

**CATHOLIC FOUNDATION OF THE
DIOCESE OF GREEN BAY, INC.**

Green Bay, Wisconsin

FINANCIAL STATEMENTS

June 30, 2004

CATHOLIC FOUNDATION OF THE DIOCESE OF GREEN BAY, INC.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of Catholic Foundation of the Diocese of Green Bay, Inc. as of June 30, 2004, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the management of Catholic Foundation of the Diocese of Green Bay, Inc. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catholic Foundation of the Diocese of Green Bay, Inc. as of June 30, 2004, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The financial statements as of and for the year ended June 30, 2003 were audited by other auditors. As described in Note 10 certain errors in the 2003 financial statements were discovered by management of the Foundation during the current year. Accordingly, adjustments have been made to net assets as of June 30, 2003 to correct the errors.

Virchow, Krause & Company, LLP
Appleton, Wisconsin
August 4, 2004

CATHOLIC FOUNDATION OF THE DIOCESE OF GREEN BAY, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2004

ASSETS	
Contributions receivable	\$ 343,303
Accounts receivable	41,611
Investments	8,011,735
Property held for investment purposes	165,000
Cash surrender value of life insurance	43,207
Beneficial interest in trusts held by others	<u>143,020</u>
TOTAL ASSETS	<u>\$ 8,747,876</u>

LIABILITIES AND NET ASSETS	
LIABILITIES	
Funds due - Catholic Diocese of Green Bay, Inc.	\$ 140,740
Accrued expenses	6,322
Funds held for others	<u>2,784,213</u>
Total Liabilities	<u>2,931,275</u>
NET ASSETS	
Unrestricted	3,922,741
Temporarily restricted	1,393,860
Permanently restricted	<u>500,000</u>
Total Net Assets	<u>5,816,601</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,747,876</u>

See accompanying notes to financial statements.

CATHOLIC FOUNDATION OF THE DIOCESE OF GREEN BAY, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2004

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT				
Contributions	\$ 670,001	\$ 622,136	\$ -	\$ 1,292,137
Management fees	9,238	-	-	9,238
	679,239	622,136	-	1,301,375
Net assets released from restrictions	460,502	(460,502)	-	-
Total Revenues and Support	<u>1,139,741</u>	<u>161,634</u>	<u>-</u>	<u>1,301,375</u>
EXPENSES				
Salaries and benefits	74,516	-	-	74,516
Grants	184,162	-	-	184,162
Occupancy	5,628	-	-	5,628
Purchased services and supplies	34,821	-	-	34,821
Office	16,676	-	-	16,676
Total Expenses	<u>315,803</u>	<u>-</u>	<u>-</u>	<u>315,803</u>
Revenues and Support in Excess of Expenses	<u>823,938</u>	<u>161,634</u>	<u>-</u>	<u>985,572</u>
OTHER CHANGES IN NET ASSETS				
Loss on property held for investment	(106,486)	-	-	(106,486)
Investment return	465,947	24,717	-	490,664
Total Other Changes in Net Assets	<u>359,461</u>	<u>24,717</u>	<u>-</u>	<u>384,178</u>
Change in Net Assets	1,183,399	186,351	-	1,369,750
Net Assets - Beginning of Year (Restated)	<u>2,739,342</u>	<u>1,207,509</u>	<u>500,000</u>	<u>4,446,851</u>
NET ASSETS - END OF YEAR	<u>\$ 3,922,741</u>	<u>\$ 1,393,860</u>	<u>\$ 500,000</u>	<u>\$ 5,816,601</u>

See accompanying notes to financial statements.

CATHOLIC FOUNDATION OF THE DIOCESE OF GREEN BAY, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 1,369,750
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Management fees	(9,238)
Investment return	(490,664)
Decrease in value of property held for investment	85,000
Changes in certain assets and liabilities	
Contributions receivable	461,400
Accounts receivable	(41,611)
Funds due - Catholic Diocese of Green Bay, Inc.	38,658
Funds held for others	1,669,181
Accrued expenses	<u>(5,448)</u>
Net Cash Flows from Operating Activities	<u>3,077,028</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(5,848,702)
Sale of investments	<u>2,771,674</u>
Net Cash Flows from Investing Activities	<u>(3,077,028)</u>

Net Change in Cash	-
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CASH - BEGINNING OF YEAR	<u>-</u>
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CASH - END OF YEAR	<u>\$ -</u>
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Supplemental disclosure of noncash activities:

During the fiscal year 2004, \$232,677 of the increase in funds held for others related to investment returns.

CATHOLIC FOUNDATION OF THE DIOCESE OF GREEN BAY, INC.

NOTES TO FINANCIAL STATEMENTS June 30, 2004

NOTE 1 - NATURE OF ACTIVITIES

The Catholic Foundation of the Catholic Diocese, Inc. (the "Foundation") is a not-for-profit corporation organized under the laws of the State of Wisconsin for the purpose of providing grants primarily for the support of pastoral and social services especially for children, youth, minorities and the poor; for support of education of lay vocations and seminarians, clergy and religious; and for support of educational institutions. The Foundation is supported primarily through donor contributions.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation are classified and reported as follows:

Unrestricted - net assets that are not restricted by donor-imposed stipulations. Generally accepted accounting principles provide that if the governing body of an organization has the unilateral power to redirect the use of a donor's contribution to another beneficiary, such contributions must be classified as unrestricted net assets. The Board of Directors of the Foundation has that ability known as variance power.

Temporarily restricted - net assets subject to donor-imposed stipulations that may be or will be met either by actions of the Foundation and/or passage of time.

Permanently restricted - net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions recognized on net assets (i.e., the donor-stipulated purposes has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from temporarily restricted net assets to unrestricted net assets.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

Investments

The Foundation carries investments at fair value. Quoted market prices in active markets are used as the basis for measurement. The cost of investments sold is based on the average cost method.

CATHOLIC FOUNDATION OF THE DIOCESE OF GREEN BAY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

Beneficial Interest in Trusts Held by Others

The Foundation is an income beneficiary of various gift annuities. The Foundation has recognized its interest in the estimated future cash flows as temporarily restricted net assets based on the fair market value of the assets.

Contribution Recognition

Contributions are recognized as revenue when they are received or unconditionally pledged. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the 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 the Foundation.

Contributed Services

A substantial number of volunteers have donated significant amounts of their time in the Organization's program services and in its fund-raising campaigns. 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.

Property Held for Investment Purposes

Property held for investment purposes consists of property contributed to the Foundation. The property has been recorded at its estimated market value. The Foundation has revalued this property during the year ended June 30, 2004. It was determined that the fair market value for this property had declined by \$85,000 to \$165,000.

Funds Held for Others

The Foundation has a number of funds for which it acts as a custodian. Receipts are held and disbursements are made by the board according to the intentions of the organization from which the funds were received. These funds are reported as investments and funds held for others in the financial statements. Investment income and disbursements of these funds are not considered revenues or expenses of the Foundation.

CATHOLIC FOUNDATION OF THE DIOCESE OF GREEN BAY, INC.

NOTES TO FINANCIAL STATEMENTS June 30, 2004

NOTE 3 - INVESTMENTS

Investments at June 30, 2004 consist of the following:

St. Francis Xavier Investment Corp. account:	
Stocks	\$ 5,587,838
Bonds	2,245,120
Money market	<u>178,777</u>
Total	<u>\$ 8,011,735</u>

Total investment return in the statement of activities for the year ended June 30, 2004 consists of the following:

Interest and dividends	\$ 84,881
Realized and unrealized gain on investments	<u>405,783</u>
	<u>\$ 490,664</u>

Fees charged on investments have been netted against the above interest and dividends. Total fees for the year ended June 30, 2004 were \$48,091.

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist primarily of donor pledges for funds supporting a variety of activities. Net contributions receivable of June 30, 2004 are summarized as follows:

Total contributions receivable	\$ 375,500
Less adjustment present value future cash flows for contributions receivable	<u>(32,197)</u>
Present value of contributions receivable	343,303
Less allowance for doubtful contributions receivable	<u>-</u>
Net Contributions Receivable	<u>\$ 343,303</u>

The discount rates used to determine the present value of contributions are risk-free interest rates applicable to the years in which the promises are received. The Foundation considers all contributions to be collectible.

Payments on contributions receivable at June 30, 2004 are expected to be received as follows:

Year ending June 30,	
2005	\$ 52,500
2006	61,000
2007	<u>262,000</u>
	<u>\$ 375,500</u>

CATHOLIC FOUNDATION OF THE DIOCESE OF GREEN BAY, INC.

NOTES TO FINANCIAL STATEMENTS June 30, 2004

NOTE 5 - INCOME TAX STATUS

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and has been classified as an organization other than a private foundation. Contributions to the Foundation are deductible up to the limits established in the IRC. The Foundation is also exempt from Wisconsin income taxes.

NOTE 6 - FUNCTIONAL CLASSIFICATION OF EXPENSES

The cost 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 year ended June 30, 2004:

Program services:		
Grants	\$	184,162
Supporting services:		
Management and general		57,125
Fund raising		<u>74,516</u>
Total	\$	<u>315,803</u>

NOTE 7 - RELATED PARTIES

The Foundation incurred various charges from related entities during the year ended June 30, 2004 as follows:

<u>Related Entity</u>	<u>Nature of Transaction</u>	
St. Joseph Corporation	Occupancy expense	\$ 5,628
	Telephone	418
	Vehicle	135
St. Francis Xavier Investment Corp.	Investment management charges	48,091
St. Luke Benefit & Insurance Services	Insurance and employee benefits	4,987
Catholic Diocese of Green Bay, Inc.	Administrative charges:	
	Accounting	19,834
	Computer services	3,884
	Human resources	752

The value of donated professional services by Catholic Diocese of Green Bay, Inc. of \$30,000 for the year ended June 30, 2004 is included in contributions and the corresponding expense categories in the financial statements.

CATHOLIC FOUNDATION OF THE DIOCESE OF GREEN BAY, INC.

NOTES TO FINANCIAL STATEMENTS June 30, 2004

NOTE 8 - RETIREMENT PLAN

The Foundation participates in the Catholic Diocese of Green Bay, Inc.'s retirement plan. The Diocese has a defined contribution retirement plan that covers employees who work at least 1,000 hours per year. Employees are vested over five years. Contributions of 9% of an employee's previous calendar year salary are made in December for those employees who are eligible under the plan. Retirement plan expense for the year ended June 30, 2004 was \$2,591.

NOTE 9 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods:

Priest education	\$ 327,879
Respect for life	311,513
Children's services	208,084
Seminarians	36,817
Future periods	<u>509,567</u>
	<u>\$ 1,393,860</u>

Permanently restricted net assets are for endowment purposes. The investment earnings are used at the discretion of the Bishop for the areas of greatest needs in the Diocese of Green Bay.

NOTE 10 - RESTATEMENT

During the year ended June 30, 2004, management became aware of contributions from prior years that were not recorded properly. There were \$974,418 of contributions that should have been classified as custodial funds and \$221,338 that should have been classified as temporarily restricted net assets. Consequently, the net assets at June 30, 2003 have been restated to correct this error. The impact on the change in net assets for the year ended June 30, 2003 was not determinable.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Net assets at June 30, 2003, as previously reported	\$ 3,843,035	\$ 1,078,234	\$ 500,000
Reclassification of custodial funds to liability	(882,355)	(92,063)	-
Reclassification of prior year contributions	<u>(221,338)</u>	<u>221,338</u>	-
Net assets at June 30, 2003, as restated	<u>\$ 2,739,342</u>	<u>\$ 1,207,509</u>	<u>\$ 500,000</u>