

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

**FINANCIAL STATEMENTS  
June 30, 2013 and 2012**

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of The Catholic Foundation for the Diocese of Green Bay, Inc. (a Wisconsin corporation), which comprise the statements of financial position as of June 30, 2013 and 2012, 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 The Catholic Foundation for the Diocese of Green Bay, Inc. as of June 30, 2013 and 2012, 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 19, 2013

**THE CATHOLIC FOUNDATION FOR THE DIOCESE OF GREEN BAY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2013 and 2012**

**ASSETS**

	2013	2012
Cash and cash equivalents	\$ 1,643,122	\$ 1,111,149
Bequest receivable	64,894	-
Contributions receivable, net of allowance for doubtful accounts of \$10,000 and \$1,450,000, respectively	663,927	1,472,953
Investments	63,007,884	58,109,562
Prepaid expenses	-	3,544
Cash surrender value of life insurance	422,568	337,169
Beneficial interest in assets held by others	259,670	239,495
<b>TOTAL ASSETS</b>	<b>\$ 66,062,065</b>	<b>\$ 61,273,872</b>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable and accrued expenses	\$ 67,764	\$ 35,131
Funds held for others	16,744,246	13,808,219
Pledges payable	23,585	45,835
Total liabilities	16,835,595	13,889,185

**NET ASSETS**

Unrestricted	6,747,323	5,560,517
Temporarily restricted	23,367,308	22,465,191
Permanently restricted	19,111,839	19,358,979
Total net assets	49,226,470	47,384,687

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 66,062,065</b>	<b>\$ 61,273,872</b>
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The accompanying notes are an integral part of the financial statements.

**THE CATHOLIC FOUNDATION FOR THE DIOCESE OF GREEN BAY, INC.**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUES AND SUPPORT</b>				
Contributions	\$ 1,162,646	\$ 6,282,895	\$ 1,752	\$ 7,447,293
Management fees	694,755	-	-	694,755
Loss on uncollectible ATM contributions receivable	-	(503,881)	(248,892)	(752,773)
Net assets released from restrictions	8,410,959	(8,410,959)	-	-
Total revenues and support	<u>10,268,360</u>	<u>(2,631,945)</u>	<u>(247,140)</u>	<u>7,389,275</u>
<b>EXPENSES</b>				
Salaries and benefits	611,987	-	-	611,987
Purchased services	522,431	-	-	522,431
Facilities, buildings, and grounds	42,708	-	-	42,708
Office	206,243	-	-	206,243
Grants	8,405,227	-	-	8,405,227
Total expenses	<u>9,788,596</u>	<u>-</u>	<u>-</u>	<u>9,788,596</u>
Excess of expenses over revenues and support	<u>479,764</u>	<u>(2,631,945)</u>	<u>(247,140)</u>	<u>(2,399,321)</u>
<b>OTHER CHANGES IN NET ASSETS</b>				
Investment return	707,042	3,513,887	-	4,220,929
Change in beneficial interest in assets held by others	-	20,175	-	20,175
Total other changes in net assets	<u>707,042</u>	<u>3,534,062</u>	<u>-</u>	<u>4,241,104</u>
<b>CHANGE IN NET ASSETS</b>	1,186,806	902,117	(247,140)	1,841,783
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>5,560,517</u>	<u>22,465,191</u>	<u>19,358,979</u>	<u>47,384,687</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 6,747,323</u>	<u>\$ 23,367,308</u>	<u>\$ 19,111,839</u>	<u>\$ 49,226,470</u>

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

**THE CATHOLIC FOUNDATION FOR THE DIOCESE OF GREEN BAY, INC.**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2012**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES AND SUPPORT</b>				
Contributions	\$ 510,689	\$ 7,025,776	\$ 181,704	\$ 7,718,169
Management fees	640,333	-	-	640,333
Net assets released from restrictions	7,396,626	(7,396,626)	-	-
Total revenues and support	8,547,648	(370,850)	181,704	8,358,502
<b>EXPENSES</b>				
Salaries and benefits	514,448	-	-	514,448
Purchased services	587,138	-	-	587,138
Facilities, buildings, and grounds	43,705	-	-	43,705
Office	182,834	-	-	182,834
Grants	7,301,453	-	-	7,301,453
Total expenses	8,629,578	-	-	8,629,578
Excess of expenses over revenues and support	(81,930)	(370,850)	181,704	(271,076)
<b>OTHER CHANGES IN NET ASSETS</b>				
Investment return	(324)	(930,437)	-	(930,761)
Change in beneficial interest in assets held by others	-	(7,067)	-	(7,067)
Total other changes in net assets	(324)	(937,504)	-	(937,828)
<b>CHANGE IN NET ASSETS</b>	(82,254)	(1,308,354)	181,704	(1,208,904)
<b>NET ASSETS, BEGINNING OF YEAR</b>	5,642,771	23,773,545	19,177,275	48,593,591
<b>NET ASSETS, END OF YEAR</b>	\$ 5,560,517	\$ 22,465,191	\$ 19,358,979	\$ 47,384,687

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

**THE CATHOLIC FOUNDATION FOR THE DIOCESE OF GREEN BAY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from contributors and fees	\$ 8,131,655	\$ 11,186,451
Cash paid to and on behalf of employees	(605,720)	(524,942)
Cash paid to suppliers	2,194,555	(426,677)
Cash paid for grants	<u>(8,427,477)</u>	<u>(7,322,443)</u>
Net cash flows from operating activities	<u>1,293,013</u>	<u>2,912,389</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash paid for purchases of investments	(11,493,189)	(14,035,576)
Proceeds from sale of investments	<u>10,730,397</u>	<u>10,369,115</u>
Net cash flows from investing activities	<u>(762,792)</u>	<u>(3,666,461)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Contributions restricted for endowment	<u>1,752</u>	<u>181,704</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	531,973	(572,368)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>1,111,149</u>	<u>1,683,517</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 1,643,122</u>	<u>\$ 1,111,149</u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,841,783	\$ (1,208,904)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Bad debts	752,773	(550,000)
Investment return	(4,220,929)	930,761
Change in beneficial interest in assets held by others	(20,175)	7,067
Permanently restricted contributions	(1,752)	(181,704)
Changes in certain assets and liabilities:		
Bequest receivable	(64,894)	2,272,080
Contributions receivable	56,253	1,287,573
Prepaid expenses	3,544	(1,392)
Accounts payable and accrued expenses	32,633	(178,230)
Funds held for others	2,936,027	556,128
Pledges payable	<u>(22,250)</u>	<u>(20,990)</u>
Net cash flows from operating activities	<u>\$ 1,293,013</u>	<u>\$ 2,912,389</u>
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Interest and dividends reinvested directly into investment funds	\$ 858,113	\$ 791,390
Change in funds held for others related to investment returns	1,673,160	(306,060)

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



**THE CATHOLIC FOUNDATION FOR THE DIOCESE OF GREEN BAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013 and 2012**

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**NOTE 1 - NATURE OF OPERATIONS**

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The 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 receiving and maintaining a fund or funds of real or personal property and using or applying the whole or any part of the income there from and the principal thereof exclusively for religious, charitable, scientific, literary, or educational purposes, in connection with the Catholic Diocese of Green Bay, in accordance with the teachings and the Code of Canon Law of the Roman Catholic Church.

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

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*Net Assets*

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 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 over certain funds.

***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 the Foundation pursuant to those stipulations.

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

*Cash and Cash Equivalents*

The Foundation defines cash and cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less. The Foundation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

**THE CATHOLIC FOUNDATION FOR THE DIOCESE OF GREEN BAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013 and 2012**

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

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*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. Donor-restricted investment income and unrealized gains or losses are reported as increases or decreases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

The Foundation's investment strategy incorporates a diversified asset allocation approach and maintains, within defined limits, exposure to the world equity and fixed income markets, including alternative investments. This strategy provides the Foundation with an asset mix that is most likely to meet its long-term return goals with an appropriate level of risk. The Foundation's Investment Committee has engaged independent external investment consultants to advise on asset allocation and conduct due diligence on investment managers. In addition, the Foundation monitors the portfolio asset allocation and performance regularly to ensure compliance with the investment policy.

*Beneficial Interest in Assets 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 and Bequest Revenue Recognition*

Contributions and bequests 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 statements of activities as net assets released from restrictions.

The Foundation determines its allowance for contributions received by considering a number of factors, including the length of time receivables are past due, the Foundation's previous loss history, the donor's current ability to pay its obligation, and the condition of the general economy.

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 Foundation's program services and in its fundraising 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.

**THE CATHOLIC FOUNDATION FOR THE DIOCESE OF GREEN BAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013 and 2012**

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

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*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 according to the intentions of the organization from which the funds were received. These funds are reported as funds held for others in the financial statements. Investment income and distributions of these funds are not considered revenues or expenses of the Foundation.

*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.

*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.

*Grant Expense*

In connection with its annual budget process, the Foundation communicates its intent to support various organizations of the Catholic Diocese of Green Bay with estimated grants. Management does not consider this intent to support or the communication of this intent to support an unconditional promise to give. The Foundation grant is recorded in the year in which the grant is distributed.

*Tax-Exempt Status*

The Foundation 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.

The Foundation had no unrelated business income for the years ended June 30, 2013 and 2012. The Foundation files tax returns in the U.S. federal jurisdiction and one state. The Foundation is no longer subject to U.S. federal or state tax examinations by tax authorities for years before 2010.

**THE CATHOLIC FOUNDATION FOR THE DIOCESE OF GREEN BAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013 and 2012**

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**NOTE 3 - INVESTMENTS**

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Investments consisted of the following pooled funds as of June 30:

	<u>2013</u>	<u>2012</u>
Bonds	\$ 16,851,123	\$ 16,268,999
Stocks	33,135,233	27,071,966
Money market	9,901,955	11,811,344
Hedge funds	<u>3,119,573</u>	<u>2,957,253</u>
Total	<u>\$ 63,007,884</u>	<u>\$58,109,562</u>

The Foundation entered into alternative investments in order to further diversify the Foundation's portfolio. Alternative investments are expected to provide equity-like returns with substantially reduced volatility over a full market cycle.

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

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 858,113	\$ 791,390
Realized and unrealized gains (losses) on investments	<u>3,362,816</u>	<u>(1,722,151)</u>
Total	<u>\$ 4,220,929</u>	<u>\$ (930,761)</u>

Fees charged on investments have been netted against the investment return. Total fees for the years ended June 30, 2013 and 2012 were \$832,557 and \$742,532, respectively.

For the years ended June 30, 2013 and 2012, \$162,320 and (\$69,946), respectively, of the realized and unrealized gains (losses) on investments relate to the alternative investments and have been included in the net investment return on the accompanying statements of activities.

**THE CATHOLIC FOUNDATION FOR THE DIOCESE OF GREEN BAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013 and 2012**

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**NOTE 4 - FAIR VALUE OF FINANCIAL INSTRUMENTS**

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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 Foundation 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 Foundation 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 Foundation 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 measured, reported, and/or disclosed at fair value will be classified and disclosed in one of the following three categories:

- 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, 2013			
	Total	Level 1	Level 2	Level 3
Bonds				
Pooled fixed income funds	\$ 16,851,123	\$ 16,851,123	\$ -	\$ -
Stocks				
Small cap funds	2,876,507	2,876,507	-	-
Mid cap funds	3,350,440	3,350,440	-	-
Large cap funds	5,119,248	5,119,248	-	-
International funds	9,395,663	9,395,663	-	-
Pooled funds	12,393,375	12,393,375	-	-
Money market	9,901,955	-	9,901,955	-
Beneficial interest	259,670	-	-	259,670
Hedge funds	3,119,573	-	-	3,119,573
<b>Total assets</b>	<b>\$ 63,267,554</b>	<b>\$ 49,986,356</b>	<b>\$ 9,901,955</b>	<b>\$ 3,379,243</b>

**THE CATHOLIC FOUNDATION FOR THE DIOCESE OF GREEN BAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013 and 2012**

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**NOTE 4 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

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	June 30, 2012			
	Total	Level 1	Level 2	Level 3
Bonds				
Pooled fixed income funds	\$ 16,268,999	\$ 13,314,348	\$ 2,954,651	\$ -
Stocks				
Small cap funds	2,313,039	2,313,039	-	-
Mid cap funds	2,073,698	2,073,698	-	-
Large cap funds	5,163,509	5,163,509	-	-
International funds	8,113,783	8,113,783	-	-
Pooled funds	9,407,937	9,407,937	-	-
Money market	11,811,344	-	11,811,344	-
Beneficial interest	239,495	-	-	239,495
Hedge funds	2,957,253	-	-	2,957,253
	<u>58,349,057</u>	<u>40,386,314</u>	<u>14,765,995</u>	<u>3,196,748</u>
Total assets	<u>\$ 58,349,057</u>	<u>\$ 40,386,314</u>	<u>\$ 14,765,995</u>	<u>\$ 3,196,748</u>

The following methods and assumptions were used to estimate the fair value for each of the investments measured at fair value:

Investments consist of stocks, bonds, mutual funds, and hedge funds. The stocks, bonds, and mutual funds are measured at fair value using quoted market prices. They are classified as Level 1 as they are traded in an active market for which closing prices are readily available. The money market fund which is valued based on quoted market prices is classified as Level 2 as there is not an active market.

The beneficial interest is measured at fair value based on information received from the trustee of the funds. It is classified as Level 3 as the valuation is not corroborated by market data. The unobservable inputs are the underlying assets held by the trustee and its investment policy. The trustee does not have any restrictions on redemption frequency or a required redemption notice period.

**THE CATHOLIC FOUNDATION FOR THE DIOCESE OF GREEN BAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013 and 2012**

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**NOTE 4 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

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The Foundation has chosen to employ a fund of funds approach in its allocation to alternative investments. The funds are in a private partnership structure and invest predominantly in other private partnerships. Since there is no readily available market for investments in certain private partnerships, such investments are classified as Level 3. A net asset value (NAV) is calculated monthly for each partnership and is used to subscribe or redeem limited partners. Following an initial lock up of twelve to twenty-five months, the Foundation may request liquidity or a full redemption from each partnership either on a periodic basis (usually quarterly, but in one case, annual) by giving notice of sixty-five to one hundred five days. As of June 30, 2013 and 2012, the Foundation had a 5.0% and 5.1% allocation to alternative investments, respectively. The funds were invested across four funds of funds and a total of over one hundred underlying funds. There are no unfunded future commitments to the funds.

The changes in Level 3 assets measured at fair value on a recurring basis are summarized as follows:

	<u>Beneficial Interest</u>	<u>Hedge Funds</u>
Balance, June 30, 2011	\$ 246,562	\$ 3,027,199
Purchases	-	22,715
Net losses (realized and unrealized) included in investment return	<u>(7,067)</u>	<u>(92,661)</u>
Balance, June 30, 2012	239,495	2,957,253
Sales	-	(52,298)
Net gain (realized and unrealized) included in investment return	<u>20,175</u>	<u>214,618</u>
Balance, June 30, 2013	<u>\$ 259,670</u>	<u>\$ 3,119,573</u>

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**NOTE 5 - CONTRIBUTIONS RECEIVABLE**

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Contributions receivable consist primarily of donor pledges for funds supporting a variety of activities. Contributions receivable expect to be collected as follows at June 30:

	<u>2013</u>	<u>2012</u>
Less than one year	\$ 620,237	\$ 2,837,683
One to five years	60,018	92,852
Less: Discount to present value	<u>(6,328)</u>	<u>(7,582)</u>
Present value of contributions receivable	673,927	2,922,953
Less: Allowance for uncollectible contributions	<u>(10,000)</u>	<u>(1,450,000)</u>
Total contributions receivable, net	<u>\$ 663,927</u>	<u>\$ 1,472,953</u>

A discount rate of 1.79% was used to determine the present value of contributions. This was the risk-free interest rate applicable to the year in which the promises were received.

**THE CATHOLIC FOUNDATION FOR THE DIOCESE OF GREEN BAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013 and 2012**

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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:

	2013	2012
Program services:		
Grants	\$ 8,405,227	\$ 7,301,453
Supporting services:		
Management and general	428,218	447,376
Fundraising	955,151	880,749
<b>Total</b>	<b>\$ 9,788,596</b>	<b>\$ 8,629,578</b>

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**NOTE 7 - LEASES**

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The Foundation 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, 2013 and 2012 was \$42,708 and \$42,384, respectively.

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**NOTE 8 - INTERDIOCESAN TRANSACTIONS**

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

Nature of transaction	2013	2012
Revenues:		
Purchased service	\$ 3,800	\$ 94,345
Expenses:		
Occupancy expenses	\$ 88,995	\$ 98,437
Insurance expenses	106,112	95,044
Bishop's Appeal grants	4,660,204	4,074,439
Donations	1,556,781	887,510
Administrative and support services	181,508	175,236
Advertising	54,824	47,359
	<b>\$ 6,648,424</b>	<b>\$ 5,378,025</b>

The Foundation also has a beneficial interest in annuities held by the Catholic Diocese of Green Bay, Inc. As of June 30, 2013 and 2012, the balance was \$192,360 and \$182,252, respectively.



**THE CATHOLIC FOUNDATION FOR THE DIOCESE OF GREEN BAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013 and 2012**

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**NOTE 9 - RETIREMENT PLAN**

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The Foundation 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, 2013 and 2012 was \$36,042 and \$31,516, respectively.

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**NOTE 10 - RESTRICTED NET ASSETS**

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Temporarily restricted net assets were available for the following purposes or periods at June 30:

	<u>2013</u>	<u>2012</u>
Catholic education	\$ 59,741	\$ 47,201
Priest education	333,274	307,474
Respect for life	293,503	273,060
Children's services	196,588	182,575
Seminarian appeal	4,248,413	3,520,334
Bishop's appeal	5,301,496	6,214,558
Lumen Christi appeal	2,948,162	2,165,013
Catholic schools	380,622	290,009
Advancing the mission appeal	3,541,041	4,063,686
Future periods	1,938,429	1,081,356
Endowment-priest education, seminarians, and the Bishop's greatest need	<u>4,126,039</u>	<u>4,319,925</u>
	<u>\$ 23,367,308</u>	<u>\$ 22,465,191</u>

Permanently restricted net assets were available for the following purposes or periods at June 30:

	<u>2013</u>	<u>2012</u>
Lumen Christi appeal	\$ 10,354,505	\$ 10,354,505
Priest care	1,722,200	1,674,342
Evangelization	1,831,927	1,814,801
Leadership	2,610,422	2,584,440
Life-long catechesis	1,736,127	1,710,501
Advancing the mission appeal contributions receivable	71,018	434,749
Endowment-priest education, seminarians, and the Bishop's greatest need	<u>785,640</u>	<u>785,641</u>
	<u>\$ 19,111,839</u>	<u>\$ 19,358,979</u>

**THE CATHOLIC FOUNDATION FOR THE DIOCESE OF GREEN BAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013 and 2012**

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**NOTE 11 - ENDOWMENTS**

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*Interpretation of Relevant Law*

The Foundation has interpreted Wisconsin's adoption of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Foundation classifies as permanently restricted net assets:

- The original value of gifts donated to the permanent endowment, which include outstanding uncollected pledges,
- The original value of subsequent gifts to the permanent endowment, and
- Accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund in excess of the original fair value that is not classified as permanently restricted is classified as temporarily restricted until that amount is appropriated in a manner consistent with the donor's wishes and the standard of prudence prescribed by UPMIFA. If the market value of the permanently restricted net assets at year-end is below the original fair value, the deficit is recorded as an unrestricted unrealized loss.

*Fund Objectives*

Funds are established to assist the Foundation in its mission as defined in Note 1.

*Investment Objective and Cash Flow Policy*

The Foundation manages endowments with the intention of preserving and maintaining their existence in perpetuity. The Foundation exercises ordinary business care and prudence under the facts and circumstances prevailing at the time with respect to the making or retaining of investments, or the delegation of investment management to any independent investment counsel or managers (including banks and trust companies) who will act in place of the Foundation in investment and reinvestment of endowment funds. The general policy for investment of the funds shall be primarily directed to preserving the principal of the funds, and secondarily to obtaining reasonable income and capital appreciation thereon.

The distribution policy varies by fund. A typical policy provides an annual distribution based on 5% of the December 31<sup>st</sup> fair value. Depending on the fund and the donor agreement, the annual distribution may temporarily consist of principal until earnings are sufficient to bring the fund back up to its principal balance.

**THE CATHOLIC FOUNDATION FOR THE DIOCESE OF GREEN BAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 11 - ENDOWMENTS (CONTINUED)**

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*Investment Policies*

The Foundation acknowledges the importance of the performance of the capital markets in providing returns to assist in meeting the cash flow needs of the Foundation. As a result, a historical analysis of the performance of the capital markets was developed including various assumptions for projected market conditions. Several combinations of each asset class in varying percentages were examined. Profiles and distributions of expected returns were projected for 20 consecutive years. These outputs were not viewed as predictions, but rather a systematic and consistent method for evaluation investment policies. After review, the Foundation adopted a target asset allocation.

The Foundation defines the target asset allocation as something which can be controlled and measured. There may be occasions when the Foundation and/or the retained investment manager(s) feel a significant increase or decrease to any of these or other classes of securities may be warranted based on the current and/or anticipated conditions.

The assets of endowments are to be diversified in order to minimize risk of large losses to them by any one or more individual investments. The Foundation believes diversification is, in part, accomplished through the selection of asset mix and investment managers. The Foundation gives due consideration to the costs and fees of various investment options.

The Foundation does not consider contributions receivable to be a part of its endowment. Permanently restricted receipts are transferred into endowment funds on a monthly basis upon receipt.

*Funds with Deficiencies*

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America (GAAP), deficiencies of this nature that are reported in unrestricted net assets were \$19,652 and \$37,006 as of June 30, 2013 and 2012, respectively. These deficiencies resulted from unfavorable market fluctuations. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets.

**THE CATHOLIC FOUNDATION FOR THE DIOCESE OF GREEN BAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013 and 2012**

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**NOTE 11 - ENDOWMENTS (CONTINUED)**

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Endowment net assets composition by type of fund consisted of the following at June 30:

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	\$ (19,652)	\$ 5,877,225	\$ 19,040,821	\$ 24,898,394
	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	\$ (37,006)	\$ 4,138,987	\$ 18,924,231	\$ 23,026,212
	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2012	\$ (37,006)	\$ 4,138,987	\$ 18,924,231	\$ 23,026,212
Investment return:				
Interest and dividends	-	451,122	-	451,122
Realized and unrealized gains (losses)	-	2,208,537	-	2,208,537
Total investment return	-	2,659,659	-	2,659,659
Contributions	-	926,208	-	926,208
Receipt of pledges	-	-	116,590	116,590
Appropriation for expenditure	-	(1,830,275)	-	(1,830,275)
Net change in endowments below historical gift value	17,354	(17,354)	-	-
Total	17,354	(921,421)	116,590	(787,477)
Endowment net assets, June 30, 2013	\$ (19,652)	\$ 5,877,225	\$ 19,040,821	\$ 24,898,394

**THE CATHOLIC FOUNDATION FOR THE DIOCESE OF GREEN BAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013 and 2012**

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**NOTE 11 - ENDOWMENTS (CONTINUED)**

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	2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, June 30, 2011	\$ (19,161)	\$ 4,116,310	\$ 18,299,442	\$ 22,396,591
Investment return:				
Interest and dividends	-	427,107	-	427,107
Realized and unrealized gains (losses)	-	(1,326,275)	-	(1,326,275)
Total investment return	-	(899,168)	-	(899,168)
Contributions	-	993,858	-	993,858
Receipt of pledges	-	-	624,789	624,789
Appropriation for expenditure	-	(89,858)	-	(89,858)
Net change in endowments below historical gift value	(17,845)	17,845	-	-
Total	(17,845)	921,845	624,789	1,528,789
Endowment net assets, June 30, 2012	\$ (37,006)	\$ 4,138,987	\$ 18,924,231	\$ 23,026,212

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**NOTE 12 - PLEDGES PAYABLE**

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During the year ended June 30, 2005, the Foundation made a pledge of long-term support to the Sisters of St. Francis. The pledge calls for ten annual payments of \$25,000 each to be made, with the final payment due during the year ended June 30, 2014. The liability on the financial statements at June 30, 2013 and 2012 has been recorded at the net present value of the payments due discounted at 6%. At June 30, 2013 and 2012, the balance of pledges payable was \$23,585 and \$45,835, respectively, net of discounts of \$1,415 and \$4,165, respectively.

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**NOTE 13 - SUBSEQUENT EVENTS**

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Management evaluated subsequent events through September 19, 2013, the date the accompanying financial statements were available to be issued. Events or transactions occurring after June 30, 2013, but prior to September 19, 2013 that provided additional evidence about conditions that existed at June 30, 2013, have been recognized in the accompanying financial statements for the year ended June 30, 2013. Events or transactions that provided evidence about conditions that did not exist at June 30, 2013 but arose before the accompanying financial statements were available to be issued have not been recognized in the accompanying financial statements for the year ended June 30, 2013.

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