

**ST. JOSEPH REAL ESTATE SERVICES
CORPORATION**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

**ST. JOSEPH REAL ESTATE SERVICES CORPORATION
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INDEPENDENT AUDITORS' REPORT

Board of Directors
St. Joseph Real Estate Services Corporation
Green Bay, Wisconsin

We have audited the accompanying financial statements of St. Joseph Real Estate Services Corporation (a Wisconsin corporation), which comprise the statements of financial position as of June 30, 2018 and 2017, 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. Joseph Real Estate Services Corporation

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Joseph Real Estate Services Corporation as of June 30, 2018 and 2017, 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 24, 2018

ST. JOSEPH REAL ESTATE SERVICES CORPORATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Cash and Cash Equivalents	\$ 553,040	\$ 533,547
Interest in Cash	118,438	189,417
Total Cash and Cash Equivalents	671,478	722,964
Accounts Receivable	4,181	-
Inventory and Prepaid Expenses	14,246	15,328
Investments	3,535,330	3,603,867
Real Estate Held for Sale	513,695	511,938
Property and Equipment, Net	3,776,737	3,450,429
Total Assets	\$ 8,515,667	\$ 8,304,526
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 340,690	\$ 229,736
Deferred Revenue	5,315	5,315
Total Liabilities	346,005	235,051
NET ASSETS		
Unrestricted	8,169,662	8,066,475
Temporarily Restricted	-	3,000
Total Net Assets	8,169,662	8,069,475
Total Liabilities and Net Assets	\$ 8,515,667	\$ 8,304,526

See accompanying Notes to Financial Statements.

ST. JOSEPH REAL ESTATE SERVICES CORPORATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT			
Sales	\$ 2,558,596	\$ -	\$ 2,558,596
Cost of Sales	(1,917,835)	-	(1,917,835)
Rental Revenues - Interdiocesan Entities	675,411	-	675,411
Rental Revenues - Other	265,943	-	265,943
Contributions	19,715	-	19,715
Fees for Services	9,516	-	9,516
Other	6,032	-	6,032
Net Assets Released from Restrictions	3,000	(3,000)	-
Total Revenues and Support	1,620,378	(3,000)	1,617,378
EXPENSES			
Salaries and Wages	376,520	-	376,520
Personnel Benefits	155,354	-	155,354
Purchased Services	362,739	-	362,739
Facilities, Buildings, and Grounds	449,715	-	449,715
Office	44,685	-	44,685
Grants and Direct Assistance	200,000	-	200,000
Other	8,366	-	8,366
Total Expenses	1,597,379	-	1,597,379
Revenues and Support in Excess (Deficient) of Expenses	22,999	(3,000)	19,999
OTHER CHANGES IN NET ASSETS			
Investment Return	81,463	-	81,463
Loss on Disposal of Equipment	(1,275)	-	(1,275)
Total Other Changes in Net Assets	80,188	-	80,188
CHANGE IN NET ASSETS	103,187	(3,000)	100,187
Net Assets - Beginning of Year	8,066,475	3,000	8,069,475
NET ASSETS - END OF YEAR	\$ 8,169,662	\$ -	\$ 8,169,662

See accompanying Notes to Financial Statements.

ST. JOSEPH REAL ESTATE SERVICES CORPORATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT			
Sales	\$ 2,610,460	\$ -	\$ 2,610,460
Cost of Sales	(1,831,883)	-	(1,831,883)
Rental Revenues - Interdiocesan Entities	655,128	-	655,128
Rental Revenues - Other	254,653	-	254,653
Fees for Services	11,067	-	11,067
Other	811	-	811
Total Revenues and Support	<u>1,700,236</u>	<u>-</u>	<u>1,700,236</u>
EXPENSES			
Salaries and Wages	379,243	-	379,243
Personnel Benefits	159,780	-	159,780
Purchased Services	339,404	-	339,404
Facilities, Buildings, and Grounds	474,769	-	474,769
Office	44,985	-	44,985
Grants and Direct Assistance	150,000	-	150,000
Other	8,474	-	8,474
Total Expenses	<u>1,556,655</u>	<u>-</u>	<u>1,556,655</u>
Revenues and Support in Excess of Expenses	143,581	-	143,581
OTHER CHANGE IN NET ASSETS			
Investment Return	<u>82,959</u>	<u>-</u>	<u>82,959</u>
CHANGE IN NET ASSETS	226,540	-	226,540
Net Assets - Beginning of Year	<u>7,839,935</u>	<u>3,000</u>	<u>7,842,935</u>
NET ASSETS - END OF YEAR	<u>\$ 8,066,475</u>	<u>\$ 3,000</u>	<u>\$ 8,069,475</u>

See accompanying Notes to Financial Statements.

ST. JOSEPH REAL ESTATE SERVICES CORPORATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 3,531,032	\$ 3,532,282
Cash Paid to Suppliers	(2,458,429)	(2,503,550)
Cash Paid to and on Behalf of Employees	(534,711)	(531,925)
Cash Paid for Grants and Assistance	(200,000)	(150,000)
Net Cash Flows from Operating Activities	<u>337,892</u>	<u>346,807</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(539,378)	(217,606)
Cash Paid for Purchases of Investments	(300,000)	(500,000)
Proceeds from Sales of Investments	450,000	-
Net Cash Flows from Investing Activities	<u>(389,378)</u>	<u>(717,606)</u>
 NET CHANGE IN CASH AND CASH EQUIVALENTS	(51,486)	(370,799)
 Cash and Cash Equivalents - Beginning of Year	<u>722,964</u>	<u>1,093,763</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 671,478</u>	<u>\$ 722,964</u>
 RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 100,187	\$ 226,540
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation	242,210	232,282
Investment Return	(81,463)	(82,959)
Loss on Disposal of Equipment	1,275	-
Changes in Certain Assets and Liabilities:		
Accounts Receivable	(4,181)	-
Inventory and Prepaid Expenses	1,082	2,554
Real Estate Held for Sale	(1,757)	(2,658)
Accounts Payable and Accrued Expenses	80,539	(29,115)
Deferred Revenue	-	163
Net Cash Flows from Operating Activities	<u>\$ 337,892</u>	<u>\$ 346,807</u>
 NONCASH INVESTING ACTIVITY		
Additions to Property and Equipment Included in Accounts Payable	<u>\$ 30,415</u>	<u>\$ -</u>
Interest and Dividends Reinvested Directly Back into Investment Funds	<u>\$ 39,887</u>	<u>\$ 17,121</u>

See accompanying Notes to Financial Statements.

ST. JOSEPH REAL ESTATE SERVICES CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1 NATURE OF OPERATIONS

St. Joseph Real Estate Services Corporation (St. Joseph Corporation) is a nonprofit corporation organized under the laws of the state of Wisconsin for the purpose of developing properties and providing management of the buildings, properties, and offices throughout the Catholic Diocese of Green Bay. St. Joseph Corporation also holds property for sale for investment purposes and collects property, liability, and auto insurance premiums on behalf of entities affiliated with the Catholic Diocese of Green Bay.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Assets

Net assets, revenues, gains, and losses are classified into one of three classes of net assets based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of St. Joseph Corporation are classified and reported as follows:

Unrestricted – Net assets that are not subject to donor-imposed stipulations.

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 St. Joseph Corporation pursuant to those stipulations. The temporarily restricted net assets as of June 30, 2018 and 2017 are restricted to be used for the St. Joseph Chapel.

Permanently Restricted – Net assets subject to donor-imposed stipulations that they be maintained permanently by St. Joseph Corporation. There were no permanently restricted net assets as of June 30, 2018 and 2017.

Cash and Cash Equivalents

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

Interest in Cash

St. Joseph Corporation participates in a pooled cash account with an interdiocesan entity. This account sweeps daily to a zero balance. The total of the pooled cash account, at times, may exceed federally insured limits. St. Joseph Corporation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Investments

Investments are 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.

ST. JOSEPH REAL ESTATE SERVICES CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

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

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

Land Improvements	5 to 40 Years
Buildings and Improvements	5 to 40 Years
Furniture and Equipment	3 to 10 Years
Vehicles	3 to 5 Years

Impairment of Long-Lived Assets

St. Joseph Corporation 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.

Real Estate Held for Sale

St. Joseph Corporation has properties available for sale as of June 30, 2018 and 2017. The properties are carried at cost unless impaired. When deemed impaired, the properties are reviewed and the property held for sale is adjusted to fair value. Fair value is determined by a comparison with other comparable properties in the area.

Property held for sale is carried on the following basis at June 30:

	2018	2017
Property at Cost	<u>\$ 513,695</u>	<u>\$ 511,938</u>

Contribution Recognition

Contributions 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 accompanying statements of activities as net assets released from restrictions.

ST. JOSEPH REAL ESTATE SERVICES CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Joseph Corporation.

Revenue and Expense Recognition

Rental revenue is recognized in the month that the rentals occur and sales are recognized when services are provided.

Sales of insurance represent the gross premiums charged to participants each month. Cost of sales represents the expense associated with the premiums paid to the insurance company and claims paid.

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.

Tax-Exempt Status

St. Joseph Corporation 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.

St. Joseph Corporation had no unrelated business income for the years ended June 30, 2018 and 2017.

Subsequent Events

In preparing these financial statements, St. Joseph Corporation has evaluated events and transactions for potential recognition or disclosure through September 24, 2018, 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 not-for-profit entity's liquidity, financial performance, and cash flows. The guidance is required to be applied by St. Joseph Corporation for the year ended June 30, 2019; however, early application is permitted. St. Joseph Corporation is currently evaluating the impact this guidance will have on its financial statements.

ST. JOSEPH REAL ESTATE SERVICES CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 4 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. Joseph Corporation owns units in the fixed income, equity, and money market funds.

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	5
Total	100 %

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. Joseph Corporation 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. Joseph Corporation 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. JOSEPH REAL ESTATE SERVICES CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 4 INVESTMENTS (CONTINUED)

The tables below present the balances of assets measured at fair value on a recurring basis:

	2018			
	Level 1	Level 2	Level 3	Total
St. Francis Xavier Corp. Fixed Income Fund	\$ -	\$ 164,222	\$ -	\$ 164,222
St. Francis Xavier Corp. Equity Fund	-	479,387	-	479,387
St. Francis Xavier Corp. Money Market Fund	-	2,891,721	-	2,891,721
Total Investments	<u>\$ -</u>	<u>\$ 3,535,330</u>	<u>\$ -</u>	<u>\$ 3,535,330</u>

	2017			
	Level 1	Level 2	Level 3	Total
St. Francis Xavier Corp. Fixed Income Fund	\$ -	\$ 159,203	\$ -	\$ 159,203
St. Francis Xavier Corp. Equity Fund	-	479,597	-	479,597
St. Francis Xavier Corp. Money Market Fund	-	2,965,067	-	2,965,067
Total Investments	<u>\$ -</u>	<u>\$ 3,603,867</u>	<u>\$ -</u>	<u>\$ 3,603,867</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 accompanying statements of activities for the years ended June 30 consisted of the following:

	2018	2017
Interest and Dividends on Investments	\$ 39,887	\$ 17,121
Realized and Unrealized Gains on Investments	41,576	65,838
Total Investment Return	<u>\$ 81,463</u>	<u>\$ 82,959</u>

Fees charged on investments have been netted against the investment return. Total fees for the years ended June 30, 2018 and 2017 were \$4,346 and \$4,043, respectively.

ST. JOSEPH REAL ESTATE SERVICES CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2018	2017
Land and Improvements	\$ 755,538	\$ 693,972
Buildings and Improvements	8,092,924	7,755,010
Furniture and Equipment	1,021,652	1,098,707
Vehicles	82,452	99,479
Total, at Cost	9,952,566	9,647,168
Less: Accumulated Depreciation	(6,175,829)	(6,196,739)
Property and Equipment, Net	\$ 3,776,737	\$ 3,450,429

NOTE 6 SELF-FUNDED INSURANCE

St. Joseph Corporation collects property, liability, and auto insurance premiums on behalf of entities affiliated with the Catholic Diocese of Green Bay. St. Joseph Corporation is self-funded for the first \$25,000 and \$1,000 of costs related to a property or medical claim, respectively. Insurance costs are expensed as incurred. The insurance expense is based on actual claims paid, premiums paid, and unpaid claims at year-end. Insurance costs were \$1,702,323 and \$1,608,308 for the years ended June 30, 2018 and 2017, respectively. An estimated liability of \$153,546 and \$56,952 for claims outstanding is included in accounts payable and accrued expenses at June 30, 2018 and 2017, respectively. Management believes this liability is sufficient to cover claims incurred but not yet reported.

NOTE 7 LINE-OF-CREDIT

St. Joseph Corporation has a line of credit financing agreement with a bank in the amount of \$500,000 with interest payable at the monthly LIBOR rate plus 1.25% (effectively 3.34% and 2.41% at June 30, 2018 and 2017, respectively). The line of credit is unsecured and expires December 31, 2018.

There were no amounts drawn on the line of credit and no interest expense during the years ended June 30, 2018 and 2017.

NOTE 8 FUNCTIONAL CLASSIFICATION OF EXPENSES

The costs of providing program and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the program and supporting services benefitted.

ST. JOSEPH REAL ESTATE SERVICES CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 8 FUNCTIONAL CLASSIFICATION OF EXPENSES (CONTINUED)

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

	<u>2018</u>	<u>2017</u>
Program Services	\$ 1,536,953	\$ 1,497,808
Management and General	60,426	58,847
Total	<u>\$ 1,597,379</u>	<u>\$ 1,556,655</u>

NOTE 9 RETIREMENT PLAN

St. Joseph Corporation 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, 2018 and 2017 was \$34,057 and \$33,531, respectively.

NOTE 10 LEASES

St. Joseph Corporation is the lessor under various operating lease agreements for land and buildings. The carrying value of the leased property was \$559,454 and \$531,336 at June 30, 2018 and 2017, respectively. Future commitments from lessees are approximately as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 271,000
2020	205,000
2021	60,000
2022	60,000
2022	25,000
Total	<u>\$ 621,000</u>

St. Joseph Corporation leases certain office space and equipment under operating lease agreements. Total rent expense for the years ended June 30, 2018 and 2017 was approximately \$44,000 and \$51,000, respectively.

Future minimum lease payments over the next five years and thereafter are approximately as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 15,000
2020	15,000
2021	13,000
Total	<u>\$ 43,000</u>

ST. JOSEPH REAL ESTATE SERVICES CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 11 INTERDIOCESAN TRANSACTIONS

St. Joseph Corporation was a party to various transactions with other diocesan corporations during the years ended June 30, 2018 and 2017. Total revenues and support from other diocesan corporations were \$1,113,819 and \$1,086,664 for the years ended June 30, 2018 and 2017, respectively, and mostly relates to rental, insurance, and sales revenue. Total expenses paid to other diocesan corporations were \$605,238 and \$546,855 for the years ended June 30, 2018 and 2017, respectively, and relates to administrative and support services.