investment portfolio. The Association maintains its investment portfolio to support its annual operating budget and follows an investments spending policy to distribute certain investments and investment income to meet its obligations. In September 2023, the Association sold the assets held for sale for approximately \$11,400,000 which can be used to meet obligations of the Association.

Adopted Accounting Pronouncement

Effective July 1, 2022, the Association adopted Financial Accounting Standards Board (FASB) ASU No. 2016-02, *Leases (Topic 842)*, and all related amendments using the modified retrospective approach. The Association's 2022 financial statements continue to be accounted for under the FASB's Topic 840 and have not been adjusted. Adopting ASU No. 2016-02 did not have a significant impact on the financial statements of the Association.

St. Labre Indian School Educational Association

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Recent Accounting Pronouncements

During June 2016, FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. ASU No. 2016-13 and subsequent amendments require financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. ASU No. 2016-13 (as amended) is effective for annual periods and interim periods within those annual periods beginning after December 15, 2022 (2024). The Association is currently assessing the effect that ASU No. 2016-13 (as amended) will have on its financial statements.

Reclassifications

For comparability, certain 2022 amounts have been reclassified to conform with classifications adopted in 2023. The reclassifications have no effect on reported amounts of net assets or change in net assets.

Subsequent Events

The Association has evaluated subsequent events through October 26, 2023, which is the date that the financial statements were approved and available to be issued.

On September 15, 2023, the Association sold the property located in Custer, Montana for \$11,400,000.

3. Marketable Securities and Investments

Investments by investment type at June 30 consist of the following:

	<u>2023</u>	<u>2022</u>
Equity securities	\$ 69,725,080	\$ 59,043,650
U.S. Treasury and agency securities	13,229,372	11,484,003
Corporate debt	4,492,704	4,455,913
Certificates of deposit	2,178,384	3,700,662
Investments valued at net asset value	<u>5,615,570</u>	<u>5,516,751</u>
	<u>\$ 95,241,110</u>	<u>\$ 84,200,979</u>

The equity securities portfolio of the Association is diversified and contains a blend of domestic and international companies with market in the large, mid and small capitalization categories.

As a requirement of the tax-exempt bonds (Note 5), a portion of the marketable securities and investments of the Association are held as collateral and managed by the U.S. Bank National Association. At June 30, 2023 and 2022, the fair value of this portion of the Association's marketable securities and investments, primarily invested in U.S. Treasury and agency securities and corporate debt, was \$9,665,998 and \$9,336,360, respectively.

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4. Property, Plant and Equipment

Property, plant and equipment at June 30 consist of the following:

	<u>2023</u>	<u>2022</u>
Land, buildings, and building improvements	\$ 69,207,274	\$ 69,376,400
Less accumulated depreciation	<u>(56,356,405)</u>	<u>(54,426,654)</u>
Land, buildings, and building improvements, net	<u>12,850,869</u>	<u>14,949,746</u>
Equipment	11,994,658	11,692,204
Less accumulated depreciation	<u>(10,220,818)</u>	<u>(9,730,764)</u>
Equipment, net	<u>1,773,840</u>	<u>1,961,440</u>
Livestock	-	289,072
Less accumulated depreciation	<u>-</u>	<u>(244,289)</u>
Livestock, net	<u>-</u>	<u>44,783</u>
Construction in progress	<u>462,350</u>	<u>1,028,236</u>
Total property, plant and equipment, net	<u>\$ 15,087,059</u>	<u>\$ 17,984,205</u>

Depreciation expense for the years ended June 30, 2023 and 2022 was \$2,548,923 and \$2,421,770, respectively.

In June 2023, the Association began negotiations to sell their property in Custer, Montana. As such, this property totaling \$2,174,989 was classified as assets held for sale in the statement of financial position during the year ended June 30, 2023. In September 2023, a purchase and sale agreement was executed and this property was sold for approximately \$11,400,000. A gain on disposal of property, plant, and equipment will be recognized in fiscal year 2024.

5. Tax-Exempt Bonds Payable

The Association issued tax-exempt bonds during the year ended June 30, 2010. The proceeds from the tax-exempt bonds were used for construction of a new dormitory, purchase and installation of standby generators, a new water storage system and provide assistance to St. Paul's Mission School to rebuild its school building. The tax-exempt bonds bear interest at 3.32% through 2024. The interest rate is reset based on market conditions every 5 years. The tax-exempt bonds mature on December 1, 2034. The tax-exempt bond agreement contains several restrictive covenants, including an annual margined value of less than 105%, an investment portfolio balance greater than the bond balance, the Association must be properly classified as a nonprofit organization and have no material outstanding litigation or knowledge of any such litigation not covered by insurance. The bonds also have a requirement to obtain a letter of credit equal to the principal balance, which has been deferred until 2024, as allowed under the trust indenture.

As of June 30, 2023 and 2022, the Association was in compliance with covenants within the agreement or has obtained the necessary waivers.

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The future minimum principal requirements for the tax-exempt bonds are as follows:

Years ending June 30:	
2024	\$ 400,000
2025	415,000
2026	435,000
2027	455,000
2028	470,000
Thereafter	<u>3,935,000</u>
	<u>\$ 6,110,000</u>

Interest expense is included in bank and professional fees on statements of functional expenses. Interest expense on the bonds was \$209,236 and \$220,517 during the years ended June 30, 2023 and 2022, respectively.

6. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value. A three-level hierarchy for fair value measurements is based upon the transparency of inputs to the valuation of the asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability or inputs that are derived principally from or corroborated by observable market data.

Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

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 Association 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 Association classifies equity securities, equity funds and U.S. Treasury securities within Level 1 of the fair value hierarchy because they are valued using quoted market prices.

The Association classifies corporate debt, U.S. agency securities and other investments within Level 2 of the fair value hierarchy. The fair value of corporate debt, U.S. agency securities and other investments is estimated using quoted market prices for similar instruments and nonbinding market prices that are corroborated by observable market data. The Association uses inputs such as reported trades, benchmark yields, broker/dealer quotes, issuer spreads, benchmark securities, bids, offers and other similar data.

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The Association classifies beneficial interests in trusts within Level 3 of the fair value hierarchy. The fair value of beneficial interests in trusts is estimated using the fair value of the trust assets' proportion of the trust the Association is to receive, expected future payments to be received and present value discount.

There were no transfers between the three-level hierarchy in 2023 and 2022.

The certificates of deposit are recorded at cost plus accrued interest and are not included in the fair value hierarchy.

The Association holds shares of a private equity fund that is an investment measured at net asset value (NAV). The fair value of investment is estimated using the NAV per share as the practical expedient. Management believes that the carrying amounts of this financial instrument is a reasonable estimate of fair value. The fund makes investments directly and through its wholly owned subsidiaries. The shares may be redeemed by the Association quarterly and at the discretion of the fund's general partner. There was no unfunded commitment as of June 30, 2023 and 2022.

The Association includes financial assets measured at cost plus accrued interest, NAV and fair value in the table below to assist in the reconciliation to the statements of financial position. Financial assets measured at fair value on a recurring basis, cost plus accrued interest, and NAV at June 30, 2023 consisted of the following:

	Total	Fair Value Estimates		
		Level 1	Level 2	Level 3
Assets:				
Marketable securities and investments:				
Domestic equity securities	\$ 65,617,819	\$ 65,617,819	\$ -	\$ -
International equity securities	3,897,564	3,897,564	-	-
Equity fund	209,697	209,697	-	-
U.S. Treasury securities	8,322,908	8,322,908	-	-
U.S. Agency securities	4,906,464	-	4,906,464	-
Corporate debt	4,492,704	-	4,492,704	-
Total marketable securities and investments measured at fair value	87,447,156	<u>\$ 78,047,988</u>	<u>\$ 9,399,168</u>	<u>\$ -</u>
Certificates of deposit at cost plus accrued interest	2,178,384			
Investments measured at net asset value:				
Private equity fund	<u>5,615,570</u>			
Total marketable securities and investments	<u>\$ 95,241,110</u>			
Funds held in trust for others:				
Domestic equity securities	\$ 128,414	\$ 128,414	\$ -	\$ -
U.S. treasury securities	10,090	10,090	-	-
Corporate debt	10,106	-	10,106	-
Other	3,308	-	3,308	-
Total funds held in trust for others	<u>\$ 151,918</u>	<u>\$ 138,504</u>	<u>\$ 13,414</u>	<u>\$ -</u>
Beneficial interest in trusts	<u>\$ 14,652,371</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,652,371</u>

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Financial assets measured at fair value on a recurring basis at June 30, 2022 consisted of the following:

	Total	Fair Value Estimates		
		Level 1	Level 2	Level 3
Assets:				
Marketable securities and investments:				
Domestic equity securities	\$ 55,584,607	\$ 55,584,607	\$ -	\$ -
International equity securities	3,252,884	3,252,884	-	-
Equity fund	206,159	206,159	-	-
U.S. Treasury securities	5,263,538	5,263,538	-	-
U.S. Agency Securities	6,220,465	-	6,220,465	-
Corporate debt	4,455,913	-	4,455,913	-
Total marketable securities and investments measured at fair value	74,983,566	<u>\$ 64,307,188</u>	<u>\$ 10,676,378</u>	<u>\$ -</u>
Certificates of deposit at cost plus accrued interest	3,700,662			
Investments measured at net asset value:				
Private equity fund	<u>5,516,751</u>			
Total marketable securities and investments	<u>\$ 84,200,979</u>			
Funds held in trust for others:				
Domestic equity securities	\$ 144,801	\$ 144,801	\$ -	\$ -
Corporate debt	26,288	-	26,288	-
Other	5,428	-	5,428	-
Total funds held in trust for others	<u>\$ 176,517</u>	<u>\$ 144,801</u>	<u>\$ 31,716</u>	<u>\$ -</u>
Beneficial interest in trusts	<u>\$ 8,613,791</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,613,791</u>

Beneficial interest in trusts are funds that the Association is named as the beneficiary in which they are not the trustee of the assets and are considered Level 3 items as the valuation is based on significant unobservable inputs that are not corroborated by market data. Net realized and unrealized gains (losses) included in the change in net assets are \$316,599 and \$(1,653,449) for the years ended June 30, 2023 and 2022, respectively. There were contributions of \$5,721,982 and \$0 for the years ended June 30, 2023 and 2022, respectively. Trusts terminated and disbursed are \$0 and \$8,648 for the years ended June 30, 2023 and 2022, respectively.

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June 30, 2023 and 2022

7. Net Assets With Donor Restrictions

Net assets with donor restrictions is summarized as follows:

	<u>2023</u>	<u>2022</u>
Purpose and time:		
Beneficial interests in remainder trusts	\$ 6,124,993	\$ 370,526
Charitable remainder trust	123,407	142,709
Gift annuity agreements	3,312,472	3,432,205
Contributions receivable	2,526,192	3,488,391
Excess (deficit) earnings on endowment	513,434	(439,544)
Other	4,657,113	4,084,267
	<u>17,257,611</u>	<u>11,078,554</u>
Total time and purpose restricted net assets		
Beneficial interest in perpetual funds:		
General and administrative	5,899,078	5,724,907
Education	2,628,300	2,518,358
	<u>8,527,378</u>	<u>8,243,265</u>
Total beneficial interest in perpetual funds		
Endowment funds:		
General and administrative	10,333,660	10,331,160
Post-secondary educational scholarships	6,289,078	6,235,830
	<u>16,622,738</u>	<u>16,566,990</u>
Total endowment funds		
Total net assets restricted in perpetuity	<u>25,150,116</u>	<u>24,810,255</u>
Total net assets with donor restrictions	<u>\$ 42,407,727</u>	<u>\$ 35,888,809</u>

8. Endowment

The Association follows the provisions of FASB Accounting Standards Codification (ASC) 958-205-45, *Not-for-Profit Organizations: Net Asset Classifications of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act*. The provisions provide guidance on classifying net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of Uniform Prudent Management of Institutional Funds Act (UPMIFA). A key component of the provision is a requirement to classify the portion of a donor-restricted endowment fund that is not restricted in perpetuity as restricted by time or purpose until appropriated for expenditure. Another key component of the provision is a requirement for expanded disclosures about all endowment funds.

The Association's endowment consists of approximately nine individual funds established for a variety of purposes. The Association's endowment includes donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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Interpretation of Relevant Law - The Association's management has interpreted UPMIFA as enacted in the State of Montana 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 Association classifies as net assets restricted in perpetuity (a) the original value of the gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment and (c) accumulations to the perpetual endowment 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 (primarily realized and unrealized gains and losses and investment income) is classified as time and purpose restricted net assets until those amounts are appropriated. In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Endowment net asset composition by type of fund consists of the following as of June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions		Total
		Time and Purpose	Perpetuity	
Donor-restricted endowment funds	\$ -	\$ 513,434	\$ 16,622,738	\$ 17,136,172

Endowment net asset composition by type of fund consists of the following as of June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions		Total
		Time and Purpose	Perpetuity	
Donor-restricted endowment funds	\$ -	\$ (439,544)	\$ 16,566,990	\$ 16,127,446

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

	Without Donor Restrictions	With Donor Restrictions		Total
		Time and Purpose	Perpetuity	
Endowment net assets, June 30, 2022	\$ -	\$ (439,544)	\$ 16,566,990	\$ 16,127,446
Investment return:				
Investment income	-	71,469	-	71,469
Net realized and unrealized gains	-	1,068,706	-	1,068,706
Total investment return	-	1,140,175	-	1,140,175
New donor-restricted funds received	-	-	55,748	55,748
Appropriation of endowment assets for expenditures	-	(187,197)	-	(187,197)
Endowment net assets, June 30, 2023	\$ -	\$ 513,434	\$ 16,622,738	\$ 17,136,172

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

	Without Donor Restrictions	With Donor Restrictions		Total
		Time and Purpose	Perpetuity	
Endowment net assets, June 30, 2021	\$ -	\$ 1,100,189	\$ 15,635,119	\$ 16,735,308
Investment return:				
Investment income	-	70,095	-	70,095
Net realized and unrealized losses	-	(1,153,825)	-	(1,153,825)
Total investment return	-	(1,083,730)	-	(1,083,730)
New donor-restricted funds received	-	-	931,871	931,871
Appropriation of endowment assets for expenditures	-	(456,003)	-	(456,003)
Endowment net assets, June 30, 2022	\$ -	\$ (439,544)	\$ 16,566,990	\$ 16,127,446

Funds With Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Association to retain as a fund of perpetual duration. There were no deficiencies in the endowment funds at June 30, 2023. Deficiencies of this nature that were reported in net assets with donor restrictions were \$439,544 as of June 30, 2022. There was one fund with a deficiency as of June 30, 2022 with total gifts to be held in perpetuity of \$6,002,364. These deficiencies resulted from unfavorable market fluctuations. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level would be classified as an increase in net assets with donor restrictions.

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Notes to Financial Statements

June 30, 2023 and 2022

Return Objectives and Risk Parameters - The Association has adopted investment and spending policies for endowment assets over which it has authority for investment direction that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Association must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. There were no board-designated funds at June 30, 2023 and 2022. The Association seeks to earn a long-term total rate of return sufficient to produce growth of endowment assets net of spending requirements, inflation and investment expenses. The S&P 500 Stock Index and the Merrill Lynch Domestic Master Bond Index, weighted to reflect the equity/fixed income composition of the endowment portfolio, are used as the undiversified benchmark. The diversified benchmark consists of the common industry benchmarks for the individual asset classes weighted according to the asset allocation policy. Actual returns in any year may vary from this amount.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the Association relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Association targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy - The Association has a St. Labre Scholarship Endowment spending policy authorizing management to appropriate 0% to 5% of the average fair value (principle, plus or minus earnings, less appropriations) of the St. Labre Scholarship Endowment to be used for scholarships awarded in the next fiscal year. The percentage to be appropriated will be calculated from the fiscal year end values for the three years immediately preceding the fiscal year in which the distribution is planned. In establishing this policy, the Association considers the long-term expected return on its endowment. It is expected that the long-term investment rate of return will provide the opportunity for growth of the fund exceeding the rate of inflation and sufficient to meet the future financial needs of the Association. This is consistent with the Association's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Substantially, all investments of the Association held for endowment are pooled for investment purposes. Income earned on endowment fund investments is allocated on the basis of each fund's proportionate interest in the pooled investment portfolio.

9. Retirement Plan

The Association has a contributory defined-contribution retirement plan, which covers substantially all employees who work 1,000 hours or more during the fiscal year. Retirement expense for the years ended June 30, 2023 and 2022 was \$1,025,322 and \$895,134, respectively.

10. Medical and Dental Self-Insurance

The Association is self-insured with respect to employee medical and dental claims up to \$100,000 per individual. In addition, if cumulative individual claims less than \$100,000 exceed approximately \$4.7 million, the Association has a policy to cover the next \$1 million of claims. Any additional claims exceeding the \$5.7 million would be the responsibility of the Association. The Association accrues for estimated expenses occurring from both reported and incurred but not reported medical and dental claims. The estimate of the liability arising from incurred but not reported medical and dental claims is based on an analysis of historical claims data.

St. Labre Indian School Educational Association

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The Association incurred costs of \$4,864,141 and \$4,310,763 for the years ended June 30, 2023 and 2022, respectively, related to this plan, which is included in employee benefits in the statements of functional expenses. At June 30, 2023 and 2022, the Association had recorded liabilities for incurred but not reported medical and dental expenses of \$965,620 and \$614,000, respectively, which is included in trade accounts and other payables in the statements of financial position.

11. Concentrations

The Association maintains cash balances in several institutions which exceed the federally insured limit of \$250,000. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

At June 30, 2023 and 2022, approximately 17% and 20%, respectively, of the contributions receivable on the statements of financial position are due from one donor.

12. Contingencies

Financial awards from federal and state governments in the form of grants are subject to special audit. Such audits could result in claims against the Association for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this time.

From time to time the Association could be a defendant in various lawsuits. In the opinion of management, any potential liability due to an unfavorable outcome is immaterial to the financial statements.