

ST. THERESE OF THE LITTLE FLOWER, INC.

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

**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, 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. 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, 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 20, 2018

ST. THERESE OF THE LITTLE FLOWER, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Cash and Cash Equivalents	\$ 2,686,426	\$ 2,576,003
Interest in Cash Due to Others	(2,471,221)	(2,195,441)
Total Cash and Cash Equivalents	215,205	380,562
Accounts Receivable	415	3,465
Prepaid Expenses	64,085	1,797
Investments	277,420	273,518
Software and Equipment, Net	483,680	88,136
Total Assets	\$ 1,040,805	\$ 747,478
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 27,484	\$ 26,847
Accrued Expenses	191,892	162,981
Total Liabilities	219,376	189,828
NET ASSETS		
Unrestricted	659,504	397,015
Temporarily Restricted	161,925	160,635
Total Net Assets	821,429	557,650
Total Liabilities and Net Assets	\$ 1,040,805	\$ 747,478

See accompanying Notes to Financial Statements.

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
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	<u>3,088,612</u>	<u>-</u>	<u>3,088,612</u>
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	<u>2,828,735</u>	<u>-</u>	<u>2,828,735</u>
Revenues and Support in Excess of Expenses	259,877	-	259,877
OTHER CHANGE IN NET ASSETS			
Investment Return	<u>2,612</u>	<u>1,290</u>	<u>3,902</u>
CHANGE IN NET ASSETS	262,489	1,290	263,779
Net Assets - Beginning of Year	<u>397,015</u>	<u>160,635</u>	<u>557,650</u>
NET ASSETS - END OF YEAR	<u><u>\$ 659,504</u></u>	<u><u>\$ 161,925</u></u>	<u><u>\$ 821,429</u></u>

See accompanying Notes to Financial Statements.

ST. THERESE OF THE LITTLE FLOWER, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT			
Fees for Services	\$ 2,379,668	\$ -	\$ 2,379,668
Contributions	160,000	-	160,000
Other	1,682	-	1,682
Net Assets Released From Restrictions	7,411	(7,411)	-
Total Revenues and Support	2,548,761	(7,411)	2,541,350
 EXPENSES			
Salaries and Wages	1,255,425	-	1,255,425
Personnel Benefits	391,498	-	391,498
Purchased Services	509,293	-	509,293
Facilities, Buildings, and Grounds	84,096	-	84,096
Office	246,286	-	246,286
Other	11,413	-	11,413
Total Expenses	2,498,011	-	2,498,011
Revenues and Support in Excess (Deficit) of Expenses	50,750	(7,411)	43,339
 OTHER CHANGE IN NET ASSETS			
Investment Return	-	2,098	2,098
 CHANGE IN NET ASSETS	50,750	(5,313)	45,437
Net Assets - Beginning of Year	346,265	165,948	512,213
 NET ASSETS - END OF YEAR	\$ 397,015	\$ 160,635	\$ 557,650

See accompanying Notes to Financial Statements.

ST. THERESE OF THE LITTLE FLOWER, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers and Contributors	\$ 3,091,662	\$ 2,555,727
Cash Paid to and on Behalf of Employees	(1,750,658)	(1,631,410)
Cash Paid to Suppliers	(992,255)	(761,804)
Net Cash Flows from Operating Activities	348,749	162,513
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Paid for Purchases of Software and Equipment	(514,106)	(3,014)
Cash Paid for Purchase of Investments	-	(250,000)
Net Cash Flows from Investing Activities	(514,106)	(253,014)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(165,357)	(90,501)
Cash and Cash Equivalents - Beginning of Year	380,562	471,063
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 215,205	\$ 380,562
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 263,779	\$ 45,437
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation	118,562	66,508
Investment Return	(3,902)	(2,098)
Changes in Certain Assets and Liabilities:		
Accounts Receivable	3,050	14,377
Prepaid Expenses	(62,288)	1,796
Accounts Payable	637	11,104
Accrued Expenses	28,911	25,389
Net Cash Flows from Operating Activities	\$ 348,749	\$ 162,513
NONCASH INVESTING AND FINANCING ACTIVITIES		
Interest and Dividends Reinvested Directly Back Into Investment Funds	\$ 3,076	\$ 390

See accompanying Notes to Financial Statements.

ST. THERESE OF THE LITTLE FLOWER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1 NATURE OF OPERATIONS

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 into one of three classes of net assets based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of St. Therese 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. Therese pursuant to those stipulations. Temporarily restricted net assets relate to technology and television masses.

Permanently Restricted

Net assets subject to donor-imposed stipulations that they be maintained permanently by St. Therese. St. Therese does not have any permanently restricted net assets as of June 30, 2018 and 2017.

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, 2018 AND 2017

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, 2018 and 2017, the total amount of prepaid expense was \$64,085 and \$1,797, 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 unrestricted net assets 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, 2018 AND 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 20, 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 nonprofit entity's liquidity, financial performance, and cash flows. The guidance is required to be applied by St. Therese for the year ended June 30, 2019; however, early application is permitted. 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, 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. Therese owns units in the fixed income, equity, and money market funds.

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

	Fair Value		Redemption Frequency	Termination Notice Period
	2018	2017		
St. Francis Xavier Corp.				
Fixed Income Fund	\$ 12,574	\$ 11,735	Daily	30 Days
Equity Fund	12,235	11,783	Daily	30 Days
Money Market Fund	252,611	250,000	Daily	30 Days
Total	<u>\$ 277,420</u>	<u>\$ 273,518</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	5
Total	<u>100%</u>

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	<u>100%</u>

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.

ST. THERESE OF THE LITTLE FLOWER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 4 INVESTMENTS (CONTINUED)

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.

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

	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>
	June 30, 2017			
	Total	Level 1	Level 2	Level 3
St. Francis Xavier Corp.				
Fixed Income Fund	\$ 11,735	\$ -	\$ 11,735	\$ -
Equity Fund	11,783	-	11,783	-
Money Market Fund	250,000	-	250,000	-
Total Investments	<u>\$ 273,518</u>	<u>\$ -</u>	<u>\$ 273,518</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:

	2018	2017
Interest and Dividends on Investments	\$ 3,076	\$ 390
Realized and Unrealized Gains on Investments	826	1,708
Total Investment Return	<u>\$ 3,902</u>	<u>\$ 2,098</u>

Fees charged on investments have been netted against the investment return. Total fees for the years ended June 30, 2018 and 2017 were \$156 and \$145, respectively.

ST. THERESE OF THE LITTLE FLOWER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 5 SOFTWARE AND EQUIPMENT

Software and equipment consisted of the following at June 30:

	2018	2017
Software and Equipment	\$ 1,362,330	\$ 848,224
Parish Software Project	1,092,505	1,092,505
Total - at Cost	2,454,835	1,940,729
Less: Accumulated Depreciation	(1,971,155)	(1,852,593)
Net Software and Equipment	\$ 483,680	\$ 88,136

Depreciation expense of \$118,562 and \$66,508 was recorded on the accompanying statements of activities in office expense for the years ended June 30, 2018 and 2017, respectively.

NOTE 6 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, 2018 and 2017 was \$88,872 and \$84,096, respectively.

NOTE 7 INTERDIOCESAN TRANSACTIONS

St. Therese 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 \$2,781,122 and \$2,229,298 for the years ended June 30, 2018 and 2017, respectively, and mostly relates to contributions and earned revenues from support services provided. Total expenses paid to other diocesan corporations were \$317,937 and \$282,519 for the years ended June 30, 2018 and 2017, respectively, and relates to occupancy and administrative and support services.

NOTE 8 FUNCTIONAL ALLOCATION OF EXPENSES

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

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

	2018	2017
Program Services	\$ 2,770,742	\$ 2,449,170
Management and General	57,993	48,841
Total	\$ 2,828,735	\$ 2,498,011

**ST. THERESE OF THE LITTLE FLOWER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 9 RETIREMENT PLAN

St. Therese participates in the non-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 \$109,578 and \$104,601, respectively.