

ST. THERESE OF THE LITTLE FLOWER, INC.

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

**ST. THERESE OF THE LITTLE FLOWER, INC.
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of St. Therese of the Little Flower, Inc. (a Wisconsin corporation), which comprise the statements of financial position as of June 30, 2019 and 2018, 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.

Board of Directors
St. Therese of the Little Flower, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Therese of the Little Flower, Inc. as of June 30, 2019 and 2018, 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 23, 2019

ST. THERESE OF THE LITTLE FLOWER, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Cash and Cash Equivalents	\$ 2,947,289	\$ 2,686,426
Interest in Cash Due to Others	(2,721,945)	(2,471,221)
Total Cash and Cash Equivalents	225,344	215,205
Accounts Receivable	1,269	415
Prepaid Expenses	34,977	64,085
Investments	484,170	277,420
Software and Equipment, Net	285,766	483,680
Total Assets	\$ 1,031,526	\$ 1,040,805
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 23,934	\$ 27,484
Accrued Expenses	170,849	191,892
Total Liabilities	194,783	219,376
NET ASSETS		
Without Donor Restrictions	668,294	659,504
With Donor Restrictions	168,449	161,925
Total Net Assets	836,743	821,429
Total Liabilities and Net Assets	\$ 1,031,526	\$ 1,040,805

See accompanying Notes to Financial Statements.

ST. THERESE OF THE LITTLE FLOWER, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND SUPPORT			
Fees for Services	\$ 2,462,252	\$ -	\$ 2,462,252
Contributions	555,000	5,000	560,000
Other	3,120	-	3,120
Total Revenues and Support	<u>3,020,372</u>	<u>5,000</u>	<u>3,025,372</u>
EXPENSES			
Salaries and Wages	1,383,065	-	1,383,065
Personnel Benefits	450,088	-	450,088
Purchased Services	706,752	-	706,752
Facilities, Buildings, and Grounds	88,872	-	88,872
Office	384,484	-	384,484
Other	3,547	-	3,547
Total Expenses	<u>3,016,808</u>	<u>-</u>	<u>3,016,808</u>
Revenues and Support in Excess of Expenses	3,564	5,000	8,564
OTHER CHANGE IN NET ASSETS			
Investment Return	<u>5,226</u>	<u>1,524</u>	<u>6,750</u>
CHANGE IN NET ASSETS	8,790	6,524	15,314
Net Assets - Beginning of Year	<u>659,504</u>	<u>161,925</u>	<u>821,429</u>
NET ASSETS - END OF YEAR	<u><u>\$ 668,294</u></u>	<u><u>\$ 168,449</u></u>	<u><u>\$ 836,743</u></u>

See accompanying Notes to Financial Statements.

**ST. THERESE OF THE LITTLE FLOWER, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
Fees for Services	\$ 2,370,185	\$ -	\$ 2,370,185
Contributions	715,000	-	715,000
Other	3,427	-	3,427
Total Revenues and Support	3,088,612	-	3,088,612
EXPENSES			
Salaries and Wages	1,332,386	-	1,332,386
Personnel Benefits	432,104	-	432,104
Purchased Services	612,467	-	612,467
Facilities, Buildings, and Grounds	88,872	-	88,872
Office	356,300	-	356,300
Other	6,606	-	6,606
Total Expenses	2,828,735	-	2,828,735
Revenues and Support in Excess of Expenses	259,877	-	259,877
OTHER CHANGE IN NET ASSETS			
Investment Return	2,612	1,290	3,902
CHANGE IN NET ASSETS	262,489	1,290	263,779
Net Assets - Beginning of Year	397,015	160,635	557,650
NET ASSETS - END OF YEAR	\$ 659,504	\$ 161,925	\$ 821,429

See accompanying Notes to Financial Statements.

ST. THERESE OF THE LITTLE FLOWER, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers and Contributors	\$ 3,024,518	\$ 3,091,662
Cash Paid to and on Behalf of Employees	(1,839,153)	(1,750,658)
Cash Paid to Suppliers	(963,764)	(992,255)
Net Cash Flows from Operating Activities	221,601	348,749
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Paid for Purchases of Software and Equipment	(11,462)	(514,106)
Cash Paid for Purchase of Investments	(200,000)	-
Net Cash Flows from Investing Activities	(211,462)	(514,106)
NET CHANGE IN CASH AND CASH EQUIVALENTS	10,139	(165,357)
Cash and Cash Equivalents - Beginning of Year	215,205	380,562
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 225,344	\$ 215,205
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 15,314	\$ 263,779
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation	209,376	118,562
Investment Return	(6,750)	(3,902)
Changes in Certain Assets and Liabilities:		
Accounts Receivable	(854)	3,050
Prepaid Expenses	29,108	(62,288)
Accounts Payable	(3,550)	637
Accrued Expenses	(21,043)	28,911
Net Cash Flows from Operating Activities	\$ 221,601	\$ 348,749
NONCASH INVESTING AND FINANCING ACTIVITIES		
Interest and Dividends Reinvested Directly Back Into Investment Funds	\$ 5,777	\$ 3,076

See accompanying Notes to Financial Statements.

ST. THERESE OF THE LITTLE FLOWER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 PRINCIPAL ACTIVITY

St. Therese of the Little Flower, Inc. (St. Therese) is a nonprofit corporation organized under the laws of the state of Wisconsin for the purpose of providing services such as financial, accounting, information technology, communications, and other administrative services in accordance with and in support of the mission of the Catholic Diocese of Green Bay.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets available for use in general operation and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions

Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

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

**ST. THERESE OF THE LITTLE FLOWER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Expenses

St. Therese occasionally enters into contracts for purchases related to the maintenance of software and software hosting or other items. The maintenance contracts are amortized over the life of the respective contract. As of June 30, 2019 and 2018, the total amount of prepaid expense was \$34,977 and \$64,085, respectively, all of which was related to maintenance contracts.

Investments

Investments are generally recorded at fair value based upon quoted market prices, when available, or estimates of fair value. Investment income or loss and unrealized gains or losses are included in the accompanying statements of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Software and Equipment

Software and equipment are stated at cost, if purchased, or fair market value at date of the gift, if donated. All acquisitions of property in excess of \$5,000 and equipment in excess of \$1,000 and all expenditures for improvements and betterments that materially prolong the useful lives of assets are capitalized. Maintenance, repairs, and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

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

	<u>Years</u>
Software and Equipment	3 to 5
Parish and School Software Project	3

Impairment of Long-Lived Assets

St. Therese reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

ST. THERESE OF THE LITTLE FLOWER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contribution Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as Net Assets Released from Restriction.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by St. Therese.

Tax-Exempt Status

St. Therese has received notification that it qualifies as a tax-exempt organization under Section 501(c)(3) covered by the U.S. Internal Revenue Service group exemption letter of the United States Conference of Catholic Bishops and corresponding provisions of state law and, accordingly, is not subject to federal or state income taxes.

Subsequent Events

In preparing these financial statements, St. Therese has evaluated events and transactions for potential recognition or disclosure through September 23, 2019, the date the financial statements were available to be issued.

NOTE 3 ACCOUNTING STANDARDS UPDATES

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*. St. Therese adopted this standard on July 1, 2018. Accordingly, the required presentation and disclosure changes have been retrospectively applied to the prior period presented as if the policy had been used in that year.

In June 2018, the FASB issued ASU 2018-08 to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The guidance is required to be applied by St. Therese for the year ending June 30, 2020. St. Therese is currently evaluating the impact this guidance will have on its financial statements.

ST. THERESE OF THE LITTLE FLOWER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 4 LIQUIDITY AND AVAILABILITY

St. Therese regularly monitors liquidity required to meet its operating needs, liabilities, and other obligations as they become due. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30:

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 225,344	\$ 215,205
Accounts Receivable	1,269	415
Investments	<u>484,170</u>	<u>277,420</u>
	710,783	493,040
Less: Donor Restricted Net Assets	<u>(168,449)</u>	<u>(161,925)</u>
Total Financial Assets Available for General Expenditure	<u>\$ 542,334</u>	<u>\$ 331,115</u>

NOTE 5 INVESTMENTS

Investments are held by St. Francis Xavier Investment Corp. (St. Francis Xavier Corp.), an interdiocesan entity. St. Francis Xavier Corp. has grouped their investments and created a unitized fixed income fund, equity fund, and money market fund. St. Therese owns units in the fixed income, equity, and money market funds.

Investments are carried at fair value and consisted of the following at June 30:

	<u>Fair Value</u>		<u>Redemption Frequency</u>	<u>Termination Notice Period</u>
	<u>2019</u>	<u>2018</u>		
St. Francis Xavier Corp.				
Fixed Income Fund	\$ 13,149	\$ 12,574	Daily	30 Days
Equity Fund	13,182	12,235	Daily	30 Days
Money Market Fund	<u>457,839</u>	<u>252,611</u>	Daily	30 Days
Total	<u>\$ 484,170</u>	<u>\$ 277,420</u>		

The money market fund is intended to be utilized by intermediate and short-term money.

The fixed income fund is intended to be utilized by intermediate and long-term money. The target allocation of the fixed income fund is:

Intermediate Fixed Income	95%
Cash	<u>5</u>
Total	<u>100%</u>

ST. THERESE OF THE LITTLE FLOWER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 5 INVESTMENTS (CONTINUED)

The equity fund is intended to be utilized by long-term money. The participant is not allowed to invest more than 70% of their funds in the equity fund. The target allocation of the equity fund is:

Small-Cap Domestic Stocks	20%
Mid-Cap Domestic Stocks	20
Large-Cap Domestic Stocks	40
International Stocks	17
Cash and Cash Equivalents	3
Total	100%

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, St. Therese 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, St. Therese 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 and liabilities 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.

ST. THERESE OF THE LITTLE FLOWER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 5 INVESTMENTS (CONTINUED)

The table below presents the balances of assets measured at fair value on a recurring basis:

	June 30, 2019			
	Total	Level 1	Level 2	Level 3
St. Francis Xavier Corp.				
Fixed Income Fund	\$ 13,149	\$ -	\$ 13,149	\$ -
Equity Fund	13,182	-	13,182	-
Money Market Fund	457,839	-	457,839	-
Total Investments	<u>\$ 484,170</u>	<u>\$ -</u>	<u>\$ 484,170</u>	<u>\$ -</u>
	June 30, 2018			
	Total	Level 1	Level 2	Level 3
St. Francis Xavier Corp.				
Fixed Income Fund	\$ 12,574	\$ -	\$ 12,574	\$ -
Equity Fund	12,235	-	12,235	-
Money Market Fund	252,611	-	252,611	-
Total Investments	<u>\$ 277,420</u>	<u>\$ -</u>	<u>\$ 277,420</u>	<u>\$ -</u>

The fair value of the investment in the fixed income fund, the equity fund, and the money market fund has been estimated using the net asset value per share of the fund as determined by the fund administrator. The funds are valued on a daily basis.

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

	2019	2018
Interest and Dividends on Investments	\$ 5,777	\$ 3,076
Realized and Unrealized Gains on Investments	973	826
Total Investment Return	<u>\$ 6,750</u>	<u>\$ 3,902</u>

NOTE 6 SOFTWARE AND EQUIPMENT

Software and equipment consisted of the following at June 30:

	2019	2018
Software and Equipment	\$ 1,197,949	\$ 1,362,330
Parish Software Project	521,065	1,092,505
Total - at Cost	1,719,014	2,454,835
Less: Accumulated Depreciation	(1,433,248)	(1,971,155)
Net Software and Equipment	<u>\$ 285,766</u>	<u>\$ 483,680</u>

Depreciation expense of \$209,376 and \$118,562 was recorded on the accompanying statements of activities in office expense for the years ended June 30, 2019 and 2018, respectively.

**ST. THERESE OF THE LITTLE FLOWER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 7 LEASES

St. Therese leases certain office space and equipment under operating lease agreements with other diocesan entities on a month-to-month basis. Total rent expense for the years ended June 30, 2019 and 2018 was \$88,872.

NOTE 8 INTERDIOCESAN TRANSACTIONS

St. Therese was a party to various transactions with other diocesan corporations during the years ended June 30, 2019 and 2018. Total revenues and support from other diocesan corporations were \$2,717,823 and \$2,781,122 for the years ended June 30, 2019 and 2018, respectively, and mostly relates to contributions and earned revenues from support services provided. Total expenses paid to other diocesan corporations were \$315,763 and \$317,937 for the years ended June 30, 2019 and 2018, respectively, and relates to occupancy and administrative and support services.

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of June 30:

	2019	2018
Subject to Expenditure for Specified Purpose:		
Restricted for Technology and Television Masses	\$ 168,449	\$ 161,925

NOTE 10 FUNCTIONAL CLASSIFICATION OF EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include facilities, buildings, and grounds, which is allocated on a square footage basis, while the remaining natural expense categories are allocated on the basis of estimates of time and effort.

ST. THERESE OF THE LITTLE FLOWER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 10 FUNCTIONAL CLASSIFICATION OF EXPENSES (CONTINUED)

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

	2019		
	Program Services	Management and General	Total
Salaries and Wages	\$ 1,342,270	\$ 40,795	\$ 1,383,065
Personnel Benefits	439,377	10,711	450,088
Purchased Services	698,232	8,520	706,752
Rent	88,872	-	88,872
Office	384,484	-	384,484
Other	3,547	-	3,547
Total Expenses by Function	<u>\$ 2,956,782</u>	<u>\$ 60,026</u>	<u>\$ 3,016,808</u>

	2018		
	Program Services	Management and General	Total
Salaries and Wages	\$ 1,292,169	\$ 40,217	\$ 1,332,386
Personnel Benefits	422,847	9,257	432,104
Purchased Services	603,947	8,520	612,467
Rent	88,872	-	88,872
Office	356,300	-	356,300
Other	6,606	-	6,606
Total Expenses by Function	<u>\$ 2,770,741</u>	<u>\$ 57,994</u>	<u>\$ 2,828,735</u>

NOTE 11 RETIREMENT PLAN

St. Therese participates in the nonCatholic 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, 2019 and 2018 was \$115,727 and \$109,578, respectively.