

**DIOCESE OF LA CROSSE
ADMINISTRATIVE OFFICES**

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS'
REPORT**

JUNE 30, 2020 AND 2019

**DIOCESE OF LA CROSSE
ADMINISTRATIVE OFFICES**

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INDEPENDENT AUDITORS' REPORT

To the Most Reverend William Patrick Callahan
and the Diocesan Finance Council
Diocese of La Crosse
La Crosse, Wisconsin

We have audited the accompanying financial statements of the Diocese of La Crosse Administrative Offices (the "Organization") (a nonprofit organization) which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses 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 auditor's 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 Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Diocese of La Crosse Administrative Offices as of June 30, 2020 and 2019, and the changes in the net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Hawkins Ash CPAs, LLP

La Crosse, Wisconsin
November 10, 2020

**DIOCESE OF LA CROSSE
ADMINISTRATIVE OFFICES**

FINANCIAL STATEMENTS

**DIOCESE OF LA CROSSE
ADMINISTRATIVE OFFICES
STATEMENTS OF FINANCIAL POSITION**

<u>ASSETS</u>	JUNE 30,	
	2020	2019
Cash and cash equivalents	\$ 2,234,815	\$ 2,661,382
Accounts receivable, net	699,191	762,030
Insurance reserve receivable from St. Ambrose Financial Services, Inc.	1,852,732	-
Accrued interest receivable	34,014	31,030
Prepaid expenses	70,305	144,163
Property and equipment, net	1,912,992	2,838,555
Cash and cash equivalents - restricted	1,701,069	1,524,285
Beneficial interest in trust	39,224	-
Investments - restricted	29,830,752	27,859,431
TOTAL ASSETS	\$ 38,375,094	\$ 35,820,876
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable and accrued expenses	\$ 539,349	\$ 951,965
Accrued interest on loan with St. Ambrose Financial Services, Inc.	-	229,674
Refundable advance (PPP Loan)	547,867	-
Note payable (PPP Loan)	37,633	-
Revolving loan with St. Ambrose Financial Services, Inc.	1,421,911	3,089,859
Reserve for self-insurance	686,813	-
Collections for transmittal	1,269,484	1,344,149
TOTAL LIABILITIES	4,503,057	5,615,647
NET ASSETS		
Without donor restrictions	6,303,739	3,620,699
With donor restrictions	27,568,298	26,584,530
TOTAL NET ASSETS	33,872,037	30,205,229
TOTAL LIABILITIES AND NET ASSETS	\$ 38,375,094	\$ 35,820,876

The accompanying notes are an integral part of these statements.

**DIOCESE OF LA CROSSE
ADMINISTRATIVE OFFICES
STATEMENTS OF ACTIVITIES**

	YEAR ENDED JUNE 30,					
	2020			2019		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE, GAINS, AND SUPPORT						
Contributions and bequests	\$ 1,445,578	\$ 6,107,808	\$ 7,553,386	\$ 919,139	\$ 8,085,989	\$ 9,005,128
Investment and endowment income, net of investment fees	1,374,787	306,880	1,681,667	1,333,308	92,521	1,425,829
Change in value of split-interest agreement	(28,280)	-	(28,280)	(31,385)	-	(31,385)
Services and other income	2,043,510	-	2,043,510	1,881,265	-	1,881,265
Quotas	1,307,169	-	1,307,169	1,297,446	-	1,297,446
Loss on sale of capital assets	(12,950)	-	(12,950)	-	-	-
Insurance reserve	1,852,732	-	1,852,732	-	-	-
Net assets released from restrictions	5,430,920	(5,430,920)	-	5,378,816	(5,378,816)	-
TOTAL REVENUE, GAINS, AND SUPPORT	<u>13,413,466</u>	<u>983,768</u>	<u>14,397,234</u>	<u>10,778,589</u>	<u>2,799,694</u>	<u>13,578,283</u>
EXPENSES						
Program	6,322,454	-	6,322,454	6,881,818	-	6,881,818
Management and general	3,061,571	-	3,061,571	2,340,250	-	2,340,250
Facilities	1,342,513	-	1,342,513	1,318,334	-	1,318,334
Fundraising	533,731	-	533,731	477,590	-	477,590
TOTAL EXPENSES	<u>11,260,269</u>	<u>-</u>	<u>11,260,269</u>	<u>11,017,992</u>	<u>-</u>	<u>11,017,992</u>
CHANGE IN NET ASSETS	2,153,197	983,768	3,136,965	(239,403)	2,799,694	2,560,291
Transfer of net assets from St. Ambrose Financial Services, Inc.	529,843	-	529,843	-	-	-
NET ASSETS, BEGINNING OF YEAR	<u>3,620,699</u>	<u>26,584,530</u>	<u>30,205,229</u>	<u>3,860,102</u>	<u>23,784,836</u>	<u>27,644,938</u>
NET ASSETS, END OF YEAR	<u>\$ 6,303,739</u>	<u>\$ 27,568,298</u>	<u>\$ 33,872,037</u>	<u>\$ 3,620,699</u>	<u>\$ 26,584,530</u>	<u>\$ 30,205,229</u>

The accompanying notes are an integral part of these statements.

DIOCESE OF LA CROSSE
ADMINISTRATIVE OFFICES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	PROGRAM					SUPPORTING SERVICES			TOTALS
	CLERICAL, RELIGIOUS AND LITURGICAL	EDUCATIONAL AND FAITH DEVELOPMENT	CATHOLIC SCHOOLS	CHARITY AND SOCIAL JUSTICE	TOTAL PROGRAM	MANAGEMENT AND GENERAL	FACILITIES	FUNDRAISING	
Personnel and related expenses	\$ 546,225	\$ 582,964	\$ 369,911	\$ 166,701	\$1,665,801	\$ 1,125,186	\$ 533,527	\$ 209,613	\$ 3,534,127
Council and committee	-	-	-	-	-	434	-	-	434
Grants to others	194,252	183,187	138,107	353,202	868,748	209,997	-	-	1,078,745
Professional fees	12,523	37,614	8,095	551	58,783	403,764	39,048	7,280	508,875
Office and cleaning	8,886	65,119	4,240	1,655	79,900	28,993	102,756	144,109	355,758
Computer and software	85,073	1,779	31,640	121	118,613	210,343	-	59,522	388,478
Seminarian, regency, and journey	-	771,919	-	-	771,919	-	-	-	771,919
Occupancy	991	36,660	647	245	38,543	14,794	443,627	619	497,583
Program	163,918	323,155	-	1,524,470	2,011,543	-	-	-	2,011,543
Clergy	245,180	-	-	-	245,180	27,548	-	-	272,728
Works of charity	-	-	-	55,687	55,687	-	-	-	55,687
Memberships and subscriptions	1,039	5,244	32,167	45	38,495	4,095	1,135	2,248	45,973
Advertising and publications	-	6,740	-	-	6,740	260,390	-	12,619	279,749
Travel	18,337	13,535	8,443	1,189	41,504	4,342	-	2,164	48,010
Conferences and special events	107,219	121,211	25,671	-	254,101	1,254	-	65,000	320,355
Depreciation	-	-	-	-	-	-	221,453	-	221,453
Bank fees	-	-	-	-	-	11,027	-	30,471	41,498
Interest	-	-	-	-	-	47,016	-	-	47,016
Reserve for self-insurance	-	-	-	-	-	686,813	-	-	686,813
Miscellaneous	39,583	19,765	56	7,493	66,897	25,575	967	86	93,525
TOTAL EXPENSES	\$ 1,423,226	\$ 2,168,892	\$ 618,977	\$2,111,359	\$6,322,454	\$ 3,061,571	\$1,342,513	\$ 533,731	\$11,260,269

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

DIOCESE OF LA CROSSE
ADMINISTRATIVE OFFICES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	PROGRAM					SUPPORTING SERVICES			TOTALS
	CLERICAL, RELIGIOUS AND LITURGICAL	EDUCATIONAL AND FAITH DEVELOPMENT	CATHOLIC SCHOOLS	CHARITY AND SOCIAL JUSTICE	TOTAL PROGRAM	MANAGEMENT AND GENERAL	FACILITIES	FUNDRAISING	
Personnel and related expenses	\$ 529,480	\$ 663,211	\$ 332,033	\$ 171,202	\$1,695,926	\$ 1,071,861	\$ 514,374	\$ 195,368	\$ 3,477,529
Council and committee	-	3,651	-	-	3,651	1,671	-	-	5,322
Grants to others	144,580	179,226	264,664	439,700	1,028,170	-	-	-	1,028,170
Professional fees	187,883	21,253	8,911	1,488	219,535	649,182	65,264	8,642	942,623
Office and cleaning	8,050	87,421	4,950	1,611	102,032	27,646	78,212	150,308	358,198
Computer and software	81,770	7,297	1,059	241	90,367	50,496	177	73,334	214,374
Seminarian, regency, and journey	-	755,560	-	-	755,560	-	-	-	755,560
Occupancy	1,041	48,106	537	299	49,983	12,260	425,710	559	488,512
Program	176,279	278,037	-	1,504,854	1,959,170	8,160	-	-	1,967,330
Clergy	319,052	-	-	-	319,052	137,753	-	-	456,805
Works of charity	36,000	-	-	150,655	186,655	-	-	-	186,655
Memberships and subscriptions	1,178	4,376	3,142	45	8,741	3,754	547	2,000	15,042
Advertising and publications	-	4,022	-	-	4,022	269,032	-	8,386	281,440
Travel	46,132	33,867	12,044	2,294	94,337	5,483	126	5,726	105,672
Conferences and special events	102,960	137,663	41,233	985	282,841	3,046	-	39	285,926
Depreciation	-	-	-	-	-	-	231,826	-	231,826
Bank fees	-	-	-	-	-	9,057	-	33,071	42,128
Interest	-	-	-	-	-	71,232	-	-	71,232
Miscellaneous	55,153	25,359	41	1,223	81,776	19,617	2,098	157	103,648
TOTAL EXPENSES	\$ 1,689,558	\$ 2,249,049	\$ 668,614	\$2,274,597	\$6,881,818	\$ 2,340,250	\$1,318,334	\$ 477,590	\$11,017,992

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

**DIOCESE OF LA CROSSE
ADMINISTRATIVE OFFICES
STATEMENTS OF CASH FLOWS**

	YEAR ENDED JUNE 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,136,965	\$ 2,560,291
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Transfer of net assets from St. Ambrose Financial Services, Inc.	529,843	-
Net realized and unrealized (gains) on investments	(1,214,647)	(890,438)
Allowance for doubtful accounts	27,548	137,753
Allowance for note receivable losses	-	(5,200)
Depreciation	221,453	231,826
Loss on sale of capital assets	12,950	-
Change in beneficial interest in trust	85	-
Contributions restricted for investment in endowment	(909,113)	(2,611,714)
Donated stock	(39,309)	-
Changes in assets and liabilities		
(Increase) decrease in assets		
Accounts receivable	35,291	(264,548)
Insurance reserve receivable from St. Ambrose Financial Services, Inc.	(1,852,732)	-
Accrued interest receivable	(2,984)	9,378
Prepaid expenses	73,858	(93,882)
Notes receivable	-	5,200
(Decrease) increase in liabilities		
Accounts payable and accrued expenses	(412,616)	365,204
Accrued interest on loan with St. Ambrose Financial Services, Inc.	(229,674)	56,683
Refundable advance (PPP Loan)	547,867	-
Reserve for self-insurance	686,813	-
Pledges payable	-	(9,901)
Collections for transmittal	(74,665)	(7,552)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	536,933	(516,900)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of capital asset	732,977	-
Acquisition of property and equipment	(41,817)	(81,072)
Purchases of investment securities	(13,851,881)	(20,452,730)
Proceeds on sales of investment securities	13,095,207	11,211,633
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(65,514)	(9,322,169)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on revolving loan from St. Ambrose Financial Services, Inc.	(1,667,948)	-
Proceeds from note payable	37,633	-
Collection of contributions restricted for investment in endowment	909,113	2,611,714
NET CASH PROVIDED BY FINANCING ACTIVITIES	(721,202)	2,611,714
NET INCREASE IN CASH	(249,783)	(7,227,355)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,185,667	11,413,022
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 3,935,884	\$ 4,185,667
<u>RECONCILIATION OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF FINANCIAL POSITION</u>		
Cash and cash equivalents	\$ 2,234,815	\$ 2,661,382
Restricted cash and cash equivalents	1,701,069	1,524,285
TOTAL CASH AND CASH EQUIVALENTS SHOWN IN THE STATEMENT OF CASH FLOWS	\$ 3,935,884	\$ 4,185,667
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</u>		
Cash paid during the year for interest on the revolving line of credit	\$ 276,690	\$ 14,549

The accompanying notes are an integral part of these statements.

DIOCESE OF LA CROSSE
ADMINISTRATIVE OFFICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 - Nature of Organization and Significant Accounting Policies

Nature of Organization - The financial statements presented are for the Diocese of La Crosse Administrative Offices (the "Organization"). The Organization is operated to provide services and support to Diocesan parishes, schools, and organizations. Services provided include administrative services with regard to education, charitable projects, parish administration, and religious personnel activities. The Organization also provides technical and fundraising assistance to these organizations. In return, some organizations are assessed quotas.

Basis of Accounting - The financial statements of the Diocese of La Crosse Administrative Offices have been prepared on the accrual basis of accounting and, accordingly, reflect all receivables, payables, and other liabilities.

Basis of Presentation - The accompanying financial statements are prepared in accordance with the accounting principles generally accepted in the United States of America (U.S. GAAP) as codified by the Financial Accounting Standards Board.

The Organization is required to report information regarding its net assets and its activities 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 operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating and insurance reserve and board designated endowment.

Net Assets With Donor Restrictions - Net assets subject to donor 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.

Accounting Pronouncements Adopted - As of July 1, 2019, the Organization adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Results for reporting year ended June 30, 2020, are presented under FASB ASC Topic 606. The ASU has been applied retrospectively to all periods presented, with no effect on net assets or previously issued financial statements. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

During the year, the Organization also adopted FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*, which clarifies how entities should characterize grants and similar contracts with government agencies and others. It will assist entities in evaluating whether transactions are reciprocal exchange transactions or contributions and if they are conditional or unconditional contributions. The Organization has adjusted the presentation of these statements accordingly. Results for reporting the year ending June 30, 2020, are presented under FASB ASU 2018-08. There was no material impact to the financial statements as a result of adoption. Accordingly, no adjustment to opening net assets was recorded.

DIOCESE OF LA CROSSE
ADMINISTRATIVE OFFICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 - Nature of Organization and Significant Accounting Policies - Continued

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows: Restricted Cash (Topic 230), which requires that the statement of cash flows explains the change during the period in the total of cash, cash equivalents, and restricted cash or restricted cash equivalents. The ASU has been applied retrospectively to all periods presented.

Cash and Cash Equivalents - The Organization's cash and cash equivalents consist of cash on deposit with banks and St. Ambrose Financial Services, Inc. For purposes of the statements of cash flows, the Organization considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts - Accounts receivable consists of billings for services rendered by the various Curia offices. Management has determined an allowance for uncollectible balances based upon the analysis of prior collections and experience with individuals, parishes, and schools.

Investments - Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statements of financial position. The aggregate of (a) the unrealized appreciation (depreciation) in the fair value of investments during the year (b) the realized gains (losses) on sales of investments during the year (c) dividend income (d) interest income, and (e) investment fees are reflected in investment return on the statements of activities.

Purchases and sales of securities are recorded on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statements of activities in the period in which the securities are sold. Dividends are recorded on the ex-dividend date.

Property and Equipment - All acquisitions of property and equipment in excess of \$5,000 with useful lives greater than one year are capitalized. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed on the straight-line method based on the following estimated useful lives:

<u>Asset</u>	<u>Life</u>
Furniture, fixtures, and equipment	7 - 10 years
Vehicles	5 - 7 years
Land improvements	10 - 20 years
Buildings	39.5 years

Valuation of Long-lived Assets - U.S. GAAP requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management reviews all material assets annually for possible impairment. If such assets are considered to be impaired, the impairment recognized is measured as the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. No assets are considered to be impaired at June 30, 2020 and 2019.

Beneficial Interest in Perpetual Trust: The Organization is a forty-seven percent (47%) irrevocable beneficiary of a perpetual charitable trust held by a bank trustee. The beneficial interest in the trust is reported at its fair value, which is estimated as the fair value of the underlying trust assets. The value of the beneficial interest in the trust is adjusted annually for the change in its estimated fair value and those changes in value are reported as increases or decreases in net assets with donor restrictions, and in addition, these trust assets (the corpus) will never be distributed to the Organization.

DIOCESE OF LA CROSSE
ADMINISTRATIVE OFFICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 - Nature of Organization and Significant Accounting Policies - Continued

Restricted Cash - Certain donor-restricted assets that meet the definition of cash and cash equivalents that have donor-imposed restrictions limiting their use to long-term purposes are classified as restricted cash in the statements of financial position.

Collections for Transmittal - The Organization receives certain funds for the benefit of others. These custodial accounts are reflected in the financial statements as collections for transmittal.

Revenue Recognition - The Organization recognizes revenue in accordance with ASC 606, *Revenue from Contracts with Customers*, as amended. ASC 606 applies to exchange transactions and requires the Organization to follow a five step process: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the Organization satisfies a performance. The Organization records the following exchange transaction revenue in its statement of activities and changes in net assets:

Program and Service Revenue: admission and fees that relates to the commensurate value the attendee receives in return is recognized when the related programs and services are held and performance obligations are met.

Catholic Life Subscription Revenue: subscription services are recognized when delivered to subscribers.

Contribution Recognition - Contributions are recognized in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Contributions are recognized when received or unconditionally pledged. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions.

In-Kind Contributions - The Organization records the value of donated goods when there is an objective basis to measure the value. Donated goods are recorded in contribution revenue at fair value at the date of donation in the accompanying statements of activities.

Donated services are recognized as contributions if the services a) create or enhance nonfinancial assets or b) require specialized skills that are performed by people with those skills and would otherwise be purchased by the Organization. Such amounts are recorded at their estimated fair value determined on the date of contribution.

No significant contributions of such goods or services were received during the years ended June 30, 2020 and 2019.

DIOCESE OF LA CROSSE
ADMINISTRATIVE OFFICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 - Nature of Organization and Significant Accounting Policies - Continued

Functional Expenses - The costs of providing the various programs and other activities have been summarized in the statement of functional expenses. The method of allocation of natural expenses are accounted for on a direct cost basis to the program or function upon which the expense is incurred. Further, certain indirect costs that cannot be allocated on a direct basis have been allocated among the program services and supporting activities benefited. Those expenses include non-program salaries and benefits and certain office expenses that are allocated based on estimates of usage.

Advertising Costs - Advertising costs are expensed as incurred and totaled \$19,359 and \$12,408 for the years ended June 30, 2020 and 2019, respectively.

Use of Estimates - Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Tax Status - The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Organization is also exempt from State taxation.

Accounting for Uncertainty in Income Taxes - U.S. GAAP requires management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by a taxing authority. Management has analyzed the tax positions taken by the Organization and has concluded that as of June 30, 2020 and 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions, however, there are currently no audits in progress for any tax period. The Organization will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred.

Subsequent Events - The Organization has evaluated subsequent events through November 10, 2020, the date which the financial statements were available to be issued.

NOTE 2 - Concentration of Cash and Credit Risk

The Organization maintains its cash balances at one financial institution with the balances insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of June 30, 2020 and 2019, uninsured balances held by financial institutions were \$401,093 and \$771,917, respectively. The Organization also maintains cash savings with St. Ambrose Financial Services, Inc., which are not insured by the FDIC. As of June 30, 2020 and 2019, uninsured balances held with St. Ambrose Financial Services, Inc. were \$3,485,482 and \$3,672,959, respectively. While the Organization is exposed to custodial credit risk, the Organization has not experienced any losses in such accounts.

**DIOCESE OF LA CROSSE
ADMINISTRATIVE OFFICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 3 - Liquidity and Availability

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:

	JUNE 30,	
	2020	2019
Cash and cash equivalents	\$ 2,234,815	\$ 2,661,382
Accounts receivable	699,191	762,030
Total financial assets available within one year	2,934,006	3,423,412
Less amounts not available for general expenditure within one year:		
Net assets with donor restrictions, not included in restricted accounts	585,815	612,197
Board designated net assets, less property and equipment, net	2,245,440	2,294,018
TOTAL FINANCIAL ASSETS AVAILABLE TO MANAGEMENT FOR GENERAL EXPENDITURE WITHIN ONE YEAR	\$ 102,751	\$ 517,197

Liquidity Management

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

To help manage unanticipated liquidity needs, the Organization has a committed line of credit, described in Note 8, which it could draw upon. Additionally, the Organization has board designated net assets without donor restrictions that, while the Organization does not intend to spend these for purposes other than those identified, the amounts could be made available for current operations, if necessary.

NOTE 4 - Accounts Receivable

The composition of accounts receivable consists of the following:

	JUNE 30,	
	2020	2019
Grant receivable	\$ 25,000	\$ 50,000
Accounts receivable	1,021,838	1,032,129
Less allowance for doubtful accounts	(347,647)	(320,099)
ACCOUNTS RECEIVABLE, NET	\$ 699,191	\$ 762,030

NOTE 5 - Self-Insurance Reserve Receivable from St. Ambrose Financial Services, Inc. and Reserve for Self-Insurance

Self-Insurance - In 2011, St. Ambrose Financial Services, Inc. was assigned membership by the Diocese of La Crosse to the Catholic Umbrella Pool II ("CUP II"), a self-insurance fund which provides excess liability coverage for its membership. As of July 1, 2019, membership assignment of the CUP II was transferred back to the Diocese of La Crosse and the portion of that membership is reflected as a transfer on the statements of activities. Participating Dioceses share in the operating income and expenses of the pool based on their contributions to the fund for each fiscal year. Participants are responsible for claims and claim expenses incurred during years in which they are active in the pool. In the event total paid and reserved claims exceed the assets of the pool, participants will be responsible for additional contributions as defined in the participation agreements and pursuant to such policy established by the CUP II Executive Committee.

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NOTE 5 - Self-Insurance Reserve Receivable from St. Ambrose Financial Services, Inc. and Reserve for Self-Insurance - Continued

The Diocese of La Crosse and St. Ambrose Financial Services, Inc. entered into a revised service agreement effective July 1, 2019. With the revision, came changes with respect to the administration of the insurance and lay retirement 403 plans for the Diocese of La Crosse participants. Whereas management of the Diocese of La Crosse, with Finance Council approval, was and remains responsible for setting the insurance premiums for the participants of the health, dental, lay retirement, and property insurance plans, the Organization now will also bear the obligation to meet any shortfalls of the insurance plan after June 30, 2019. The insurance reserve receivable of \$1,852,732 as of June 30, 2020, represents the amount that is due from St. Ambrose Financial Services, Inc. and represents the revenue over expenditures for the current year. Self-insured stop loss provisions include a maximum of \$135,000 per individual for lay group, and \$85,000 per individual for priest group for the year ended June 30, 2020. The Organization has estimated its liability for self-insurance to be \$686,813 as of June 30, 2020.

NOTE 6 - Investments and Endowment Funds

Investments consist of marketable securities and are presented in the financial statements in the aggregate at fair market value.

The following is a summary of investments:

	JUNE 30, 2020		
	FAIR VALUE	COST	UNREALIZED APPRECIATION
Interest in master trust	\$ 11,184,589	\$ 10,131,008	\$ 1,053,581
Money market funds	717,028	717,028	
Mutual funds			
Fixed income	10,237,483	9,635,901	601,582
Equity	7,115,363	6,702,614	412,749
U.S. Listed Real Estate	59,464	40,417	19,047
CUP II insurance investment	<u>516,825</u>	<u>516,825</u>	-
TOTAL	<u>\$ 29,830,752</u>	<u>\$ 27,743,793</u>	<u>\$ 2,086,959</u>
	JUNE 30, 2019		
	FAIR VALUE	COST	UNREALIZED APPRECIATION
Interest in master trust	\$ 10,131,197	\$ 9,339,648	\$ 791,549
Money market funds	3,570,879	3,570,879	-
Mutual funds			
Fixed income	9,156,690	9,022,697	133,993
Equity	4,958,715	4,690,363	268,352
U.S. Listed Real Estate	41,950	33,350	8,600
TOTAL	<u>\$ 27,859,431</u>	<u>\$ 26,656,937</u>	<u>\$ 1,202,494</u>

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NOTE 6 - Investments and Endowment Funds - Continued

The following summarizes investment returns:

	YEAR ENDED JUNE 30,	
	2020	2019
Investment income	\$ 625,537	\$ 552,980
Investment fees	(205,466)	(114,181)
Unrealized gains	884,465	825,979
Realized gains	330,182	64,291
TOTAL INVESTMENT RETURN	<u>\$ 1,634,718</u>	<u>\$ 1,329,069</u>

The following summarizes investment and endowment income, net of investment fees:

	YEAR ENDED JUNE 30,	
	2020	2019
Total investment return	\$ 1,634,718	\$ 1,329,069
Operations interest income	46,949	96,760
TOTAL INVESTMENT INCOME	<u>\$ 1,681,667</u>	<u>\$ 1,425,829</u>

NOTE 7 - Property and Equipment

Property and equipment consist of the following:

	JUNE 30,	
	2020	2019
Land held for expansion	\$ 488,129	\$ 488,129
Land and buildings	11,101,983	11,806,094
Vehicles	93,258	93,258
Equipment	32,500	32,500
	11,715,870	12,419,981
Less accumulated depreciation	(9,802,878)	(9,581,426)
NET PROPERTY AND EQUIPMENT	<u>\$ 1,912,992</u>	<u>\$ 2,838,555</u>

Depreciation expense amounted to \$221,453 and \$231,826 for years ended June 30, 2020 and 2019, respectively.

NOTE 8 - Fair Value Measurements

The Organization has determined the fair value of certain assets and liabilities in accordance with the provision of U.S. GAAP, which provides a framework for measuring fair value under generally accepted accounting principles.

U.S. GAAP defines fair value as the exchange price that would be received for an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. U.S. GAAP requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. U.S. GAAP also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

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NOTE 8 - Fair Value Measurements - Continued

Level 1 inputs consist of quoted prices in active markets for identical assets that the reporting organization has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset. Level 3 inputs are unobservable inputs related to the asset.

The asset's fair value measurement within the fair value hierarchy is based on the lowest of any input that is significant to the fair value measurement. The following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used at June 30, 2020 and 2019.

Interest in Master Trusts: Valued at net asset value (NAV) of shares held by the Organization at year-end.

Beneficial Interest in Trusts: Fair value of the Organization's beneficial interest in perpetual trust is estimated as the fair value of the underlying trust assets.

CUP II Insurance Investments: Fair values for these investments are pooled investment funds which are inputs that are observed or corroborated primarily from observable market data through correlation or other appropriate methods.

Fixed Income Mutual Funds: Valued at net asset value (NAV) of shares held by the Organization at year end.

The methods described above may produce a fair value calculation that may be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value on a recurring basis as of June 30, 2020 and 2019.

	JUNE 30, 2020	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Interest in master trust	\$ 11,184,589	\$ -	\$ 11,184,589	\$ -
Money market funds	717,028	717,028	-	-
Mutual funds				
Fixed income	10,237,483	-	10,237,483	-
Equities	7,115,363	7,115,363	-	-
U.S. Listed Real Estate	59,464	59,464	-	-
CUP II insurance investments	516,825	-	-	516,825
Beneficial interest in perpetual trust	39,224	-	-	39,224
TOTALS	<u>\$ 29,869,976</u>	<u>\$ 7,891,855</u>	<u>\$ 21,422,072</u>	<u>\$ 556,049</u>

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NOTE 8 - Fair Value Measurements - Continued

The change in Level 3 assets measured at fair value on a recurring basis for June 30, 2020 is summarized as follows:

	<u>CUP II</u>	<u>BENEFICIAL INTEREST</u>	<u>TOTAL</u>
Balance, beginning of year	\$ -	\$ -	\$ -
Contribution of investments	529,843	39,309	569,152
Change in value of assets	<u>(13,018)</u>	<u>(85)</u>	<u>(13,103)</u>
BALANCE, END OF YEAR	<u>\$ 516,825</u>	<u>\$ 39,224</u>	<u>\$ 556,049</u>

	<u>JUNE 30, 2019</u>	<u>QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)</u>	<u>SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)</u>	<u>SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)</u>
Interest in master trust	\$ 10,131,197	\$ -	\$ 10,131,197	\$ -
Money market funds	3,570,879	3,570,879	-	-
Mutual funds				
Fixed income	9,156,690	-	9,156,690	-
Equities	4,958,715	4,958,715	-	-
U.S. Listed Real Estate	<u>41,950</u>	<u>41,950</u>	<u>-</u>	<u>-</u>
TOTALS	<u>\$ 27,859,431</u>	<u>\$ 8,571,544</u>	<u>\$ 19,287,887</u>	<u>\$ -</u>

NOTE 9 - Line of Credit

On April 8, 2011, the Diocese of La Crosse Administrative Offices entered into a revolving line of credit with St. Ambrose Financial Services, Inc. The line of credit was renewed as of January 1, 2020. The loan is collateralized by a mortgage covering substantially all assets of the Organization, with interest rates of 3.55 and 2.45 percent as of June 30, 2020 and 2019, respectively. The accrued interest on the line as of June 30, 2020 and 2019, is \$-0- and \$229,674, respectively. The outstanding balance as of June 30, 2020 and 2019, is \$1,421,911 and \$3,089,859, respectively.

The interest rate as of June 30, 2020 is charged to the rate equal to the floating rate of 0.50% or 50 basis points over the St. Ambrose Financials Services Inc. Bond Fund Yield Index as published in the U.S. Bank Private Wealth Management Relationship Review quarterly report in effect at the time of the revolving line of credit. The maximum amount available as of June 30, 2020, was \$4,000,000

The interest rate as of June 30, 2019 is charged at the rate at the 90-day Treasury bill rate as published in the Wall Street Journal. The maximum amount available as of June 30, 2019 was \$12,000,000.

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NOTE 10 - Paycheck Protection Program (PPP) Loan

The Organization applied for and was granted a loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The loan accrues interest, but payments are not required to begin for ten months to one year after the funding of the loan. The Organization is eligible for loan forgiveness of up to 100 percent of the loan, upon meeting certain requirements. Based on these criteria, it was determined as of June 30, 2020, \$37,633 would not be eligible for forgiveness and is recorded as a note payable. The portion of the loan that will be forgiven is dependent on certain future events occurring, which represents a barrier in the agreement. This barrier has resulted in a conditional contribution that will not be recognized until the barrier has been overcome. Due to the above criteria, the amount eligible for forgiveness has been recorded as a refundable advance of \$547,867 on the statement of financial position in accordance with ASC 958-605.

NOTE 11 - Net Assets

Included in net assets without donor restrictions are amounts designated by the board for the following purposes:

	JUNE 30,	
	2020	2019
Quasi-endowment	\$ 1,891,436	\$ 1,843,815
Education initiatives	74,232	134,899
Building projects	279,772	315,304
Property and equipment, net of revolving loan	450,695	120,247
TOTAL DESIGNATED NET ASSETS	<u>\$ 2,696,135</u>	<u>\$ 2,414,265</u>

Net assets with donor restrictions are restricted for the following purposes or periods:

	JUNE 30,	
	2020	2019
Subject to expenditure for specified purpose:		
Building renovation	\$ 558,531	\$ 560,014
Vocations	362,734	362,734
Hmong Ministry	-	28,272
Beneficial interest in perpetual trust	39,224	-
	<u>960,489</u>	<u>951,020</u>
Subject to the passage of time:		
Diocesan Annual Appeal	5,197,922	5,399,275
Hmong Ministry	50,000	50,000
	<u>5,247,922</u>	<u>5,449,275</u>
Endowments		
Amount required to be held in perpetuity		
Education	9,950,186	9,217,817
Support for St. James the Less Parish and St. Joseph the Workmen Cathedral	7,294,581	7,294,581
Charitable works	2,637,435	2,500,000
	<u>19,882,202</u>	<u>19,012,398</u>
Earnings subject to appropriation and expenditure for specified purpose:		
Education	1,663,133	1,309,305
Support for St. James the Less Parish and St. Joseph the Workmen Cathedral	(92,526)	(37,468)
Charitable works	(92,922)	(100,000)
	<u>1,477,685</u>	<u>1,171,837</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 27,568,298</u>	<u>\$ 26,584,530</u>

**DIOCESE OF LA CROSSE
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NOTE 11 - Net Assets - Continued

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows:

	YEAR ENDED	
	JUNE 30,	
	2020	2019
Expiration of time restrictions	\$ 5,399,275	\$ 5,288,000
Satisfaction of purpose restrictions:		
Education initiatives	-	5,899
Building renovation	3,373	38,808
Hmong ministry	28,292	-
Archives	-	46,109
TOTAL RESTRICTIONS RELEASED	\$ 5,430,920	\$ 5,378,816

The Diocesan Annual Appeal began in fiscal year 1998. Contributions received are recorded in the current fiscal year. These funds are intended to support expenditures of the subsequent fiscal year and as such are shown as net assets with donor restrictions. Each parish entity solicits its members. Each parish is given a target amount to be raised for this Appeal. Individual parishes raising amounts in excess of their target are rebated the excess amounts as they are collected by the Organization. Total funds collected are reported net of parish rebates. These rebates totaled \$648,147 and \$658,360 as of June 30, 2020 and 2019, respectively.

NOTE 12 - Endowments

The Organization's endowments include both donor-restricted endowment funds and funds designated by the Bishop and the Finance Council to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence of or absence of donor-imposed restrictions.

Interpretation of the Law

The Bishop and the Finance Council have interpreted the Wisconsin 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. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

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NOTE 12 - Endowments - Continued

Each of the trusts in the Endowment fund are governed by a trust document which states that the principal of the trust shall be initially valued at the carrying value and generally thereafter at the current value as determined on the last day of each fiscal year. The principal shall not be invaded and shall not be distributed except in the manner that is defined within the trust document.

Return Objectives and Risk Parameters

The donor-designated endowment funds consist of a portion of the Non-Qualified Plans Master Trust, savings deposits held with St. Ambrose Financial Services, Inc. and amounts held at a financial institution. The funds are invested according to the Diocese of La Crosse Investment Policy Statement and its Statement of Moral, Ethical and Social Principles. Endowment assets include donor-restricted funds that the Organization must hold in perpetuity and consist of the Bishop's Education Endowment Trust (BEET) funds, the Holy Cross Seminary Education Fund Endowment Trust, the Diocese of La Crosse Youth Ministry Endowment Trust and the Bishop John J. Paul Scholarship Endowment Trust, the Robert and Eleanor Franke Charitable Parish Endowment Trust and the Father Arnold F. Reuter Charitable Endowment Trust, as well as board designated endowment for seminarians. Under this investment policy, as approved by the Bishop and the Finance Council, the endowment assets are invested in investment portfolio's that are intended to produce maximum return for both long and short-term needs in a manner that is consistent with solid investment practices and relative safety of principal.

The board designated endowment funds consist of contributions and bequests that were received by the Organization to provide for priestly formations, the Diocesan Center, and as a memorial to Pope John Paul II. The Bishop and the Finance Council designated these funds as endowments whose balance should remain as savings accounts in St. Ambrose Financial Services, Inc. and their earnings fund the above specified activities. The interest earnings on these funds are based on the 90-day U.S. Treasury bill (floating rate) at the beginning of each quarter and are distributed quarterly. A floating rate of 1.00 to 3.45 percent was used for the year ended June 30, 2020 and 1.95 to 2.45 percent for the year ended June 30, 2019.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a fixed income/equity asset allocation to achieve its long-term return objectives within prudent risk constraints.

Spending Policy

The Diocesan Endowment Trusts govern the distribution of their income. The trustee is to distribute all income earned at least annually; provided that if such distributions include the realized gains on investments, the total amount distributed shall not exceed the maximum distributable return. The maximum distributable return for this purpose shall not exceed 4 percent of the Trust's market value as of the last day of the prior fiscal year less any investment fees. The trustee distributes the income to savings account held at St. Ambrose Financial Services, Inc. for the charitable purpose that is defined in the trust document quarterly. Per the Trust documents, any income of the Trust for a fiscal year, not otherwise distributed, is to be reinvested in the Trust's principal.

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NOTE 12 - Endowments - Continued

The Franke Charitable Trust distribution is calculated utilizing a fixed percentage amount equal to 5 percent of the net fair market value of the Trust on the last day of the preceding fiscal year over the shorter of the three preceding years or the number of years the Trust has been in existence.

The Reuter Charitable Trust has a maximum distributable return of 1 percent more than the percentage yield on the five year U.S. Treasury Notes (determined on the first day of the fiscal year). The income is distributed annually to each beneficiary per the percentage stipulated in the Trust document.

Each trust document establishes the expectation of long-term returns on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow over time. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Endowment Net Asset Composition by Type of Fund as of June 30, 2020:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Board-designated endowment funds	\$ 1,891,436	\$ -	\$ 1,891,436
Donor-restricted endowment funds:			
Original donor-restricted gift and amounts required to be maintained in perpetuity by donors	-	19,882,202	19,882,202
Accumulated investment gains	-	1,477,685	1,477,685
TOTAL	<u>\$ 1,891,436</u>	<u>\$ 21,359,887</u>	<u>\$ 23,251,323</u>

Endowment Net Asset Composition by Type of Fund as of June 30, 2019:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Board-designated endowment funds	\$ 1,843,815	\$ -	\$ 1,843,815
Donor-restricted endowment funds:			
Original donor-restricted gift and amounts required to be maintained in perpetuity by donors	-	19,012,398	19,012,398
Accumulated investment gains	-	1,171,837	1,171,837
TOTAL	<u>\$ 1,843,815</u>	<u>\$ 20,184,235</u>	<u>\$ 22,028,050</u>

Funds with Deficiencies - From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration (underwater endowments). In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions. The Organization did have two endowments that were underwater as of June 30, 2020 and 2019, this was due to the timing of the disbursements made and investing of funds.

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NOTE 12 - Endowments - Continued

Changes in Endowment Net Assets for the Year Ended June 30, 2020:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,843,815	\$ 20,184,235	\$ 22,028,050
Investment return, net	47,621	1,028,032	1,075,653
Contributions	-	869,804	869,804
Appropriation of endowment assets pursuant to spending-rate policy	-	(722,184)	(722,184)
Other changes:			
Appropriation from board-designated endowment for expenditure	-	-	-
Endowment net assets, end of year	<u>\$ 1,891,436</u>	<u>\$ 21,359,887</u>	<u>\$ 23,251,323</u>

Changes in Endowment Net Assets for the Year Ended June 30, 2019:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,888,119	\$ 17,480,000	\$ 19,368,119
Investment return, net	-	924,201	924,201
Contributions	-	2,611,714	2,611,714
Appropriation of endowment assets pursuant to spending-rate policy	-	(831,680)	(831,680)
Other changes:			
Appropriation from board-designated endowment for expenditure	(44,304)	-	(44,304)
Endowment net assets, end of year	<u>\$ 1,843,815</u>	<u>\$ 20,184,235</u>	<u>\$ 22,028,050</u>

NOTE 13 - Retirement Plans

Defined Benefit Plan

The Diocese of La Crosse (the "Organization") sponsored a retirement plan (the "Defined Benefit Plan") covering all full-time, lay employees of the Organization and other Diocesan organizations. On June 1, 2006, the Finance Council voted to amend the Defined Benefit Plan and freeze the accrual of any and all future benefits as of December 31, 2006. The noncontributory funded pension plan provides defined benefits to substantially all full-time employees as of December 31, 2006. The amount contributed by the Administrative Offices to the Defined Benefit Plan for years ended June 30, 2020 and 2019 was \$474,170 and \$147,555, respectively. This Defined Benefit Plan is not required to conform to ERISA.

The various Diocesan organizations contribute to and pay the costs of the Defined Benefit Plan, as determined by the Defined Benefit Plan's actuary. Assets are held in trust by BMO Financial Group.

Benefits are based on years of service and employee's compensation during the highest average five years' earnings during his or her career prior to retirement or termination. The maximum pension benefit is \$1,200 per month, effective January 1, 1998. Contributions are made annually to fund the Defined Benefit Plan. Contributions from all Diocesan organizations for the plan years ended December 31, 2020 and 2019 were \$854,089 and \$166,038, respectively.

**DIOCESE OF LA CROSSE
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JUNE 30, 2020 AND 2019**

NOTE 13 - Retirement Plans - Continued

Although the Defined Benefit Plan is not required to comply with ERISA, an actuarial valuation report is prepared according to ASC 960 Plan Accounting - Defined Benefit Pension Plans annually for the Defined Benefit Plan. The following information is available as of the plan years ended December 31:

	<u>2019</u>	<u>2018</u>
Actuarial Present Value of Vested Accumulated Plan Benefits	<u>\$ 36,926,529</u>	<u>\$ 37,081,790</u>
Actuarial Present Value of Nonvested Accumulated Plan Benefits	<u>\$ -</u>	<u>\$ -</u>
Plan Net Assets Available for Benefits	<u>\$ 37,465,575</u>	<u>\$ 33,168,573</u>
Overfunded (Unfunded) Actuarial Present Value of Accumulated Plan Benefits	<u>\$ 539,046</u>	<u>\$ (3,913,397)</u>
Rate of Return Used in Determining Actuarial Benefits	<u>6.75%</u>	<u>7.00%</u>
Benefits Paid	<u>\$ 2,986,083</u>	<u>\$ 2,833,441</u>

403(b) Thrift Plan

On June 1, 2006, the Finance Council also approved the adoption of a 403(b) Thrift Plan (the "Plan") to provide retirement benefits for employees of all Diocesan entities, which became effective January 1, 2007. The Plan is funded through a group annuity contract between the Organization and Mutual of America. Employees are immediately vested in the Plan. The Organization contributes 1 percent automatically for all qualified employees and 2 percent of the employee's base compensation as an employer match for those employees who are at least 18 years of age, who work more than 20 hours per week and begins immediately upon date of service. As of June 30, 2020 and 2019, the Organization contributed \$56,888 and \$53,565, respectively, to this Plan.

NOTE 14 - Split Interest Agreements

The Charitable Gift Annuity Fund is a Diocesan program that was started in 2003 to receive contributions under charitable gift annuities. The Organization has segregated these assets as separate and distinct funds, independent from other funds and not to be applied toward payment of any obligations of the Organization or any other purpose other than annuity benefits specified in the agreements. Effective April 18, 2014, Wisconsin state statutes were changed and no longer required a reserve and is no longer required to file an annual report with the Office of the Commissioner of Insurance (OCI). The Organization has chosen to keep reserves for these annuity contracts. Diocesan reserves totaled \$137,000 as of June 30, 2020 and 2019. The Organization agrees to pay a stated return to the beneficiaries as long as they live, at which time the remaining assets will be distributed according to the donor's requests.

At June 30, 2020 and 2019, the total assets held under split-interest agreements as a part of restricted investments were \$891,833 and \$912,469, respectively. Split-interest agreement liabilities are reported at the present value of the estimated future cash flows using discount rate assumptions established upon recognition of the liabilities and are included as part of collections for transmittal.

**DIOCESE OF LA CROSSE
ADMINISTRATIVE OFFICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 15 - Affiliate Transactions

On March 31, 2011 (and subsequently revised), the Organization entered into a service agreement with St. Ambrose Financial Services, Inc., whereas St. Ambrose Financial Services, Inc., will provide insurance and administrative services.

NOTE 16 - Diocesan Annual Appeal

Diocesan Annual Appeal Campaign results are as follows:

	<u>2020</u>		<u>2019</u>	
	<u>AMOUNT</u>	<u>%</u>	<u>AMOUNT</u>	<u>%</u>
<u>REVENUE</u>				
Gift Receipts	\$ 6,175,169		\$ 6,166,581	
Less Parish cash rebates	(648,147)		(658,360)	
	<u>5,527,022</u>	85.24%	<u>5,508,221</u>	89.00%
Investment gain	626,874	9.67	458,195	7.40
Assessments to Parishes Under Target	330,293	5.09	223,800	3.60
TOTAL	<u>\$ 6,484,189</u>	<u>100.00%</u>	<u>\$ 6,190,216</u>	<u>100.00%</u>

Diocesan Annual Appeal Campaign results are as follows:

	<u>2020</u>		<u>2019</u>	
	<u>AMOUNT</u>	<u>%</u>	<u>AMOUNT</u>	<u>%</u>
<u>EXPENDITURES</u>				
Case Statement Disbursement	\$ 5,399,275	95.27%	\$ 5,288,000	95.46%
Operating Expenses	268,201	4.73	251,514	4.54
TOTAL	<u>\$ 5,667,476</u>	<u>100.00%</u>	<u>\$ 5,539,514</u>	<u>100.00%</u>

NOTE 17 - Economic Conditions

The Organization receives a large portion of their revenue from investment returns and contributions and its ability to fund operations is significantly dependent on the receipt of these revenues. The Organization's operations slowed in March 2020 when State Safer at Home orders were put in place. The continued decline and volatility of the equity, credit, and labor markets resulting from the pandemic will continue to have an impact on the Organization's investment returns and contributions. These negative impacts are likely to continue into the next fiscal year. The Organization is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact on the Organization's financial position is not known.