

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

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

**THE CATHOLIC FOUNDATION FOR THE DIOCESE OF GREEN BAY, INC.
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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, 2017 and 2016, 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 audits 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.

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

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, 2017 and 2016, 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

CliftonLarsonAllen LLP

Oshkosh, Wisconsin
September 20, 2017

THE CATHOLIC FOUNDATION FOR THE DIOCESE OF GREEN BAY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Cash and Cash Equivalents	\$ 529,531	\$ 400,041
Accounts Receivable	-	8,000
Bequest Receivable	251,072	-
Contributions Receivable, Net of Allowance for Doubtful Accounts of \$10,000	5,034,060	5,412,218
Investments	83,426,607	75,193,147
Prepaid Expenses	4,764	1,854
Cash Surrender Value of Life Insurance	554,029	788,549
Beneficial Interest in Assets Held by Others	509,621	455,344
	\$ 90,309,684	\$ 82,259,153
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 130,165	\$ 49,609
Funds Held for Others	21,440,630	19,325,390
Funds Held for Others - Shrine	3,933,472	3,862,297
Pledges Payable	4,765,345	4,963,226
Total liabilities	30,269,612	28,200,522
NET ASSETS		
Unrestricted	13,975,791	10,679,721
Temporarily Restricted	26,785,016	24,099,645
Permanently Restricted	19,279,265	19,279,265
Total Net Assets	60,040,072	54,058,631
Total Liabilities and Net Assets	\$ 90,309,684	\$ 82,259,153

See accompanying Notes to Financial Statements.

THE CATHOLIC FOUNDATION FOR THE DIOCESE OF GREEN BAY, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT				
Contributions	\$ 2,564,560	\$ 7,784,324	\$ -	\$ 10,348,884
Management Fees	797,490	-	-	797,490
Net Assets Released from Restrictions	9,030,340	(9,030,340)	-	-
Total Revenues and Support	12,392,390	(1,246,016)	-	11,146,374
EXPENSES				
Salaries and Wages	466,518	-	-	466,518
Personnel Benefits	201,740	-	-	201,740
Purchased Services	570,759	-	-	570,759
Occupancy	43,198	-	-	43,198
Office	264,324	-	-	264,324
Grants	8,986,719	-	-	8,986,719
Total Expenses	10,533,258	-	-	10,533,258
REVENUES AND SUPPORT IN EXCESS (DEFICIT) OF EXPENSES				
	1,859,132	(1,246,016)	-	613,116
OTHER CHANGES IN NET ASSETS				
Investment Return:				
Interest and Dividends	221,448	928,368	-	1,149,816
Realized Gains	402,027	1,797,325	-	2,199,352
Unrealized Gains	813,463	1,385,937	-	2,199,400
Change in Beneficial Interest in Assets Held by Others	-	54,277	-	54,277
Change in Cash Surrender Value of Life Insurance	-	(234,520)	-	(234,520)
Total Other Changes in Net Assets	1,436,938	3,931,387	-	5,368,325
CHANGE IN NET ASSETS	3,296,070	2,685,371	-	5,981,441
Net Assets - Beginning of Year	10,679,721	24,099,645	19,279,265	54,058,631
NET ASSETS - END OF YEAR	<u>\$ 13,975,791</u>	<u>\$ 26,785,016</u>	<u>\$ 19,279,265</u>	<u>\$ 60,040,072</u>

See accompanying Notes to Financial Statements.

THE CATHOLIC FOUNDATION FOR THE DIOCESE OF GREEN BAY, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT				
Contributions	\$ 688,920	\$ 7,207,403	\$ 6,000	\$ 7,902,323
Management Fees	802,341	-	-	802,341
Net Assets Released from Restrictions	8,306,102	(8,306,102)	-	-
Total Revenues and Support	9,797,363	(1,098,699)	6,000	8,704,664
EXPENSES				
Salaries and Wages	419,672	-	-	419,672
Personnel Benefits	193,004	-	-	193,004
Purchased Services	598,829	-	-	598,829
Occupancy	42,708	-	-	42,708
Office	269,778	-	-	269,778
Grants	8,788,863	-	-	8,788,863
Total Expenses	10,312,854	-	-	10,312,854
REVENUES AND SUPPORT IN EXCESS (DEFICIT) OF EXPENSES				
	(515,491)	(1,098,699)	6,000	(1,608,190)
OTHER CHANGES IN NET ASSETS				
Investment Return:				
Interest and Dividends	228,933	691,018	-	919,951
Realized Gains	100,874	427,122	-	527,996
Unrealized Losses	(624,483)	(2,353,773)	-	(2,978,256)
Change in Beneficial Interest in Assets Held by Others	-	(49,382)	-	(49,382)
Change in Cash Surrender Value of Life Insurance	-	128,163	-	128,163
Total Other Changes in Net Assets	(294,676)	(1,156,852)	-	(1,451,528)
CHANGE IN NET ASSETS	(810,167)	(2,255,551)	6,000	(3,059,718)
Net Assets - Beginning of Year	11,489,888	26,355,196	19,273,265	57,118,349
NET ASSETS - END OF YEAR	<u>\$ 10,679,721</u>	<u>\$ 24,099,645</u>	<u>\$ 19,279,265</u>	<u>\$ 54,058,631</u>

See accompanying Notes to Financial Statements.

THE CATHOLIC FOUNDATION FOR THE DIOCESE OF GREEN BAY, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Contributors and Fees	\$11,281,460	\$ 9,275,227
Cash Received (Paid) on Behalf of Others	2,186,415	(369,978)
Cash Paid to and on Behalf of Employees	(655,179)	(613,230)
Cash Paid to Suppliers	(813,714)	(930,953)
Cash Paid for Grants	(9,184,600)	(8,777,119)
Net Cash Flows from Operating Activities	2,814,382	(1,416,053)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Paid for Purchases of Investments	(15,238,011)	(13,257,803)
Proceeds from Sale of Investments	12,553,119	14,008,516
Net Cash Flows from Investing Activities	(2,684,892)	750,713
CASH FLOWS FROM FINANCING ACTIVITY		
Contributions Restricted for Endowment	-	6,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	129,490	(659,340)
Cash and Cash Equivalents - Beginning of Year	400,041	1,059,381
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 529,531	\$ 400,041
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 5,981,441	\$ (3,059,718)
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities:		
Investment Return	(5,314,048)	1,402,146
Change in Beneficial Interest in Assets Held by Others	(54,277)	49,382
Permanently Restricted Contributions	-	(6,000)
Changes in Certain Assets and Liabilities:		
Accounts Receivable	8,000	(8,000)
Bequest Receivable	(251,072)	601,499
Contributions Receivable	378,158	(16,936)
Prepaid Expenses	(2,910)	(1,854)
Accounts Payable and Accrued Expenses	80,556	(18,338)
Funds Held for Others	2,186,415	(369,978)
Pledges Payable	(197,881)	11,744
Net Cash Flows from Operating Activities	\$ 2,814,382	\$ (1,416,053)
NONCASH INVESTING AND FINANCING ACTIVITIES		
Interest and Dividends Reinvested Directly into Investment Funds	\$ 1,149,816	\$ 919,951
Change in Funds Held for Others Related to Investment Returns	\$ 2,065,066	\$ (417,972)

See accompanying Notes to Financial Statements.

THE CATHOLIC FOUNDATION FOR THE DIOCESE OF GREEN BAY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 NATURE OF OPERATIONS

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.

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 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, which is generally referred to as variance power, such contributions must be classified as unrestricted net assets. The board of directors of the Foundation has 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.

THE CATHOLIC FOUNDATION FOR THE DIOCESE OF GREEN BAY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 nonfinancial 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.

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 CATHOLIC FOUNDATION FOR THE DIOCESE OF GREEN BAY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

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.

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.

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 incurred no unrelated business income tax for the years ended June 30, 2017 and 2016.

Reclassifications

Certain amounts reported in the prior year's financial statements have been reclassified to conform to the current year's presentation. The reclassifications had no effect on the previously reported change in net assets or net assets.

THE CATHOLIC FOUNDATION FOR THE DIOCESE OF GREEN BAY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through September 20, 2017, the date the financial statements were available to be issued.

NOTE 3 NEW ACCOUNTING STANDARDS UPDATE

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which is expected to impact the information presented in financial statements and notes about a nonprofit entity's liquidity, financial performance, and cash flows. The guidance is required to be applied by the Foundation for the year ended June 30, 2019; however, early application is permitted. The Foundation is currently evaluating the impact this guidance will have on its financial statements.

NOTE 4 INVESTMENTS

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

	<u>2017</u>	<u>2016</u>
Bonds	\$ 19,525,292	\$ 18,261,582
Stocks	42,801,666	39,206,013
Money Market	17,619,317	14,433,897
Hedge Funds	3,480,332	3,291,655
Total	<u>\$ 83,426,607</u>	<u>\$ 75,193,147</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>2017</u>	<u>2016</u>
Interest and Dividends	\$ 1,149,816	\$ 919,951
Realized Gains	2,199,352	527,996
Unrealized Gains (Losses)	2,199,400	(2,978,256)
Change in Cash Surrender Value of Life Insurance	(234,520)	128,163
Total	<u>\$ 5,314,048</u>	<u>\$ (1,402,146)</u>

Fees charged on investments have been netted against the investment return. Total fees for the years ended June 30, 2017 and 2016 were \$905,908 and \$872,018, respectively.

For the years ended June 30, 2017 and 2016, \$188,677 and \$(229,804), respectively, of the net 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, 2017 AND 2016

NOTE 5 FAIR VALUE OF FINANCIAL INSTRUMENTS

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.

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, 2017			
	Level 1	Level 2	Level 3	Total
Bonds	\$ 19,525,292	\$ -	\$ -	\$ 19,525,292
Stocks	42,801,666	-	-	42,801,666
Money Market	-	17,619,317	-	17,619,317
Beneficial Interest	-	-	509,621	509,621
Hedge Funds	-	-	3,480,332	3,480,332
Total Assets	<u>\$ 62,326,958</u>	<u>\$ 17,619,317</u>	<u>\$ 3,989,953</u>	<u>\$ 83,936,228</u>

	June 30, 2016			
	Level 1	Level 2	Level 3	Total
Bonds	\$ 18,261,582	\$ -	\$ -	\$ 18,261,582
Stocks	39,206,013	-	-	39,206,013
Money Market	-	14,433,897	-	14,433,897
Beneficial Interest	-	-	455,344	455,344
Hedge Funds	-	-	3,291,655	3,291,655
Total Assets	<u>\$ 57,467,595</u>	<u>\$ 14,433,897</u>	<u>\$ 3,746,999</u>	<u>\$ 75,648,491</u>

THE CATHOLIC FOUNDATION FOR THE DIOCESE OF GREEN BAY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 5 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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 Foundation has chosen to employ a fund of funds approach in its allocation to alternative investments presented as 'hedge funds' in the fair value table above. 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, annually) by giving notice of sixty-five to one hundred five days. As of June 30, 2017 and 2016, the Foundation had a 5.0% allocation to alternative investments. The funds were invested across four 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, 2015	\$ 504,726	\$ 3,521,459
Net Realized and Unrealized Loss included in Investment Return	<u>(49,382)</u>	<u>(229,804)</u>
BALANCE - JUNE 30, 2016	455,344	3,291,655
Net Realized and Unrealized Gain included in Investment Return	<u>54,277</u>	<u>188,677</u>
BALANCE - JUNE 30, 2017	<u>\$ 509,621</u>	<u>\$ 3,480,332</u>

THE CATHOLIC FOUNDATION FOR THE DIOCESE OF GREEN BAY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 6 CONTRIBUTIONS RECEIVABLE

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

	<u>2017</u>	<u>2016</u>
Less than One Year	\$ 1,785,597	\$ 1,759,652
One to Five Years	3,500,000	4,000,000
Less: Unamortized Discount (3%)	<u>(241,537)</u>	<u>(337,434)</u>
Present Value of Contributions Receivable	5,044,060	5,422,218
Less: Allowance for Uncollectible Contributions	<u>(10,000)</u>	<u>(10,000)</u>
Total Contributions Receivable, Net	<u>\$ 5,034,060</u>	<u>\$ 5,412,218</u>

A discount rate of 3% was used to determine the net present value of future cash flows.

The balance of contributions receivable included net contributions receivable of \$4,508,463 and \$4,662,565 at June 30, 2017 and 2016, respectively, that are being collected by the Foundation on behalf of The Shrine of Our Lady of Good Help, Inc., which is another diocesan corporation. A corresponding liability of \$4,508,463 and \$4,662,565 was included in Pledges Payable on the accompanying statement of financial position as of June 30, 2017 and 2016, respectively.

NOTE 7 PLEDGES PAYABLE

During the year ended June 30, 2015, the Foundation made a pledge of long-term support to the Shrine of Our Lady of Good Help, Inc. The pledge calls for five annual payments of \$1,000,000, with the final payment due during the year ended June 30, 2021. The liability on the financial statements has been recorded at the net present value of the payments due using a discount factor of 3%. The remaining pledges payable of \$256,882 are expected to be paid during the year ended June 30, 2018.

Pledges payable are recorded net of discounts of \$241,537 and \$337,434 at June 30, 2017 and 2016, respectively. Included in the pledges payable balances were amounts owed to other diocesan corporations totaling \$4,508,463 and \$4,662,565 at June 30, 2017 and 2016, respectively.

THE CATHOLIC FOUNDATION FOR THE DIOCESE OF GREEN BAY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 8 RESTRICTED NET ASSETS

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

	<u>2017</u>	<u>2016</u>
Catholic Education	\$ 222,724	\$ 193,707
Priest Education	348,043	325,106
Respect for Life	307,898	289,704
Children's Services	204,552	191,950
Seminarian Appeal	8,001,238	6,810,361
Bishop's Appeal	5,024,191	4,879,497
Lumen Christi Appeal	2,825,393	2,168,132
Catholic Schools	457,276	449,910
Advancing the Mission Appeal	1,134,223	1,050,375
Future Periods	1,862,882	2,262,713
Priest Retirement	49,514	23,237
Scholarship Assistance	863,241	780,018
Retreat Ministry	400,643	-
Endowment-Priest Education, Seminarians, and the Bishop's Greatest Need	<u>5,083,198</u>	<u>4,674,935</u>
Total	<u>\$ 26,785,016</u>	<u>\$ 24,099,645</u>

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

	<u>2017</u>	<u>2016</u>
Lumen Christi Appeal	\$ 10,355,505	\$ 10,355,505
Priest Care	1,792,098	1,792,098
Evangelization	1,877,558	1,877,558
Leadership	2,686,707	2,686,707
Life-Long Catechesis	1,781,757	1,781,757
Endowment Priest Education, Seminarians, and the Bishop's Greatest Need	<u>785,640</u>	<u>785,640</u>
Total	<u>\$ 19,279,265</u>	<u>\$ 19,279,265</u>

NOTE 9 LEASES

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, 2017 and 2016 was \$42,708 per year.

THE CATHOLIC FOUNDATION FOR THE DIOCESE OF GREEN BAY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 10 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 programs and supporting services benefited.

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

	<u>2017</u>	<u>2016</u>
Program Services:		
Grants	\$ 8,719,840	\$ 8,788,861
Supporting Services:		
Management and General	534,699	571,681
Fundraising	1,278,719	952,312
Total	<u>\$ 10,533,258</u>	<u>\$ 10,312,854</u>

NOTE 11 INTERDIOCESAN TRANSACTIONS

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

<u>Nature of Transaction</u>	<u>2017</u>	<u>2016</u>
Revenues:		
Donations	\$ -	\$ 28,466
Purchased Service	4,000	4,000
Total	<u>\$ 4,000</u>	<u>\$ 32,466</u>
Expenses:		
Occupancy Services	\$ 88,297	\$ 90,775
Insurance Expenses	105,026	107,591
Bishop's Appeal Grants	5,091,612	4,773,069
Donations	1,198,536	1,067,496
Administrative and Support Services	247,006	238,270
Advertising	59,013	60,236
Total	<u>\$ 6,789,490</u>	<u>\$ 6,337,437</u>

The Foundation also has a beneficial interest in annuities held by the Catholic Diocese of Green Bay, Inc. As of June 30, 2017 and 2016, the balance was \$416,366 and \$372,572, respectively.

THE CATHOLIC FOUNDATION FOR THE DIOCESE OF GREEN BAY, INC.
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NOTE 12 RETIREMENT PLAN

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, 2017 and 2016 was \$41,041 and \$38,020, respectively.

NOTE 13 ENDOWMENTS

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,
- 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 31st 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
JUNE 30, 2017 AND 2016

NOTE 13 ENDOWMENTS (CONTINUED)

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 are reported in unrestricted net assets. There were no such funds with deficiencies as of June 30, 2017 and 2016.

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

	June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted	\$ -	\$ 6,085,922	\$ 19,279,265	\$ 25,365,187
	June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted	\$ -	\$ 4,970,135	\$ 19,279,265	\$ 24,249,400

THE CATHOLIC FOUNDATION FOR THE DIOCESE OF GREEN BAY, INC.
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NOTE 13 ENDOWMENTS (CONTINUED)

Changes in endowment net assets as of June 30, 2017 and 2016 are as follows:

	June 30, 2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Net Assets - June 30, 2016	\$ -	\$ 4,970,135	\$ 19,279,265	\$ 24,249,400
Investment Return:				
Interest and Dividends	-	405,929	-	405,929
Realized and Unrealized Gains	-	2,073,227	-	2,073,227
Total Investment Return	-	2,479,156	-	2,479,156
Contributions	-	1,276,014	-	1,276,014
Appropriation for Expenditure	-	(2,639,383)	-	(2,639,383)
Net Change in Endowments Below Historical Gift Value	-	-	-	-
Total	-	(1,363,369)	-	(1,363,369)
Endowment Net Assets - June 30, 2017	<u>\$ -</u>	<u>\$ 6,085,922</u>	<u>\$ 19,279,265</u>	<u>\$ 25,365,187</u>
	June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets - June 30, 2015	\$ -	\$ 7,177,294	\$ 19,273,265	\$ 26,450,559
Investment Return:				
Interest and Dividends	-	473,898	-	473,898
Realized and Unrealized Losses	-	(1,418,598)	-	(1,418,598)
Total Investment Return	-	(944,700)	-	(944,700)
Contributions	-	742,741	-	742,741
Receipts of Pledges	-	-	6,000	6,000
Appropriation for Expenditure	-	(2,005,200)	-	(2,005,200)
Net Change in Endowments Below Historical Gift Value	-	-	-	-
Total	-	(1,262,459)	6,000	(1,256,459)
Endowment Net Assets - June 30, 2016	<u>\$ -</u>	<u>\$ 4,970,135</u>	<u>\$ 19,279,265</u>	<u>\$ 24,249,400</u>