

ST. THERESE OF THE LITTLE FLOWER, INC.
Green Bay, Wisconsin

FINANCIAL STATEMENTS
June 30, 2015 and 2014

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
St. Therese of the Little Flower, Inc.
Green Bay, Wisconsin

We have audited the accompanying financial statements of St. Therese of the Little Flower, 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 St. Therese of the Little Flower, 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 3, 2015

ST. THERESE OF THE LITTLE FLOWER, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2015 and 2014

ASSETS

	2015	2014
Cash and cash equivalents	\$ 2,883,797	\$ 2,292,429
Interest in cash due to others	(2,632,477)	(2,171,980)
Total cash and cash equivalents	251,320	120,449
Accounts receivable	6,372	18,705
Prepaid expenses	2,725	864
Investments	21,673	21,170
Software and equipment, net	66,183	154,465
TOTAL ASSETS	\$ 348,273	\$ 315,653

LIABILITIES AND NET ASSETS (DEFICIT)

LIABILITIES

Accounts payable	\$ 16,029	\$ 75,803
Accrued expenses	132,157	259,904
Total liabilities	148,186	335,707

NET ASSETS (DEFICIT)

Unrestricted	41,297	(104,955)
Temporarily restricted	158,790	84,901
Total net assets (deficit)	200,087	(20,054)

TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	\$ 348,273	\$ 315,653
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The accompanying notes are an integral part of the financial statements.

ST. THERESE OF THE LITTLE FLOWER, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT			
Fees for services	\$ 2,108,417	\$ -	\$ 2,108,417
Contributions	305,000	100,000	405,000
Other	204	-	204
Net assets released from restrictions	26,614	(26,614)	-
Total revenues and support	<u>2,440,235</u>	<u>73,386</u>	<u>2,513,621</u>
EXPENSES			
Salaries and wages	1,075,375	-	1,075,375
Personnel benefits	337,378	-	337,378
Purchased services	415,509	-	415,509
Facilities, buildings, and grounds	84,096	-	84,096
Office	375,657	-	375,657
Other	5,968	-	5,968
Total expenses	<u>2,293,983</u>	<u>-</u>	<u>2,293,983</u>
Revenues and support in excess of expenses	<u>146,252</u>	<u>73,386</u>	<u>219,638</u>
OTHER CHANGE IN NET ASSETS (DEFICIT)			
Investment return	<u>-</u>	<u>503</u>	<u>503</u>
CHANGE IN NET ASSETS (DEFICIT)	146,252	73,889	220,141
NET ASSETS (DEFICIT), BEGINNING OF YEAR	<u>(104,955)</u>	<u>84,901</u>	<u>(20,054)</u>
NET ASSETS, END OF YEAR	<u>\$ 41,297</u>	<u>\$ 158,790</u>	<u>\$ 200,087</u>

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

ST. THERESE OF THE LITTLE FLOWER, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT			
Fees for services	\$ 2,128,763	\$ -	\$ 2,128,763
Contributions	355,000	-	355,000
Other	1,068	-	1,068
Net assets released from restrictions	42,085	(42,085)	-
Total revenues and support	<u>2,526,916</u>	<u>(42,085)</u>	<u>2,484,831</u>
EXPENSES			
Salaries and wages	1,010,343	-	1,010,343
Personnel benefits	327,693	-	327,693
Purchased services	525,273	-	525,273
Facilities, buildings, and grounds	84,096	-	84,096
Office	517,231	-	517,231
Interest	3,125	-	3,125
Other	26,787	-	26,787
Total expenses	<u>2,494,548</u>	<u>-</u>	<u>2,494,548</u>
Revenues and support in excess (deficient) of expenses	<u>32,368</u>	<u>(42,085)</u>	<u>(9,717)</u>
OTHER CHANGES IN NET ASSETS (DEFICIT)			
Investment return	-	2,800	2,800
Gain on sale of software and equipment	50	-	50
Total other changes in net assets (deficit)	<u>50</u>	<u>2,800</u>	<u>2,850</u>
CHANGE IN NET ASSETS (DEFICIT)	32,418	(39,285)	(6,867)
NET ASSETS (DEFICIT), BEGINNING OF YEAR	<u>(137,373)</u>	<u>124,186</u>	<u>(13,187)</u>
NET ASSETS (DEFICIT), END OF YEAR	<u>\$ (104,955)</u>	<u>\$ 84,901</u>	<u>\$ (20,054)</u>

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

ST. TERESE OF THE LITTLE FLOWER, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and contributors	\$ 2,525,954	\$ 2,471,845
Cash paid to and on behalf of employees	(1,400,553)	(1,334,804)
Cash paid to suppliers	(989,860)	(923,521)
Net cash flows from operating activities	135,541	213,520
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for purchases of software and equipment	(4,670)	(85,632)
Proceeds from sale of software and equipment	-	50
Proceeds from sale of investments	-	6,600
Net cash flows from investing activities	(4,670)	(78,982)
CASH FLOWS FROM FINANCING ACTIVITY		
Principal payments on note payable - St. Joseph Real Estate Services Corporation	-	(250,000)
NET CHANGE IN CASH AND CASH EQUIVALENTS	130,871	(115,462)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	120,449	235,911
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 251,320	\$ 120,449
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 220,141	\$ (6,867)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	92,952	136,242
Investment return	(503)	(2,800)
Gain on sale of software and equipment	-	(50)
Changes in certain assets and liabilities:		
Accounts receivable	12,333	(12,986)
Prepaid expenses	(1,861)	7,498
Accounts payable	(59,774)	72,809
Accrued expenses	(127,747)	19,674
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 135,541	\$ 213,520
NONCASH INVESTING AND FINANCING ACTIVITIES		
Interest and dividends reinvested directly back into investment funds	\$ 425	\$ 390

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

ST. THERESE OF THE LITTLE FLOWER, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 1 - NATURE OF OPERATIONS

St. Therese of the Little Flower, Inc. (St. Therese) is a not-for-profit corporation organized under the laws of the state of Wisconsin for the purpose of providing services such as financial, accounting, information technology, communications, and other administrative services in accordance with and in support of the mission of the Catholic Diocese of Green Bay.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 of St. Therese are classified and reported as follows:

Unrestricted - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted - Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of St. Therese pursuant to those stipulations. Temporarily restricted net assets relate to the parish software project, which are released monthly as parishes incur charges, and television masses.

Permanently Restricted - Net assets subject to donor-imposed stipulations that they be maintained permanently by St. Therese. St. Therese does not have any permanently restricted net assets as of June 30, 2015 and 2014.

Cash and Cash Equivalents

St. Therese defines cash and cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less. St. Therese is the holder of a pooled cash account with interdiocesan entities. These accounts sweep daily to St. Therese, leaving a zero balance in the related entities. The balances owed to the various entities are shown as interest in cash due to others. The total of the pooled cash account, at times, may exceed federally insured limits. St. Therese has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

ST. THERESE OF THE LITTLE FLOWER, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Expenses

St. Therese occasionally enters into contracts for purchases related to the maintenance of software and software hosting or other items. The maintenance contracts are amortized over the life of the respective contract. As of June 30, 2015 and 2014, the total amount of prepaid expense was \$2,725 and \$864, respectively, all of which was related to maintenance contracts.

Investments

Investments are generally recorded at fair value based upon quoted market prices, when available, or estimates of fair value. Investment income or loss and unrealized gains 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.

Software and Equipment

Software 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.

Software and equipment are depreciated using the straight-line method over their estimated useful lives.

	Years
Software and equipment	3 - 5
Parish and school software project	3

Impairment of Long-Lived Assets

St. Therese reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less cost to sell.

ST. THERESE OF THE LITTLE FLOWER, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by St. Therese.

Tax-Exempt Status

St. Therese 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 Compass has evaluated events and transactions for potential recognition or disclosure through September 3, 2015, the date the financial statements were available to be issued.

NOTE 3 - SOFTWARE AND EQUIPMENT

Software and equipment consisted of the following at June 30:

	<u>2015</u>	<u>2014</u>
Software and equipment	\$ 710,881	\$ 736,784
Parish software project	<u>1,092,505</u>	<u>1,089,705</u>
Total - at cost	1,803,386	1,826,489
Less accumulated depreciation	<u>(1,737,203)</u>	<u>(1,672,024)</u>
Net software and equipment	<u>\$ 66,183</u>	<u>\$ 154,465</u>

Depreciation expense of \$92,952 and \$136,242 was recorded on the accompanying statements of activities in office expense for the years ended June 30, 2015 and 2014, respectively.

ST. THERESE OF THE LITTLE FLOWER, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 4 - LEASES

St. Therese leases certain office space and equipment under operating lease agreements with other diocesan entities on a month-to-month basis. Total rent expense for the years ended June 30, 2015 and 2014 was \$84,096 per year.

NOTE 5 - NOTE PAYABLE – ST. JOSEPH REAL ESTATE SERVICES CORPORATION

St. Therese had a \$1,500,000 line-of-credit arrangement with St. Joseph Real Estate Services Corporation (an interdiocesan entity) that expired during the year ended June 30, 2014. The note was unsecured and bore interest at an annual rate of 3%. Interest expense was \$-0- and \$3,125 for the years ended June 30, 2015 and 2014, respectively. Accrued interest on the loan was \$-0- and \$125,000 at June 30, 2015 and 2014, respectively.

NOTE 6 - INTERDIOCESAN TRANSACTIONS

St. Therese was a party to various transactions with other diocesan corporations during the years ended June 30, 2015 and 2014. Total revenues and support from other diocesan corporations were \$2,208,543 and \$2,099,346 for the years ended June 30, 2015 and 2014, respectively, and mostly relates to contributions and earned revenues from support services provided. Total expenses paid to other diocesan corporations were \$255,651 and \$270,934 for the years ended June 30, 2015 and 2014, respectively, and relates to occupancy and administrative and support services.

NOTE 7 - FUNCTIONAL ALLOCATION OF EXPENSES

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

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

	<u>2015</u>	<u>2014</u>
Program services	\$ 2,248,309	\$ 2,450,777
Management and general	<u>45,674</u>	<u>43,771</u>
Total	<u>\$ 2,293,983</u>	<u>\$ 2,494,548</u>

ST. THERESE OF THE LITTLE FLOWER, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 8 - RETIREMENT PLAN

St. Therese participates in the Catholic Diocese of Green Bay Employees' Retirement Plan. The defined contribution retirement plan covers most lay employees. The vesting period of the plan is six months. Contributions are 9% of an employee's wages and are made each pay period. Retirement plan expense for the years ended June 30, 2015 and 2014 was \$92,219 and \$87,832, respectively.

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