

**CATHOLIC DIOCESE OF GREEN BAY, INC.**  
Green Bay, Wisconsin

**FINANCIAL STATEMENTS**  
June 30, 2015 and 2014

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Catholic Diocese of Green Bay, Inc.  
Green Bay, Wisconsin

We have audited the accompanying financial statements of Catholic Diocese of Green Bay, Inc. (a Wisconsin corporation), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the financial statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catholic Diocese of Green Bay, Inc. as of June 30, 2015 and 2014, 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.

*CliftonLarsonAllen LLP*

Oshkosh, Wisconsin  
September 15, 2015

**CATHOLIC DIOCESE OF GREEN BAY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2015 and 2014**

**ASSETS**

|   | 2015                 | 2014                 |
|---|----------------------|----------------------|
| Cash and interest in cash   | \$ 1,243,794         | \$ 1,343,641         |
| Accounts receivable, net of allowance for doubtful<br>accounts of \$477,116 and \$443,299, respectively                   | 689,745              | 606,875              |
| Prepaid expenses  | 117,467              | 97,794               |
| Real estate held for sale   | 284,093              | 272,974              |
| Investments   | 5,401,068            | 4,954,783            |
| Loans to other diocesan entities, net of allowance for<br>doubtful accounts of \$494,177 and \$2,700,000,<br>respectively | 185,766              | 255,997              |
| Interest receivable on loans to other diocesan entities   | 300,061              | 783,325              |
| Property and equipment, net   | 2,101,837            | 2,072,763            |
| Deferred gift agreements  | 1,670,441            | 1,733,956            |
| Cash surrender value of life insurance  | 189,528              | 195,594              |
| <b>TOTAL ASSETS</b>   | <b>\$ 12,183,800</b> | <b>\$ 12,317,702</b> |

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

|                                       |            |            |
|---------------------------------------|------------|------------|
| Accounts payable and accrued expenses | \$ 284,679 | \$ 353,590 |
| Collections and custodial funds       | 214,479    | 222,311    |
| Deferred revenue                      | 227,433    | 133,482    |
| Deferred gifts payable                | 1,121,857  | 1,170,560  |

|                   |           |           |
|-------------------|-----------|-----------|
| Total liabilities | 1,848,448 | 1,879,943 |
|-------------------|-----------|-----------|

**NET ASSETS**

|                        |            |            |
|------------------------|------------|------------|
| Unrestricted           | 5,416,906  | 5,388,980  |
| Temporarily restricted | 4,645,707  | 4,776,040  |
| Permanently restricted | 272,739    | 272,739    |
| Total net assets       | 10,335,352 | 10,437,759 |

|   |                      |                      |
|---|----------------------|----------------------|
| <b>TOTAL LIABILITIES AND NET ASSETS</b> | <b>\$ 12,183,800</b> | <b>\$ 12,317,702</b> |
|---|----------------------|----------------------|

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

**CATHOLIC DIOCESE OF GREEN BAY, INC.**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2015**

|  | Unrestricted        | Temporarily<br>Restricted | Permanently<br>Restricted | Total                |
|--|---------------------|---------------------------|---------------------------|----------------------|
| <b>REVENUES AND SUPPORT</b>                                  |                     |                           |                           |                      |
| Bishop's Appeal  | \$ 3,423,857        | \$ -                      | \$ -                      | \$ 3,423,857         |
| Other grants   | 16,700              | -                         | -                         | 16,700               |
| Diocesan assessment  | 1,892,470           | -                         | -                         | 1,892,470            |
| Fees for services and sales, net of expenses<br>of \$19,078  | 1,244,341           | -                         | -                         | 1,244,341            |
| Contributions  | 915,096             | 666,719                   | -                         | 1,581,815            |
| Other  | 69,829              | -                         | -                         | 69,829               |
| Net assets released from restrictions                        | 902,449             | (902,449)                 | -                         | -                    |
| Total revenues and support                                   | <u>8,464,742</u>    | <u>(235,730)</u>          | <u>-</u>                  | <u>8,229,012</u>     |
| <b>EXPENSES</b>  |                     |                           |                           |                      |
| Salaries and wages   | 2,134,520           | -                         | -                         | 2,134,520            |
| Compensation of clergy and religious                         | 324,272             | -                         | -                         | 324,272              |
| Personnel benefits   | 842,272             | -                         | -                         | 842,272              |
| Other personnel related expenses                             | 196,277             | -                         | -                         | 196,277              |
| Purchased services   | 1,047,734           | -                         | -                         | 1,047,734            |
| Facilities, buildings, and grounds                           | 392,321             | -                         | -                         | 392,321              |
| Office   | 483,334             | -                         | -                         | 483,334              |
| Grants and direct assistance                                 | 2,323,171           | -                         | -                         | 2,323,171            |
| Other  | 710,694             | -                         | -                         | 710,694              |
| Total expenses   | <u>8,454,595</u>    | <u>-</u>                  | <u>-</u>                  | <u>8,454,595</u>     |
| Revenues and support in excess<br>(deficit) of expenses      | <u>10,147</u>       | <u>(235,730)</u>          | <u>-</u>                  | <u>(225,583)</u>     |
| <b>OTHER CHANGES IN NET ASSETS</b>                           |                     |                           |                           |                      |
| Investment return  | 71,025              | 105,397                   | -                         | 176,422              |
| Change in value of split interest gift annuity<br>agreements | (53,246)            | -                         | -                         | (53,246)             |
| Total other changes in net assets                            | <u>17,779</u>       | <u>105,397</u>            | <u>-</u>                  | <u>123,176</u>       |
| <b>CHANGE IN NET ASSETS</b>                                  | 27,926              | (130,333)                 | -                         | (102,407)            |
| <b>NET ASSETS, BEGINNING OF YEAR</b>                         | <u>5,388,980</u>    | <u>4,776,040</u>          | <u>272,739</u>            | <u>10,437,759</u>    |
| <b>NET ASSETS, END OF YEAR</b>                               | <u>\$ 5,416,906</u> | <u>\$ 4,645,707</u>       | <u>\$ 272,739</u>         | <u>\$ 10,335,352</u> |

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

**CATHOLIC DIOCESE OF GREEN BAY, INC.**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2014**

|  | Unrestricted        | Temporarily<br>Restricted | Permanently<br>Restricted | Total                |
|--|---------------------|---------------------------|---------------------------|----------------------|
| <b>REVENUES AND SUPPORT</b>                                  |                     |                           |                           |                      |
| Bishop's Appeal  | \$ 3,296,886        | \$ -                      | \$ -                      | \$ 3,296,886         |
| Other grants   | 17,269              | -                         | -                         | 17,269               |
| Diocesan assessment  | 1,800,066           | -                         | -                         | 1,800,066            |
| Fees for services and sales, net of expenses<br>of \$8,788   | 1,126,919           | -                         | -                         | 1,126,919            |
| Contributions  | 2,911,564           | 449,170                   | -                         | 3,360,734            |
| Other  | 52,992              | -                         | -                         | 52,992               |
| Net assets released from restrictions                        | 684,381             | (684,381)                 | -                         | -                    |
| Total revenues and support                                   | <u>9,890,077</u>    | <u>(235,211)</u>          | <u>-</u>                  | <u>9,654,866</u>     |
| <b>EXPENSES</b>  |                     |                           |                           |                      |
| Salaries and wages   | 2,072,695           | -                         | -                         | 2,072,695            |
| Compensation of clergy and religious                         | 286,068             | -                         | -                         | 286,068              |
| Personnel benefits   | 807,686             | -                         | -                         | 807,686              |
| Other personnel related expenses                             | 186,286             | -                         | -                         | 186,286              |
| Purchased services   | 1,013,767           | -                         | -                         | 1,013,767            |
| Facilities, buildings, and grounds                           | 385,331             | -                         | -                         | 385,331              |
| Office   | 440,777             | -                         | -                         | 440,777              |
| Grants and direct assistance                                 | 2,311,674           | -                         | -                         | 2,311,674            |
| Other  | 1,027,443           | -                         | -                         | 1,027,443            |
| Total expenses   | <u>8,531,727</u>    | <u>-</u>                  | <u>-</u>                  | <u>8,531,727</u>     |
| Revenues and support in excess<br>(deficit) of expenses      | <u>1,358,350</u>    | <u>(235,211)</u>          | <u>-</u>                  | <u>1,123,139</u>     |
| <b>OTHER CHANGES IN NET ASSETS</b>                           |                     |                           |                           |                      |
| Investment return  | 243,204             | 595,704                   | -                         | 838,908              |
| Change in value of split interest gift annuity<br>agreements | (92,278)            | -                         | -                         | (92,278)             |
| Total other changes in net assets                            | <u>150,926</u>      | <u>595,704</u>            | <u>-</u>                  | <u>746,630</u>       |
| <b>CHANGE IN NET ASSETS</b>                                  | 1,509,276           | 360,493                   | -                         | 1,869,769            |
| <b>NET ASSETS, BEGINNING OF YEAR</b>                         | <u>3,879,704</u>    | <u>4,415,547</u>          | <u>272,739</u>            | <u>8,567,990</u>     |
| <b>NET ASSETS, END OF YEAR</b>                               | <u>\$ 5,388,980</u> | <u>\$ 4,776,040</u>       | <u>\$ 272,739</u>         | <u>\$ 10,437,759</u> |

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

**CATHOLIC DIOCESE OF GREEN BAY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 2015 and 2014**

|  | 2015         | 2014         |
|--|--------------|--------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |              |              |
| Cash received from contributors  | \$ 6,984,671 | \$ 6,527,947 |
| Cash received from sales and fees for services   | 1,274,500    | 1,419,972    |
| Cash paid to suppliers   | (2,715,122)  | (1,869,923)  |
| Cash paid to and on behalf of employees  | (3,490,544)  | (3,322,619)  |
| Cash paid for grants and assistance  | (2,323,171)  | (2,311,674)  |
|  | (269,666)    | 443,703      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |              |              |
| Purchase of property and equipment   | (50,361)     | (39,763)     |
| Purchase of real estate held for sale  | (11,119)     | (11,408)     |
| Cash paid for purchases of investments   | (1,041,249)  | (543,525)    |
| Proceeds from sale of investments  | 826,186      | 602,258      |
| Cash (loaned to) received from to other diocesan entities  | 568,276      | 243,710      |
| Cash (loaned to) received from other entities  | -            | 45,000       |
|  | 291,733      | 296,272      |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |              |              |
| Cash paid to annuitants  | (121,914)    | (92,200)     |
| <b>NET CHANGE IN CASH AND INTEREST IN CASH</b>   | (99,847)     | 647,775      |
| <b>CASH AND INTEREST IN CASH - BEGINNING OF YEAR</b>   | 1,343,641    | 695,866      |
| <b>CASH AND INTEREST IN CASH - END OF YEAR</b>   | \$ 1,243,794 | \$ 1,343,641 |
| <b>RECONCILIATION OF CHANGE IN NET ASSETS TO</b>   |              |              |
| <b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>  |              |              |
| Change in net assets   | \$ (102,407) | \$ 1,869,769 |
| Adjustments to reconcile change in net assets to net cash flows from operating activities:   |              |              |
| Noncash contribution of real estate  | -            | (2,000,000)  |
| Depreciation   | 21,287       | 12,784       |
| Bad debts  | 37,553       | 509,581      |
| Investment return  | (176,422)    | (838,908)    |
| Change in value of split interest gift annuity agreements  | 53,246       | 92,278       |
| Changes in certain assets and liabilities:   |              |              |
| Accounts receivable  | (120,423)    | 152,510      |
| Prepaid expenses   | (19,673)     | (43,519)     |
| Accounts payable and accrued expenses  | (68,911)     | 92,046       |
| Deferred gifts payable   | 19,965       | 506,452      |
| Collections and custodial funds  | (7,832)      | (31,464)     |
| Deferred revenue   | 93,951       | 122,174      |
|  | \$ (269,666) | \$ 443,703   |
| <b>NONCASH INVESTING ACTIVITIES</b>  |              |              |
| Interest and dividends reinvested directly back into investment funds  | \$ 104,512   | \$ 90,300    |
| Contribution of real estate  | \$ -         | \$ 2,000,000 |
| Write off of principal and accrued interest owed by Green Bay Diocese Cemetery Corporation related to 2011 discontinued operations | \$ 2,205,823 | \$ -         |

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

**CATHOLIC DIOCESE OF GREEN BAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

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**NOTE 1 - NATURE OF OPERATIONS**

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Catholic Diocese of Green Bay, Inc. (the Diocese) is a not-for-profit corporation organized under the laws of the state of Wisconsin, without capital stock, operating primarily out of the Office of the Chancery under the management of the Bishop of the Diocese. The Diocese also fosters the growth of the Catholic Church in northeastern Wisconsin by providing grants to seminarians studying for the priesthood and support for vocations recruitment. Parishes, high schools, cemeteries and mausoleums, elderly housing, religious orders, lay societies, and religious and other Catholic organizations that operate within the Diocese are excluded from the accompanying financial statements as they do not meet criteria that would require consolidation.

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 results could differ from those estimates.

*Net Assets*

Net assets, revenues, gains and losses are classified into one of three classes of net assets based on the existence or absence of donor-imposed restrictions. Accordingly, net assets are classified and reported as follows:

**Unrestricted** - Unrestricted net assets include all net assets that are not subject to donor-imposed stipulations.

**Temporarily Restricted** - Temporarily restricted net assets include net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Diocese pursuant to those stipulations.

**Permanently Restricted** - Permanently restricted net assets include net assets subject to donor-imposed stipulations that they be maintained permanently by the Diocese. Permanently restricted net assets consist of endowment funds, held in perpetuity, the income from which is available for support of seminarians and vocations.

*Interest in Cash*

The Diocese participates in a pooled cash account with an interdiocesan entity. This account sweeps daily to a zero balance. The total of the pooled cash account, at times, may exceed federally insured limits. The Diocese has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

**CATHOLIC DIOCESE OF GREEN BAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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*Accounts, Loans, and Notes Receivable*

The majority of the Diocese's accounts, loans, and notes receivable are due from parishes, schools, seminarians, private parties within the Green Bay Diocese region, and government agencies. Credit is extended based on evaluation of financial condition and financial need and collateral is generally not required. Accounts, loans, and notes receivable are due within 30 days or according to separately stated terms and are recorded net of allowance for doubtful accounts. The Diocese determines its allowance by considering a number of factors, including the length of time accounts, loans, and notes receivable are past due, the Diocese's previous loss history, the debtor's current ability to pay its obligation, and the condition of the general economy.

*Contribution Recognition*

Contributions are recognized as revenue when they are received or unconditionally pledged. Contributions that are unrestricted by the donor are reported as increases in unrestricted net assets. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Diocese. The value of these donated services and time is not recognized in the accompanying financial statements because they do not meet the criteria for recognition.

In connection with its annual budget process, the Diocese is made aware of an estimated grant for its support from The Catholic Foundation for the Diocese of Green Bay, Inc. (the Foundation). Management does not consider this estimated grant as an unconditional promise to pay by the Foundation. The grant is recorded as revenue in the year in which it is actually received.

*Investments*

Investments are presented in the accompanying financial statements at fair value using methodologies described in Note 3 - Investments and Fair Value Measurements. All investment income and realized and unrealized gains and losses are accounted for on the accompanying statements of activities.

Investment income or losses are included in the accompanying statements of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

*Cash Surrender Value of Life Insurance*

Donors have contributed multiple life insurance policies on their lives to the Diocese. Contribution revenue has been recorded for the cash surrender value of these policies, plus any future premium payments pledged by the donor.

**CATHOLIC DIOCESE OF GREEN BAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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*Real Estate Held for Sale*

The Diocese has property listed and available for sale as of June 30, 2015 and 2014. Real estate held for sale is carried at cost unless impaired. When deemed impaired, the asset is reviewed and the real estate held for sale is adjusted to fair value. Fair value is determined by a comparison with other comparable assets. Real estate held for sale was carried at cost at June 30, 2015.

*Property and Equipment*

Property and equipment are stated at cost, if purchased, or fair market value at date of the gift, if donated. All acquisitions of property in excess of \$5,000 and equipment in excess of \$1,000 and all expenditures for improvements and betterments that materially prolong the useful lives of assets are capitalized. Maintenance, repairs, and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Property and equipment is depreciated using the straight-line method over its estimated useful life.

|                            | <u>Years</u> |
|----------------------------|--------------|
| Furniture and equipment    | 3 - 10       |
| Land and land improvements | 10 - 20      |
| Vehicles                   | 3            |

*Impairment of Long-Lived Assets*

The Diocese reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

*Collections and Custodial Funds*

Collections and custodial funds represent cash collected on behalf of parishes, Catholic organizations, and programs.

*Deferred Revenue*

Program service fees applying to services to be rendered in future periods are recorded as deferred revenue when received and reflected as support in the year when the program services fees are earned.

**CATHOLIC DIOCESE OF GREEN BAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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*Expense Allocation*

The costs of providing the various programs and other activities have been summarized on a functional basis in Note 6 to the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

*Tax-Exempt Status*

The Diocese has received notification that it qualifies as a tax-exempt organization under Section 501(c)(3) covered by the U.S. Internal Revenue Service group exemption letter of the United States Conference of Catholic Bishops and corresponding provisions of state law and, accordingly, is not subject to federal or state income taxes.

*Subsequent Events*

In preparing these financial statements, the Diocese has evaluated events and transactions for potential recognition or disclosure through September 15, 2015, the date the financial statements were available to be issued.

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**NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS**

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Investments are held by St. Francis Xavier Investment Corp. (St. Francis Xavier Corp.), an interdiocesan entity. St. Francis Xavier Corp. has grouped their investments and created a unitized fixed income fund, an equity fund, and a money market fund. The Diocese owns units in the fixed income, equity, and money market funds.

Investments are carried at market and consisted of the following at June 30:

|  | Fair Value          |                     | Redemption<br>Frequency | Termination<br>Notice Period |
|--|---------------------|---------------------|-------------------------|------------------------------|
|  | <u>2015</u>         | <u>2014</u>         |                         |                              |
| St. Francis Xavier Corp. fixed income fund | \$ 2,059,717        | \$ 2,315,790        | Daily                   | 30 days                      |
| St. Francis Xavier Corp. equity fund       | 3,625,818           | 3,736,565           | Daily                   | 30 days                      |
| St. Francis Xavier Corp. money market fund | <u>1,385,974</u>    | <u>636,384</u>      | Daily                   | 30 days                      |
| Total funds                                | <u>\$ 7,071,509</u> | <u>\$ 6,688,739</u> |                         |                              |

**CATHOLIC DIOCESE OF GREEN BAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

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**NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)**

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The funds are included in the accompanying statements of financial position as follows at June 30:

|                          | 2015         | 2014         |
|--------------------------|--------------|--------------|
| Investments              | \$ 5,401,068 | \$ 4,954,783 |
| Deferred gift agreements | 1,670,441    | 1,733,956    |
|                          | \$ 7,071,509 | \$ 6,688,739 |

The money market fund is intended to be utilized by intermediate and short-term money.

The fixed income fund is intended to be utilized by intermediate and long-term money. The target allocation of the fixed income fund is:

|                           |      |
|---------------------------|------|
| Intermediate Fixed Income | 95%  |
| Cash                      | 5%   |
| Total                     | 100% |

The equity fund is intended to be utilized by long-term money. The participant is not allowed to invest more than 70% of their funds in the equity fund. The target allocation of the equity fund is:

|                           |      |
|---------------------------|------|
| Small-Cap Domestic Stocks | 20%  |
| Mid-Cap Domestic Stocks   | 20%  |
| Large-Cap Domestic Stocks | 40%  |
| International Stocks      | 17%  |
| Cash and Cash Equivalents | 3%   |
| Total                     | 100% |

As defined by current authoritative guidance, fair value is 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. In determining fair value, the Diocese uses various valuation methods including the market, income, and cost approaches. The assumptions used in the application of these valuation methods are developed from the perspective of market participants pricing the asset or liability. Inputs used in the valuation methods can be either readily observable, market corroborated, or generally unobservable inputs. Whenever possible the Diocese attempts to utilize valuation methods that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation methods the Diocese is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine the fair values. Assets and liabilities measured, reported and/or disclosed at fair value will be classified and disclosed in one of the following three categories:

**CATHOLIC DIOCESE OF GREEN BAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

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**NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)**

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- Level 1 - Quoted market prices in active markets for identical assets or liabilities.
- Level 2 - Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3 - Unobservable inputs that are not corroborated by market data.

The table presents the balances of assets measured at fair value on a recurring basis:

|  | June 30, 2015              |                    |                            |                    |
|--|----------------------------|--------------------|----------------------------|--------------------|
|  | Total                      | Level 1            | Level 2                    | Level 3            |
| St. Francis Xavier Corp. fixed income fund | \$2,059,717                | \$ -               | \$2,059,717                | \$ -               |
| St. Francis Xavier Corp. equity fund       | 3,625,818                  | -                  | 3,625,818                  | -                  |
| St. Francis Xavier Corp. money market fund | <u>1,385,974</u>           | <u>-</u>           | <u>1,385,974</u>           | <u>-</u>           |
| <b>Total investments</b>                   | <b><u>\$ 7,071,509</u></b> | <b><u>\$ -</u></b> | <b><u>\$ 7,071,509</u></b> | <b><u>\$ -</u></b> |
|  | June 30, 2014              |                    |                            |                    |
|  | Total                      | Level 1            | Level 2                    | Level 3            |
| St. Francis Xavier Corp. fixed income fund | \$2,315,790                | \$ -               | \$2,315,790                | \$ -               |
| St. Francis Xavier Corp. equity fund       | 3,736,565                  | -                  | 3,736,565                  | -                  |
| St. Francis Xavier Corp. money market fund | <u>636,384</u>             | <u>-</u>           | <u>636,384</u>             | <u>-</u>           |
| <b>Total investments</b>                   | <b><u>\$ 6,688,739</u></b> | <b><u>\$ -</u></b> | <b><u>\$ 6,688,739</u></b> | <b><u>\$ -</u></b> |

The fair value of the investment in the fixed income fund, the equity fund, and the money market fund has been estimated using the net asset value per share of the fund as determined by the fund administrator. The funds are valued on a daily basis.

**CATHOLIC DIOCESE OF GREEN BAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015 and 2014

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**NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)**

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Investment return in the accompanying statements of activities for the years ended June 30 consisted of the following:

|  | <u>2015</u>       | <u>2014</u>       |
|--|-------------------|-------------------|
| Interest and dividends                       | \$ 131,061        | \$ 193,306        |
| Realized and unrealized gains on investments | <u>45,361</u>     | <u>645,602</u>    |
| Total  | <u>\$ 176,422</u> | <u>\$ 838,908</u> |

Fees charged on investments have been netted against the investment return. Total fees for the years ended June 30, 2015 and 2014 were \$37,225 and \$38,663, respectively.

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**NOTE 4 - PROPERTY AND EQUIPMENT**

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The major categories of property and equipment at June 30 are summarized as follows:

|                               | <u>2015</u>         | <u>2014</u>         |
|-------------------------------|---------------------|---------------------|
| Furniture and equipment       | \$ 54,014           | \$ 45,021           |
| Land and land improvements    | 1,735,115           | 1,735,115           |
| Buildings                     | 321,200             | 321,200             |
| Vehicles                      | <u>67,980</u>       | <u>58,035</u>       |
| Total - at cost               | 2,178,309           | 2,159,371           |
| Less accumulated depreciation | <u>(76,472)</u>     | <u>(86,608)</u>     |
| Property and equipment, net   | <u>\$ 2,101,837</u> | <u>\$ 2,072,763</u> |

Depreciation expense was recorded on the accompanying statement of activities in the following classifications for the years ended June 30:

|                                    | <u>2015</u>      | <u>2014</u>      |
|------------------------------------|------------------|------------------|
| Facilities, buildings, and grounds | \$ 11,805        | \$ 10,467        |
| Other                              | 4,597            | -                |
| Office                             | <u>4,885</u>     | <u>2,317</u>     |
| Total depreciation expense         | <u>\$ 21,287</u> | <u>\$ 12,784</u> |

**CATHOLIC DIOCESE OF GREEN BAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

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**NOTE 5 - DEFERRED GIFT AGREEMENTS**

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The Diocese has arrangements with donors classified as charitable gift annuities. In general, under these arrangements, the Diocese receives a gift from a donor in which it has a remainder interest and agrees to pay the donor stipulated amounts over the life of the donor. The arrangement may cover one or more lives. The Diocese invests and administers the related assets and makes distributions to the beneficiaries as required. When the agreement reaches the end of its term, remaining assets are retained by the Diocese as unrestricted, temporarily restricted or permanently restricted net assets, or in some instances, distributed to third-party beneficiaries.

When a gift is received under one of these arrangements, it is split into the amount representing the actuarial present value of future distributions back to the donor and the remaining gift value to be retained for the benefit of the Diocese or third-party beneficiaries. The actuarial liability is adjusted annually using actuarial tables appropriate for the type of arrangement, number of lives covered, and the age of the donor.

During the years ended June 30, 2015 and 2014, the Diocese received contributions of approximately \$-0- and \$515,000, respectively, relating to deferred gift arrangements.

The Diocese serves as trustee of The Catholic Foundation for the Diocese of Green Bay, Inc. for agreements with assets of \$928,296 and \$966,776 and payables to the donors of \$506,460 and \$528,909 at June 30, 2015 and 2014, respectively. This asset and liability are included in the respective deferred gift account balances.

As of April 18, 2014, Wisconsin, through the Office of the Commissioner of Insurance, no longer regulates qualified charitable gift annuities. The Diocese has elected to continue to maintain an actuarially determined reserve as was done prior to April 18, 2014. The reserve was \$417,953 and \$414,715 at June 30, 2015 and 2014, respectively.

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**NOTE 6 - FUNCTIONAL CLASSIFICATION OF EXPENSES**

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The costs of providing program and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Expenses by function for the years ended June 30 were as follows:

|                        | <u>2015</u>         | <u>2014</u>         |
|------------------------|---------------------|---------------------|
| Program services       | \$ 7,850,629        | \$ 7,954,025        |
| Supporting service:    |                     |                     |
| Management and general | <u>603,966</u>      | <u>577,702</u>      |
| Total                  | <u>\$ 8,454,595</u> | <u>\$ 8,531,727</u> |

**CATHOLIC DIOCESE OF GREEN BAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

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**NOTE 7 - INTERDIOCESAN TRANSACTIONS**

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The Diocese was a party to various transactions with other diocesan corporations during the years ended June 30 as noted below:

| <u>Nature of transaction</u>                           | <u>2015</u>         | <u>2014</u>         |
|--|---------------------|---------------------|
| Revenues:  |                     |                     |
| Bishop's appeal grant                                  | \$ 3,145,293        | \$ 2,961,920        |
| Donation   | 460,712             | 213,898             |
| Interest on lines of credit to other diocesan entities | 28,083              | 91,658              |
| Administrative service fees                            | <u>53,907</u>       | <u>59,065</u>       |
|  | <u>\$ 3,687,995</u> | <u>\$ 3,326,541</u> |
| Expenses:  |                     |                     |
| Occupancy expenses                                     | \$ 475,893          | \$ 477,236          |
| Insurance expenses                                     | 649,784             | 649,394             |
| Donations  | 103,886             | 127,069             |
| Administrative service fees                            | 655,978             | 618,022             |
| Investment management fees                             | 37,225              | 38,663              |
| Other  | <u>22,231</u>       | <u>15,069</u>       |
|  | <u>\$ 1,944,997</u> | <u>\$ 1,925,453</u> |

The Diocese also holds annuities for the benefit of The Catholic Foundation for the Diocese of Green Bay, Inc. As of June 30, 2015 and 2014, the balance was \$421,541 and \$437,173, respectively. The balances are included in the accompanying statements of financial position as investments and accounts payable and accrued expenses.

**CATHOLIC DIOCESE OF GREEN BAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

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**NOTE 7 - INTERDIOCESAN TRANSACTIONS (CONTINUED)**

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The Diocese has signed line of credit agreements with a number of other diocesan entities. The agreements call for an interest rate of 3%, which is calculated on a monthly average balance. The interest and principal is due on demand. At June 30, 2015 and 2014, interest receivable was \$300,061 and \$783,325, respectively. For the years ended June 30, 2015 and 2014, interest revenue was \$28,083 and \$91,658, respectively. The following summarizes the amounts due from other diocesan entities at June 30:

|  | <u>Maximum<br/>Available</u> | <u>2015</u>       | <u>2014</u>        |
|--|------------------------------|-------------------|--------------------|
| Green Bay Diocese Cemetery Corporation                 | \$ 500,000                   | -                 | \$ 1,842,700       |
| Camp Tekakwitha Retreat and Conference<br>Center, Inc. | 1,200,000                    | 679,943           | 688,701            |
| Holy Name Retreat House Inc.                           | <u>750,000</u>               | <u>-</u>          | <u>424,596</u>     |
| Total  | <u>\$ 2,450,000</u>          | 679,943           | 2,955,997          |
| Less: Allowance for doubtful accounts                  |                              | <u>(494,177)</u>  | <u>(2,700,000)</u> |
| Loans to other diocesan entities, net                  |                              | <u>\$ 185,766</u> | <u>\$ 255,997</u>  |

During the year ended June 30, 2015, the outstanding principal and accrued interest owed by Green Bay Diocese Cemetery Corporation, which totaled \$2,205,823, was recognized as a loss related to 2011 discontinued operations. The maximum amount available under the line-of-credit was reduced from \$3,000,000 to \$500,000.

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**NOTE 8 - LEASES**

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The Diocese leases its office space at various locations from other diocesan entities on a month-to-month basis. In addition, one lease is held with a third party that is renewed on a yearly basis. Rent expense charged to operations for all operating leases was \$380,516 and \$374,864 for the years ended June 30, 2015 and 2014, respectively. All leases are accounted for as operating leases.

Future minimum lease payments required over the next year are approximately \$5,000.

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**NOTE 9 - RETIREMENT PLAN**

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The Diocese participates in the Catholic Diocese of Green Bay Employees' Retirement Plan. The defined contribution retirement plan covers most lay employees for both years ending June 30, 2015 and 2014. The vesting period of the plan is six months. Contributions are 9% of lay employee wages and 15% of clergy salary. Contributions are made each pay period. Retirement plan expense was \$206,336 and \$200,239 for the years ended June 30, 2015 and 2014, respectively.

**CATHOLIC DIOCESE OF GREEN BAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

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**NOTE 10 - RESTRICTIONS ON NET ASSETS**

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Temporarily restricted net assets for the years ended June 30, 2015 and 2014 are available for the following purposes or periods:

|  | <u>2015</u>                | <u>2014</u>                |
|--|----------------------------|----------------------------|
| Future periods                                     | \$ 189,528                 | \$ 195,594                 |
| Education at Catholic University, Washington, D.C. | 907,865                    | 1,087,361                  |
| Assistance to the Poor                             | 1,620,906                  | 1,657,780                  |
| Various programs                                   | <u>1,927,408</u>           | <u>1,835,305</u>           |
| <b>Total temporarily restricted net assets</b>     | <b><u>\$ 4,645,707</u></b> | <b><u>\$ 4,776,040</u></b> |

This information is an integral part of the accompanying financial statements.