

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

Green Bay, Wisconsin

FINANCIAL STATEMENTS

June 30, 2006 and 2005

# CATHOLIC FOUNDATION FOR THE DIOCESE OF GREEN BAY, INC.

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## INDEPENDENT AUDITORS' REPORT

Mr. Michael Ariens  
Catholic Foundation for the Diocese of Green Bay, Inc.  
Green Bay, Wisconsin

We have audited the accompanying statements of financial position of Catholic Foundation for the Diocese of Green Bay, Inc. as of June 30, 2006 and 2005, and the related statement of activities for the year ended June 30, 2006 and the statements of cash flows for the years ended June 30, 2006 and 2005. These financial statements are the responsibility of Catholic Foundation for the Diocese of Green Bay, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information for the statement of activities has been derived from the Organization's 2005 audited financial statements, and in our report dated August 19, 2005, we expressed an unqualified opinion on those financial statements.

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 audits 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 for the Diocese of Green Bay, Inc. as of June 30, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Virchow, Krause & Company, LLP*

Appleton, Wisconsin  
August 30, 2006

# CATHOLIC FOUNDATION FOR THE DIOCESE OF GREEN BAY, INC.

## STATEMENTS OF FINANCIAL POSITION June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
Cash	\$ 843,393	\$ -
Contributions receivable	3,670,644	460,224
Investments	30,371,881	9,093,575
Prepaid expenses	524	100
Property and equipment, net	1,129	-
Cash surrender value of life insurance	52,451	85,005
Beneficial interest in trusts held by others	<u>234,914</u>	<u>207,127</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 35,174,936</u></b>	<b><u>\$ 9,846,031</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Funds Due - Catholic Diocese of Green Bay, Inc.	\$ -	\$ 84,422
Accounts payable and accrued expenses	45,262	3,116
Funds held for others	5,860,860	3,312,608
Pledges payable	160,245	170,042
Line of credit	<u>478,120</u>	<u>-</u>
Total Liabilities	<u>6,544,487</u>	<u>3,570,188</u>
<b>NET ASSETS</b>		
Unrestricted	3,518,564	4,044,286
Temporarily restricted	24,586,885	1,731,557
Permanently restricted	<u>525,000</u>	<u>500,000</u>
Total Net Assets	<u>28,630,449</u>	<u>6,275,843</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 35,174,936</u></b>	<b><u>\$ 9,846,031</u></b>

See accompanying notes to financial statements.

# CATHOLIC FOUNDATION FOR THE DIOCESE OF GREEN BAY, INC.

## STATEMENT OF ACTIVITIES Years Ended June 30, 2006 (with comparative totals for 2005)

	2006			Total	2005 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>REVENUES AND SUPPORT</b>					
Contributions	\$ 551,234	\$ 22,913,202	\$ 25,000	\$ 23,489,436	\$ 752,636
Management fees	18,273	-	-	18,273	12,528
Net assets released from restrictions	308,602	(308,602)	-	-	-
<b>Total Revenues and Support</b>	<u>878,109</u>	<u>22,604,600</u>	<u>25,000</u>	<u>23,507,709</u>	<u>765,164</u>
<b>EXPENSES</b>					
Salaries and benefits	224,787	-	-	224,787	98,111
Grants	444,252	-	-	444,252	491,499
Facility, buildings and grounds	24,132	-	-	24,132	8,868
Purchased services	769,452	-	-	769,452	20,975
Office	166,098	-	-	166,098	34,974
<b>Total Expenses</b>	<u>1,628,721</u>	<u>-</u>	<u>-</u>	<u>1,628,721</u>	<u>654,427</u>
Revenues and Support in Excess of (Less than) Expenses	<u>(750,612)</u>	<u>22,604,600</u>	<u>25,000</u>	<u>21,878,988</u>	<u>110,737</u>
<b>OTHER CHANGES IN NET ASSETS</b>					
Loss on property held for investment	-	-	-	-	(1,852)
Investment return	224,890	250,728	-	475,618	465,821
<b>Total Other Changes in Net Assets</b>	<u>224,890</u>	<u>250,728</u>	<u>-</u>	<u>475,618</u>	<u>463,969</u>
<b>Change in Net Assets</b>	<u>(525,722)</u>	<u>22,855,328</u>	<u>25,000</u>	<u>22,354,606</u>	<u>574,706</u>
<b>NET ASSETS - Beginning of Year</b>	<u>4,044,286</u>	<u>1,731,557</u>	<u>500,000</u>	<u>6,275,843</u>	<u>5,701,137</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 3,518,564</u>	<u>\$ 24,586,885</u>	<u>\$ 525,000</u>	<u>\$ 28,630,449</u>	<u>\$ 6,275,843</u>

See accompanying notes to financial statements.

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

STATEMENTS OF CASH FLOWS  
Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from contributors and fees	\$ 7,740,370	\$ 1,037,472
Cash paid to and on behalf of employees	(202,098)	(101,317)
Cash paid to suppliers	(940,488)	(65,564)
Cash paid to donees	<u>(454,049)</u>	<u>(321,457)</u>
Net Cash Flows From Operating Activities	<u>6,143,735</u>	<u>549,134</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(1,290)	-
Purchase of investments	(7,008,775)	(2,559,375)
Sale of investments	<u>1,316,025</u>	<u>2,066,559</u>
Net Cash Flows from Investing Activities	<u>(5,694,040)</u>	<u>(492,816)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Funds due - Catholic Diocese of Green Bay, Inc.	(84,422)	(56,318)
Proceeds from line of credit	<u>478,120</u>	<u>-</u>
Net Cash Flows from Financing Activities	<u>393,698</u>	<u>(56,318)</u>
<b>Net Change in Cash</b>	843,393	-
CASH - Beginning of Year	<u>-</u>	<u>-</u>
<b>CASH - END OF YEAR</b>	<u>\$ 843,393</u>	<u>\$ -</u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 22,354,606	\$ 574,706
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	161	-
Investment return	(475,618)	(465,821)
Investment contribution from Lumen Christi	(15,051,253)	-
Changes in certain assets and liabilities:		
Contributions receivable	(3,210,420)	(116,921)
Accounts receivable	-	41,611
Prepaid expenses	(424)	(100)
Beneficial interest in trusts held by others	(53,918)	(179,572)
Accounts payable and accrued expenses	42,146	(3,206)
Funds held for others	2,548,252	528,395
Pledges payable	<u>(9,797)</u>	<u>170,042</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>\$ 6,143,735</u>	<u>\$ 549,134</u>

**Noncash investing and financing activities**

During the fiscal years ended June 20, 2006 and 2005, \$170,718 and \$225,231, respectively, of the increase in funds held for others related to investment returns.

See accompanying notes to financial statements.

# CATHOLIC FOUNDATION FOR THE DIOCESE OF GREEN BAY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2006 and 2005

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### **NOTE 1 - Nature of Activities**

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Catholic Foundation for the Diocese of Green Bay, 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 the 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.

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### **NOTE 2 - Significant Accounting Policies**

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#### *Basis of Accounting*

Net assets, revenues, 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** - Net assets that are not subject to donor-imposed stipulations. Accounting principles generally accepted in the United States of America 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** - Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations.

**Permanently Restricted Net Assets** - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation.

#### *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 statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

#### *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 are depreciated using the straight-line method over their estimated useful lives.

Vehicles

Years  
3-5

# CATHOLIC FOUNDATION FOR THE DIOCESE OF GREEN BAY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2006 and 2005

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### **NOTE 2 - Significant Accounting Policies (cont.)**

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#### *Beneficial Interest in Trusts Held by Others*

The Foundation has arrangements with donors classified as charitable remainder trusts and charitable 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. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement 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 Foundation. 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.

#### *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 in trusts held for others in the financial statements. Investment income and distributions of these funds are not considered revenues or expenses of the Foundation.

#### *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.



# CATHOLIC FOUNDATION FOR THE DIOCESE OF GREEN BAY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2006 and 2005

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### NOTE 2 - Significant Accounting Policies (cont.)

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#### *Income Tax Status*

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Foundation is also exempt from Wisconsin income taxes. However, any unrelated business income may be subject to taxation.

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### NOTE 3 - Investments

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Investments are carried at market value and consist of the following as of June 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
St. Francis Xavier Investment Corp. account:		
Stocks	\$ 20,536,446	\$ 6,358,554
Bonds	9,178,554	2,518,297
Money Market	<u>656,881</u>	<u>216,724</u>
 Total	 <u>\$ 30,371,881</u>	 <u>\$ 9,093,575</u>

The Foundation considers money market funds held by brokers to be investments. Additional investments consist of stocks, bonds and other investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the financial statements.

Investment return in the statement of activities for the years ended June 30, 2006 and 2005 consist of the following:

	<u>2006</u>	<u>2005</u>
Interest and dividends	\$ 239,091	\$ 64,821
Realized and unrealized gain on investments	<u>236,527</u>	<u>401,000</u>
 Total	 <u>\$ 475,618</u>	 <u>\$ 465,821</u>

Fees charged on investment have been netted against the investment return. Total fees for the year ended June 30, 2006 and 2005 were \$90,810 and \$62,442, respectively.

# CATHOLIC FOUNDATION FOR THE DIOCESE OF GREEN BAY, INC.

## NOTES TO FINANCIAL STATEMENTS June 30, 2006 and 2005

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### NOTE 4 - Contributions Receivable

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Contributions receivable consist primarily of donor pledges for funds supporting a variety of activities. Net contributions receivable as of June 30, 2006 and 2005 consist of the following:

	<u>2006</u>	<u>2005</u>
Total contributions receivable	\$ 3,898,524	\$ 497,100
Less: Discount to present value	<u>(227,880)</u>	<u>(36,876)</u>
Present value of contributions receivable	3,670,644	460,224
Less: Allowance for uncollectible promises to give	<u>-</u>	<u>-</u>
Total Unconditional Promises to Give	<u>\$ 3,670,644</u>	<u>\$ 460,224</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, 2006 are expected to be received as follows:

Year ending June 30,	
2007	\$ 1,801,139
2008	1,531,685
2009	488,134
2010	48,414
2011	28,792
Thereafter	<u>360</u>
	<u>\$ 3,898,524</u>

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### NOTE 5 - Line of Credit

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At June 30, 2006, the Foundation had a line of credit financing agreement with a bank. \$1,500,000 was available to the Foundation. The interest rate on the line is 0%. The line of credit is secured by all of the Foundation's assets and expires on December 12, 2007. There was no interest expense for the year ended June 30, 2006. The line of credit is structured in a way that allows the bank to make nightly sweeps from the cash account to the line of credit.

\$478,120 was outstanding on the line of credit at June 30, 2006.

# CATHOLIC FOUNDATION FOR THE DIOCESE OF GREEN BAY, INC.

## NOTES TO FINANCIAL STATEMENTS June 30, 2006 and 2005

### **NOTE 6 - Functional Classification 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, 2006 and 2005 is as follows:

	2006	2005
Program services:		
Grants	\$ 444,252	\$ 491,498
Supporting services:		
Management and general	82,470	64,818
Fund raising	1,101,999	98,111
Total	\$ 1,628,721	\$ 654,427

### **NOTE 7 - Related Party Transactions**

The Foundation received various revenues from and incurred various charges to related entities during the year ended June 30, 2006 and 2005 as follows:

<u>Entity</u>	<u>Nature of Transaction</u>	2006	2005
St. Joseph Real Estate Services Corporation	Occupancy expense	\$ 56,772	\$ 13,898
St. Francis Xavier Investment Corp.	Investment management charges	90,810	62,442
St. Luke's Benefit and Insurance Services Corp.	Insurance and employee benefits	3,480	7,131
	Human resources expenses	1,512	-
Catholic Diocese of Green Bay	Administrative charges:		
	Accounting expenses	6,458	7,947
	Computer service services	4,192	4,260
	Human resources	-	621
St. Therese of the Little Flower	Accounting expenses	18,548	-
	Computer service expenses	14,905	-
Holy Name Retreat House	Fees on beneficial interest in trust	11,593	11,387

The value of donated professional services by Catholic Diocese of Green Bay, Inc. of \$15,000 and \$30,000 for the years ended June 30, 2006 and 2005, respectively, is included in contributions and the corresponding expense categories in the financial statements.

# CATHOLIC FOUNDATION FOR THE DIOCESE OF GREEN BAY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2006 and 2005

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### NOTE 8 - Retirement Plan

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Employees of the Foundation are covered by the Catholic Diocese of Green Bay, Inc. Employees' Retirement Plan. The defined contribution plan covers most lay employees. 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 was \$11,845 and \$3,052 for the years ended June 30, 2006 and 2005, respectively.

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### NOTE 9 - Restrictions on Net Assets

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

	<u>2006</u>	<u>2005</u>
Catholic education	\$ 31,087	\$ 30,909
Priest education	344,889	336,744
Respect for life	321,533	319,534
Children's services	215,904	214,344
Seminarians	26,760	31,991
Helen Danoski CHD grants	61,456	61,278
Bishop's appeal	4,027,365	-
Lumen Christi	13,571,132	-
Catholic schools	1,467,574	-
Retired priests residence	331,410	-
Advancing the mission	3,639,990	-
Future periods	<u>547,785</u>	<u>736,757</u>
	<u>\$24,586,885</u>	<u>\$ 1,731,557</u>

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

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### NOTE 10 - Pledges Payable

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During the year ended June 30, 2005, the Foundation made a pledge of long term support. The pledge calls for ten annual payments of \$25,000 each to be made, with the first payment being remitted during fiscal 2005 and the final payment due in fiscal 2014. The liability on the books at June 30, 2005 has been recorded at the net present value of the payments.

During the year ended June 30, 2006, the Foundation made a pledge of support to the MNL Community Capital Fund. The total pledge is \$10,000 with \$5,000 paid during the year ended June 30, 2006. The remaining \$5,000 is to be paid in May, 2007.

# CATHOLIC FOUNDATION FOR THE DIOCESE OF GREEN BAY, INC.

## NOTES TO FINANCIAL STATEMENTS June 30, 2006 and 2005

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### **NOTE 11 - Commitments and Contingencies**

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As of January 1, 2006, the Foundation entered into an agreement for the implementation of custom-designed, consultant-led, capital stewardship campaigns for all the parishes of the Diocese of Green Bay. The Foundation agreed to pay to Resource Services, Inc. a fixed fee in monthly installments through December 2007. The first payments under the contract were made during the year ended June 30, 2006. The remainder of the fee will be paid in the fiscal years ending June 30, 2007 and June 30, 2008, respectively. Management estimates that the total amounts paid under the contract will be between 3.5% and 4.0% of the funds pledged during the campaign.