

**THE CATHOLIC DIOCESE OF MADISON FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

June 30, 2015 and 2014

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
The Catholic Diocese of Madison Foundation, Inc.  
Madison, Wisconsin

We have audited the accompanying financial statements of The Catholic Diocese of Madison Foundation, Inc., which comprise the statements of financial position as of June 30, 2015 and 2014, 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.

### ***Auditor's 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 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.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Catholic Diocese of Madison Foundation, Inc. as of June 30, 2015 and 2014, 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.

*Wegner CPAs LLP*

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December 15, 2015

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**THE CATHOLIC DIOCESE OF MADISON FOUNDATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2015 and 2014

	2015	2014
<b>ASSETS</b>		
Cash	\$ 2,576,497	\$ 100,867
Accounts receivable	44,594	30,678
Pledges receivable - net	25,517,760	200,972
Investments	17,924,318	12,398,193
<b>Total assets</b>	<b>\$ 46,063,169</b>	<b>12,730,710</b>
<b>LIABILITIES</b>		
Accounts payable	\$ 25,639	\$ 781
Accrued payroll	2,441	-
Accrued vacation	11,857	-
Beneficial interests held for others	45,968,915	12,616,050
<b>Total liabilities</b>	<b>46,008,852</b>	<b>12,616,831</b>
<b>NET ASSETS</b>		
Unrestricted	54,317	113,879
<b>Total liabilities and net assets</b>	<b>\$ 46,063,169</b>	<b>\$ 12,730,710</b>

See accompanying notes.

**THE CATHOLIC DIOCESE OF MADISON FOUNDATION, INC.**  
**STATEMENTS OF ACTIVITIES**  
Years ended June 30, 2015 and 2014

	2015	2014
<b>UNRESTRICTED NET ASSETS</b>		
<b>SUPPORT AND REVENUE</b>		
Total contributions	\$ 33,961,270	\$ 210,972
Less amounts for beneficial interests held for others	<u>(33,961,270)</u>	<u>(210,972)</u>
Contributions	-	-
Total investment return	63,116	1,509,259
Less amounts for beneficial interests held for others	<u>(63,116)</u>	<u>(1,509,259)</u>
Investment return	-	-
Management fees	143,342	110,853
Interest	426	204
Miscellaneous	<u>81</u>	<u>-</u>
Total unrestricted support and revenue	143,849	111,057
<b>EXPENSES</b>		
Grants and distributions	1,179,592	35,022
Less amounts from beneficial interests held for others	<u>(1,179,592)</u>	<u>(35,022)</u>
Grants	-	-
Personnel	125,138	-
Professional fees	62,500	893
Rent	3,648	-
Office expenses	1,819	-
Travel and meals	1,870	-
Conferences and meetings	64	1,862
Sponsorships and donations	1,800	1,000
Postage and printing	4,640	641
Other	<u>1,932</u>	<u>5,095</u>
Total expenses	<u>203,411</u>	<u>9,491</u>
<b>Change in net assets</b>	(59,562)	101,566
Net assets - beginning of year	<u>113,879</u>	<u>12,313</u>
<b>Net assets - end of year</b>	<u>\$ 54,317</u>	<u>\$ 113,879</u>

See accompanying notes.

**THE CATHOLIC DIOCESE OF MADISON FOUNDATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
Years ended June 30, 2015 and 2014

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (59,562)	\$ 101,566
Adjustments to reconcile change in net assets to net cash flows from operating activities		
(Increase) decrease in assets		
Accounts receivable	(13,916)	(30,678)
Pledges receivable	(25,316,788)	(200,972)
Increase (decrease) in liabilities		
Accounts payable	24,858	781
Accrued payroll	2,441	-
Accrued vacation	11,857	-
Beneficial interests held for others	33,289,749	1,662,878
Net cash flows from operating activities	7,938,639	1,533,575
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(12,728,668)	(1,480,043)
Proceeds from sales of investments	7,265,659	35,022
Net cash flows from investing activities	(5,463,009)	(1,445,021)
<b>Change in cash</b>	2,475,630	88,554
Cash - beginning of year	100,867	12,313
<b>Cash - end of year</b>	<u>\$ 2,576,497</u>	<u>\$ 100,867</u>

See accompanying notes.

**THE CATHOLIC DIOCESE OF MADISON FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015 and 2014

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The Catholic Diocese of Madison Foundation, Inc. (the "Foundation"), is a not-for-profit Wisconsin corporation that serves as a resource to Catholic ministries of the Diocese by offering long term funding resources and is organized to operate exclusively for religious, charitable and educational purposes. Funds are invested to uphold Catholic values and provide competitive long term return. The Foundation is governed by a Board of Directors who is responsible for the management and control of the Foundation's operations, affairs, property and funds.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Accounts Receivable**

The Foundation considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been developed. If amounts become uncollectible, they will be charged to operations when that determination is made.

**Pledges Receivable**

Pledges receivable are recorded at fair value. As such, pledges receivable that will be satisfied in more than one year have been discounted to present value.

**Expense Allocation**

Expenses are allocated to program and supporting services based on the nature of the expenses.

**Income Tax Status**

The Foundation is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and, accordingly, there is no provision for federal or state income taxes.

**Accounting for Uncertainty in Income Taxes**

Management has analyzed the tax positions taken by the Foundation and has concluded that as of June 30, 2015, 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 Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Foundation is no longer subject to Federal tax examination by tax authorities for years before 2012 and state examination for years before 2011.

**Reclassifications**

Certain amounts and accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation of the current year's financial statements.

**THE CATHOLIC DIOCESE OF MADISON FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2015 and 2014

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**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 revenue and expenses. Actual results could differ from those estimates.

**Date of Management's Review**

Management has evaluated subsequent events through December 15, 2015, the date which the financial statements were available to be issued.

NOTE 2 – INVESTMENTS

Investments at June 30, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Common stocks	\$ 3,009,253	\$ 2,959,199
Bonds	6,173,658	4,137,885
Mutual fund	7,877,908	5,086,835
Money market	<u>863,499</u>	<u>214,274</u>
Investments	<u>\$ 17,924,318</u>	<u>\$ 12,398,193</u>

Investment securities, in general, are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statements of financial position.

Investment return for the beneficial interests held for others for the years ended June 30, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 248,023	\$ 170,583
Realized and unrealized gains	46,693	1,497,347
Fees	<u>(231,600)</u>	<u>(158,671)</u>
Investment return	<u>\$ 63,116</u>	<u>\$ 1,509,259</u>



**THE CATHOLIC DIOCESE OF MADISON FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015 and 2014

**NOTE 3 – FAIR VALUE MEASUREMENTS**

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.

Fair values of assets measured on a recurring basis are as follows for the years ended June 30, 2015 and 2014:

	Fair Value	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>2015</b>				
Common stocks	\$ 3,009,253	\$ 3,009,253	\$ -	\$ -
Bonds	6,173,658	166,914	6,006,744	-
Mutual funds	7,877,908	-	7,877,908	-
Money market	863,499	-	863,499	-
	<u>\$ 17,924,318</u>	<u>\$ 3,176,167</u>	<u>\$ 14,748,151</u>	<u>\$ -</u>
<b>2014</b>				
Common stocks	\$ 2,959,199	\$ 2,959,199	\$ -	\$ -
Bonds	4,137,885	185,372	3,952,513	-
Mutual funds	5,086,835	-	5,086,835	-
Money market	214,274	-	214,274	-
	<u>\$ 12,398,193</u>	<u>\$ 3,144,571</u>	<u>\$ 9,253,622</u>	<u>\$ -</u>

Fair values for the money market fund and stocks are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value of the mutual funds is based on quoted market prices as these securities are actively traded. Fair value of the bonds is determined based on the quoted yield on a security that is most similar to the security being valued, adjusted for variances in the maturity, coupon and other features. Level 1 and Level 2 investments can be sold in the open market without delay.

**THE CATHOLIC DIOCESE OF MADISON FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015 and 2014

**NOTE 4 – BENEFICIAL INTERESTS HELD FOR OTHERS**

As part of its mission, the Foundation receives reciprocal transfers and donations from various donors and other entities, solely to support Catholic organizations in the Diocese of Madison. U.S. GAAP establishes standards for transactions in which a recipient entity accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both, to an entity that is specified by the donor. The Foundation refers to such funds as beneficial interests held for others. The Foundation maintains legal ownership of beneficial interests, and, therefore, reports the funds as assets of the Foundation. However, in accordance with U.S. GAAP, because the Foundation received these funds absent variance power, these transfers and donations are not recorded as revenue, and a liability has been established equal to the fair value of the assets held for the various Catholic organizations.

As of June 30, 2015 and 2014, the Foundation was the owner of 14 and 13 beneficial interests held for others, respectively, with a combined fair value of \$45,968,915 and \$12,616,050, respectively. All financial activity related to these funds is segregated in the statements of activities and has been classified as a liability in the statements of financial position. As of June 30, 2015 and 2014, the Foundation's beneficial interests held for others consisted of the following:

	2015	2014
Cash	\$ 2,526,837	\$ 16,885
Pledges receivable	25,517,760	200,972
Investments	17,924,318	12,398,193
Total beneficial interests held for others	\$ 45,968,915	\$ 12,616,050

**NOTE 5 – PLEDGES RECEIVABLE**

Pledges receivable at June 30, 2015 and 2014 are summarized as follows:

	2015	2014
Amounts due in less than one year	\$ 5,291,332	\$ 41,400
Amounts due in one to five years	20,990,482	165,600
Pledges receivable	26,281,814	207,000
Less unamortized discount on pledges	(764,054)	(6,028)
Pledges receivable - net	\$ 25,517,760	\$ 200,972

Pledges receivable due in one to five years are reflected at present value of estimated future cash flows using a discount rate of 1.5%.

**THE CATHOLIC DIOCESE OF MADISON FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015 and 2014

**NOTE 5 – PLEDGES RECEIVABLE (continued)**

All of the pledges are attributable to the Priests for Our Future – The Church is Alive capital campaign which is raising funds to provide educational support for the seminarians of the Diocese of Madison and to support the work of the Diocesan Office of Vocations in promoting vocations to the priesthood. All of the pledges are included in the beneficial interests held for others liability as noted in Note 4 and, therefore, do not have an effect on the Foundation's statements of activities. Accordingly, the Foundation has elected not to record an allowance for uncollectible pledges and will reduce the pledges receivable balance, along with the corresponding beneficial interests held for others, when any pledges are determined to be uncollectible.

Each parish in the Diocese of Madison has a goal to raise contributions for the campaign. If a parish exceeds its goal, a "waterfall" would be created where the parish will have the rights to a portion of the excess amounts given to the Foundation for the campaign. For contributions of 100% to 125% of the goal, 50% of these amounts will be a waterfall to the parish. For contributions above 125% of the goal, 80% of these amounts will be a waterfall to the parish. Based on the pledges receivable by parish as of June 30, 2015 and 2014, the amounts held for others are estimated to be split as follows:

	2015	2014
Diocese of Madison - Holy Name Seminary	\$ 20,160,343	\$ 200,972
Various parishes of the Diocese	5,357,417	-
Pledges receivable - net	\$ 25,517,760	\$ 200,972

**NOTE 6 – FUNCTIONAL ALLOCATION OF EXPENSES**

Expenses by function for the years ended June 30, 2015 and 2014 were as follows:

	2015	2014
Program services	\$ 91,592	\$ 5,589
Management and general	111,819	3,902
	\$ 203,411	\$ 9,491

**NOTE 7 – CONCENTRATIONS OF CREDIT RISK**

The Foundation maintains cash balances at a financial institution located in Madison, Wisconsin. The Federal Deposit Insurance Corporation insures accounts at each institution up to \$250,000. The Foundation had uninsured cash balances totaling \$2,328,481 and \$0 at June 30, 2015 and 2014 in excess of the federally insured \$250,000. While the Foundation is exposed to custodial credit risk, the Foundation has not experienced any losses in such accounts.