

ST. FRANCIS OF ASSISI PARISH

Financial Statements

June 30, 2017 and 2016

ST. FRANCIS OF ASSISI PARISH

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INDEPENDENT AUDITORS' REPORT

To the Finance Council
St. Francis of Assisi Parish
Manitowoc, Wisconsin

We have audited the accompanying financial statements of St. Francis of Assisi Parish (a not-for-profit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, 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 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 auditors consider 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 qualified audit opinion.

Basis for Qualified Opinion

As described in Note 1E, prior to June 30, 2013 the Organization charged expenditures for property and equipment to expense as incurred. In our opinion, accounting principles generally accepted in the United States of America require that such expenditures be capitalized and depreciated over their useful lives. The effect of the preceding practice on the financial statements is not reasonably determinable.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2017 and 2016, 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.

Other Matter

Report on Other Legal and Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Private School Choice Programs ("PSCP") Reserve Balance Schedule, as required by the Wisconsin Department of Public Instruction, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In addition, the balances have been subjected to auditing procedures required by Wis. Stats. 118.60 and 119.23 and Wis. Admin. Codes PI 35 and PI 48. In our opinion, the PSCP Reserve Balance schedule is free of material misstatements and fairly presents the private school's eligible education expenses as required under Wis. Stats. 118.60 and 119.23 and Wis. Admin. Codes PI 35 and PI 48.

Schuck SL

Certified Public Accountants

Manitowoc, Wisconsin
October 11, 2017

ST. FRANCIS OF ASSISI PARISH

Statements of Financial Position
June 30, 2017 and 2016

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
<u>Current assets</u>		
Cash	\$ 385,103	\$ 292,124
Tuition receivable, net of allowance of \$15,300	59,870	100,972
Other receivable, net of allowance of \$165,189 and \$95,189, respectively	80,322	87,871
Prepaid expenses	23,168	21,946
Scrip inventory	<u>112,993</u>	<u>119,278</u>
Total current assets	<u>661,456</u>	<u>622,191</u>
<u>Property and equipment</u>		
Building improvements	43,510	43,510
Furniture and equipment	<u>14,494</u>	<u>14,494</u>
	58,004	58,004
Less accumulated depreciation	<u>4,802</u>	<u>3,315</u>
Net property and equipment	<u>53,202</u>	<u>54,689</u>
<u>Other assets</u>		
Land held for sale	-	24,900
Investments	2,976	-
Investments held for endowment	<u>179,117</u>	<u>158,112</u>
Total other assets	<u>182,093</u>	<u>183,012</u>
	<u>\$ 896,751</u>	<u>\$ 859,892</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities</u>		
Accounts payable	\$ 104,200	\$ 78,349
Accrued payroll liabilities and other	403,029	400,360
Deferred revenue	<u>56,334</u>	<u>53,265</u>
Total current liabilities	563,563	531,974
Other liabilities	<u>43,587</u>	<u>43,587</u>
Total liabilities	<u>607,150</u>	<u>575,561</u>
<u>Net assets</u>		
Unrestricted:		
Undesignated (deficit)	(142,021)	(124,338)
Designated for endowment	<u>179,117</u>	<u>158,112</u>
Total unrestricted	37,096	33,774
Temporarily restricted	<u>252,505</u>	<u>250,557</u>
Total net assets	<u>289,601</u>	<u>284,331</u>
	<u>\$ 896,751</u>	<u>\$ 859,892</u>

See notes to financial statements.

ST. FRANCIS OF ASSISI PARISH

Statement of Activities
Year ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Public support and revenue</u>				
Public support:				
Parish support	\$ 2,230,900	\$ -	\$ -	\$ 2,230,900
Mass stipends	9,875	-	-	9,875
Mass stole fees	7,365	-	-	7,365
Donations	<u>478,731</u>	<u>22,737</u>	<u>-</u>	<u>501,468</u>
Total public support	<u>2,726,871</u>	<u>22,737</u>	<u>-</u>	<u>2,749,608</u>
Revenue:				
Tuition	867,699	-	-	867,699
Private School Choice Program income	-	322,212	-	322,212
Educational assessments	36,516	-	-	36,516
Scrip proceeds	\$ 3,106,231			
Less Scrip expenses	<u>(3,040,356)</u>	65,875	-	65,875
Fundraising proceeds from special events	231,053			
Less fundraising expenses of special events	<u>(59,764)</u>	171,289	-	171,289
Extended care proceeds	66,225			
Less extended care expenses	<u>(32,192)</u>	34,033	-	34,033
Hot lunch proceeds	152,998			
Less hot lunch expenses	<u>(141,683)</u>	(35,665)	46,980	11,315
Cemetery service revenues	67,559			
Less cemetery expenses	<u>(67,559)</u>	-	-	-
Rental income	18,400	-	-	18,400
Endowment income	40,609	-	-	40,609
Investment return	26,098	-	-	26,098
Bulletin income	8,000	-	-	8,000
Lumen Christi	20,884	-	-	20,884
Other income	<u>30,251</u>	<u>-</u>	<u>-</u>	<u>30,251</u>
Total revenue	<u>1,283,989</u>	<u>369,192</u>	<u>-</u>	<u>1,653,181</u>
Net assets released from restriction:				
Satisfaction of program restrictions	<u>389,981</u>	<u>(389,981)</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>4,400,841</u>	<u>1,948</u>	<u>-</u>	<u>4,402,789</u>
<u>Expenses</u>				
Program services	3,620,376	-	-	3,620,376
Management and general	608,673	-	-	608,673
Fundraising	<u>161,776</u>	<u>-</u>	<u>-</u>	<u>161,776</u>
Total expenses	<u>4,390,825</u>	<u>-</u>	<u>-</u>	<u>4,390,825</u>
Change in net assets	10,016	1,948	-	11,964
<u>Other income, gains (losses)</u>				
Loss on sale of land held for sale	<u>(6,694)</u>	<u>-</u>	<u>-</u>	<u>(6,694)</u>
Change in net assets	3,322	1,948	-	5,270
<u>Net assets</u>				
Beginning of year	<u>33,774</u>	<u>250,557</u>	<u>-</u>	<u>284,331</u>
End of year	<u>\$ 37,096</u>	<u>\$ 252,505</u>	<u>\$ -</u>	<u>\$ 289,601</u>

See notes to financial statements.

ST. FRANCIS OF ASSISI PARISH

Statement of Activities
Year ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Public support and revenue</u>				
Public support:				
Parish support	\$ 2,276,151	\$ -	\$ -	\$ 2,276,151
Mass stipends	13,131	-	-	13,131
Mass stole fees	8,180	-	-	8,180
Donations	<u>248,642</u>	<u>86,345</u>	<u>-</u>	<u>334,987</u>
Total public support	<u>2,546,104</u>	<u>86,345</u>	<u>-</u>	<u>2,632,449</u>
Revenue:				
Tuition	883,507	-	-	883,507
Private School Choice Program income	-	301,185	-	301,185
Educational assessments	42,533	-	-	42,533
Scrip proceeds	\$ 2,935,674			
Less Scrip expenses	<u>(2,859,204)</u>	76,470	-	76,470
Fundraising proceeds from special events	215,397			
Less fundraising expenses of special events	<u>(63,159)</u>	152,238	-	152,238
Extended care proceeds	61,961			
Less extended care expenses	<u>(31,881)</u>	30,080	-	30,080
Hot lunch proceeds	168,243			
Less hot lunch expenses	<u>(142,182)</u>	(24,164)	50,225	26,061
Cemetery service revenues	93,296			
Less cemetery expenses	<u>(74,166)</u>	19,130	-	19,130
Rental income	25,280	-	-	25,280
Endowment income	38,217	-	-	38,217
Investment return	887	-	-	887
Bulletin income	8,000	-	-	8,000
Lumen Christi	22,661	-	-	22,661
Other income	<u>35,021</u>	<u>-</u>	<u>-</u>	<u>35,021</u>
Total revenue	<u>1,309,860</u>	<u>351,410</u>	<u>-</u>	<u>1,661,270</u>
Net assets released from restriction:				
Satisfaction of program restrictions	<u>392,590</u>	<u>(392,590)</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>4,248,554</u>	<u>45,165</u>	<u>-</u>	<u>4,293,719</u>
<u>Expenses</u>				
Program services	3,726,555	-	-	3,726,555
Management and general	679,197	-	-	679,197
Fundraising	<u>72,677</u>	<u>-</u>	<u>-</u>	<u>72,677</u>
Total expenses	<u>4,478,429</u>	<u>-</u>	<u>-</u>	<u>4,478,429</u>
Change in net assets before other income	(229,875)	45,165	-	(184,710)
<u>Other income, gains (losses)</u>				
Loss on sale of land held for sale	<u>(10,618)</u>	<u>-</u>	<u>-</u>	<u>(10,618)</u>
Change in net assets	(240,493)	45,165	-	(195,328)
<u>Net assets</u>				
Beginning of year	<u>274,267</u>	<u>205,392</u>	<u>-</u>	<u>479,659</u>
End of year	<u>\$ 33,774</u>	<u>\$ 250,557</u>	<u>\$ -</u>	<u>\$ 284,331</u>

See notes to financial statements.

ST. FRANCIS OF ASSISI PARISH

Statement of Functional Expenses
Year ended June 30, 2017

	Program Services			Management and General	Fundraising	Total
	Catholic Ministry	Youth Education	Total			
Personnel expenses:						
Wages	\$ 409,446	\$ 1,364,821	\$ 1,774,267	\$ 409,446	\$ 90,988	\$ 2,274,701
Employee benefits	97,542	325,140	422,682	97,542	21,676	541,900
Payroll taxes	30,847	102,821	133,668	30,846	6,855	171,369
Workers' compensation insurance	5,088	16,962	22,050	5,089	1,131	28,270
Staff development	553	1,841	2,394	552	123	3,069
Travel and lodging	119	399	518	120	27	665
Recruiting	144	482	626	145	32	803
Total personnel expenses	<u>543,739</u>	<u>1,812,466</u>	<u>2,356,205</u>	<u>543,740</u>	<u>120,832</u>	<u>3,020,777</u>
Purchased services and supplies:						
Insurance	17,677	49,494	67,171	3,535	-	70,706
Professional fees	-	-	-	17,019	-	17,019
Computer support	11,123	-	11,123	8,898	2,225	22,246
Advertising and promotion	4,221	4,222	8,443	-	2,111	10,554
Liturgical services	125,941	-	125,941	-	-	125,941
Youth ministry	20,744	-	20,744	-	-	20,744
Faith formation	11,738	105,641	117,379	-	-	117,379
Library books and supplies	-	3,698	3,698	-	-	3,698
Parish life	9,654	-	9,654	-	-	9,654
Student/other transport services	-	25,546	25,546	-	-	25,546
Total purchased services and supplies	<u>201,098</u>	<u>188,601</u>	<u>389,699</u>	<u>29,452</u>	<u>4,336</u>	<u>423,487</u>
Building and grounds expense:						
Utilities	46,751	51,946	98,697	4,156	1,039	103,892
Housekeeping and janitorial	5,444	5,444	10,888	-	-	10,888
Building and grounds maintenance	57	133	190	-	-	190
Equipment repairs and maintenance	32,663	55,993	88,656	4,666	-	93,322
Depreciation	-	1,487	1,487	-	-	1,487
Total building and grounds expense	<u>84,915</u>	<u>115,003</u>	<u>199,918</u>	<u>8,822</u>	<u>1,039</u>	<u>209,779</u>
General and office expense:						
Office supplies	7,203	6,003	13,206	4,802	6,003	24,011
Postage	3,695	5,173	8,868	1,478	4,434	14,780
Telephone	6,490	10,382	16,872	5,191	3,893	25,956
Printing	3,006	3,758	6,764	3,758	4,509	15,031
Equipment and rental maintenance	533	533	1,066	356	356	1,778
Membership, dues and subscriptions	1,141	1,427	2,568	285	-	2,853
Total general and office expense	<u>22,068</u>	<u>27,276</u>	<u>49,344</u>	<u>15,870</u>	<u>19,195</u>	<u>84,409</u>
Other:						
Meetings and workshops	1,084	464	1,548	-	-	1,548
Interest and bank fees	-	-	-	9,770	-	9,770
Diocesan assessments	73,686	-	73,686	-	-	73,686
Educational subsidies	-	333,139	333,139	-	-	333,139
Donations and grants	124,643	-	124,643	-	-	124,643
Stewardship	-	-	-	-	4,233	4,233
Recruitment	-	-	-	790	-	790
Development	-	-	-	-	11,919	11,919
Bad debt expense	69,394	-	69,394	-	-	69,394
Capital expenditures	19,202	3,375	22,577	-	-	22,577
Miscellaneous	223	-	223	229	222	674
Total other	<u>288,232</u>	<u>336,978</u>	<u>625,210</u>	<u>10,789</u>	<u>16,374</u>	<u>652,373</u>
	<u>\$ 1,140,052</u>	<u>\$ 2,480,324</u>	<u>\$ 3,620,376</u>	<u>\$ 608,673</u>	<u>\$ 161,776</u>	<u>\$ 4,390,825</u>

See notes to financial statements.

ST. FRANCIS OF ASSISI PARISH

Statement of Functional Expenses
Year ended June 30, 2016

	Program Services			Management and General	Fundraising	Total
	Catholic Ministry	Youth Education	Total			
Personnel expenses:						
Wages	\$ 442,533	\$ 1,397,474	\$ 1,840,007	\$ 465,825	\$ 23,291	\$ 2,329,123
Employee benefits	98,353	310,585	408,938	103,528	5,176	517,642
Payroll taxes	31,437	99,277	130,714	33,092	1,655	165,461
Workers' compensation insurance	3,659	11,556	15,215	3,852	193	19,260
Staff development	384	1,211	1,595	404	20	2,019
Travel and lodging	388	1,223	1,611	408	20	2,039
Recruiting	709	2,240	2,949	747	37	3,733
Total personnel expenses	<u>577,463</u>	<u>1,823,566</u>	<u>2,401,029</u>	<u>607,856</u>	<u>30,392</u>	<u>3,039,277</u>
Purchased services and supplies:						
Insurance	16,943	47,440	64,383	3,389	-	67,772
Professional fees	-	-	-	17,439	-	17,439
Computer support	11,526	-	11,526	9,221	2,305	23,052
Advertising and promotion	5,432	4,345	9,777	-	1,086	10,863
Liturgical services	106,192	-	106,192	-	-	106,192
Youth ministry	31,502	-	31,502	-	-	31,502
Faith formation	16,340	147,062	163,402	-	-	163,402
Library books and supplies	199	3,775	3,974	-	-	3,974
Parish life	17,575	-	17,575	-	-	17,575
Student/other transport services	-	29,723	29,723	-	-	29,723
Total purchased services and supplies	<u>205,709</u>	<u>232,345</u>	<u>438,054</u>	<u>30,049</u>	<u>3,391</u>	<u>471,494</u>
Building and grounds expense:						
Utilities	45,507	50,563	96,070	4,045	1,011	101,126
Housekeeping and janitorial	6,034	6,035	12,069	-	-	12,069
Building and grounds maintenance	75	175	250	-	-	250
Equipment repairs and maintenance	25,898	56,112	82,010	4,316	-	86,326
Depreciation	-	1,487	1,487	-	-	1,487
Total building and grounds expense	<u>77,514</u>	<u>114,372</u>	<u>191,886</u>	<u>8,361</u>	<u>1,011</u>	<u>201,258</u>
General and office expense:						
Office supplies	8,731	7,276	16,007	5,821	7,276	29,104
Postage	3,635	5,089	8,724	1,454	4,362	14,540
Telephone	6,585	6,585	13,170	6,585	2,195	21,950
Printing	2,950	3,687	6,637	3,687	4,424	14,748
Equipment and rental maintenance	588	588	1,176	588	197	1,961
Membership, dues and subscriptions	1,563	1,251	2,814	313	-	3,127
Total general and office expense	<u>24,052</u>	<u>24,476</u>	<u>48,528</u>	<u>18,448</u>	<u>18,454</u>	<u>85,430</u>
Other:						
Meetings and workshops	2,384	1,022	3,406	-	-	3,406
Interest and bank fees	-	-	-	9,209	-	9,209
Diocesan assessments	77,994	-	77,994	-	-	77,994
Educational subsidies	-	329,340	329,340	-	-	329,340
Donations and grants	127,018	-	127,018	-	-	127,018
Stewardship	-	-	-	-	12,911	12,911
Recruitment	-	-	-	4,091	-	4,091
Development	-	-	-	-	5,370	5,370
Bad debt expense	95,189	5,809	100,998	-	-	100,998
Capital expenditures	3,501	3,654	7,155	-	-	7,155
Miscellaneous	1,147	-	1,147	1,183	1,148	3,478
Total other	<u>307,233</u>	<u>339,825</u>	<u>647,058</u>	<u>14,483</u>	<u>19,429</u>	<u>680,970</u>
	<u>\$ 1,191,971</u>	<u>\$ 2,534,584</u>	<u>\$ 3,726,555</u>	<u>\$ 679,197</u>	<u>\$ 72,677</u>	<u>\$ 4,478,429</u>

See notes to financial statements.

ST. FRANCIS OF ASSISI PARISH

Statements of Cash Flows
Years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>Operating activities</u>		
Change in net assets	\$ 5,270	\$ (195,328)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	1,487	1,487
Unrealized loss (gain) on investments	(11,953)	8,944
Realized gain on sale of investments	(7,696)	(2,794)
Loss on sale of land held for sale	6,694	10,618
Decrease (increase) in operating assets:		
Tuition receivable	41,102	(72,657)
Other receivable	7,549	-
Prepaid expenses	(1,222)	(4,704)
Scrip inventory	6,285	(5,641)
Increase (decrease) in operating liabilities:		
Accounts payable	25,851	(39,596)
Accrued payroll liabilities and other	2,669	33,292
Deferred revenue	<u>3,069</u>	<u>4,921</u>
Net cash provided by (used for) operating activities	<u>79,105</u>	<u>(261,458)</u>
<u>Investing activities</u>		
Proceeds from sale of investments	2,117	4,559
Proceeds from sale of land held for sale	18,206	14,282
Purchase of investments	<u>(6,449)</u>	<u>(6,625)</u>
Net cash provided by investing activities	<u>13,874</u>	<u>12,216</u>
<u>Cash</u>		
Net increase (decrease)	92,979	(249,242)
Beginning of year	<u>292,124</u>	<u>541,366</u>
End of year	<u>\$ 385,103</u>	<u>\$ 292,124</u>

See notes to financial statements.

ST. FRANCIS OF ASSISI PARISH

Notes to Financial Statements June 30, 2017 and 2016

Note 1 - Nature of activities and significant accounting policies

A. Nature of activities

St. Francis of Assisi Parish (Organization) is a charitable organization under the control of the Catholic Diocese of Green Bay. The Organization exists to provide worship and religious education in Manitowoc, Wisconsin. The Organization is supported primarily through contributions and fees from the congregation.

B. Subsequent events

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through October 11, 2017, the date on which the financial statements were available to be issued.

C. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Basis of presentation

The Organization is required to report information regarding its net assets and its activities in the following three classes of net assets:

Unrestricted net assets - net assets that are neither temporarily nor permanently restricted by donor-imposed stipulations.

Temporarily restricted net assets - net assets that result from contributions or other revenue sources whose use by the Organization is limited by donor-imposed stipulations or regulatory restrictions imposed by external funding sources that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Permanently restricted net assets - net assets resulting from contributions whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled and removed by actions of the Organization.

The Organization did not have any permanently restricted net assets at June 30, 2017 and 2016.

ST. FRANCIS OF ASSISI PARISH

Notes to Financial Statements, Continued
June 30, 2017 and 2016

Note 1 - Nature of activities and significant accounting policies, continued

E. Basis of accounting and departure from generally accepted accounting principles

The financial statements of the Organization have been prepared on the accrual basis of accounting, and accordingly, reflects all significant receivables, payables, and other liabilities.

However, prior to June 30, 2013 purchases of property and equipment were charged to expense as incurred, rather than capitalized and depreciated over their useful lives. The effect on the financial statements of this departure from accounting principles generally accepted in the United States of America (U.S. GAAP) is not reasonably determinable.

F. Property, equipment and depreciation

Property and equipment acquired after June 30, 2013 are stated at cost when purchased, or if donated, at fair value as of the date contributed. Expenditures for additions and improvements are capitalized while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are expensed currently as incurred. Property and equipment sold or otherwise disposed of are removed from the property accounts, with gains or losses on disposal credited or charged to the results of operations.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Building improvements	39 years
Furniture and equipment	7 years

G. Tuition receivable

Tuition receivable is stated at the gross amount less a provision for uncollectible amounts. The provision for uncollectible tuition is based upon the Organization's assessment of the credit history with parishioners having outstanding balances and current relationships with them.

H. Scrip inventory

Scrip inventory is stated at the lower of cost or market. Cost is generally determined using the specific identification method.

I. Contribution recognition

Unrestricted contributions are recognized as revenue when they are received or unconditionally promised. Contributions that are restricted by the donor 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.

ST. FRANCIS OF ASSISI PARISH

Notes to Financial Statements, Continued June 30, 2017 and 2016

Note 1 - Nature of activities and significant accounting policies, continued

I. Contribution recognition, continued

Donated services are recognized as contributions if the donations (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provided other services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

J. Revenue recognition and deferred revenue

Tuition and educational assessments revenue for the Organization's day school and religious education programs are recognized when the school/educational year begins. Amounts received prior to the start of the school/educational year are recorded as deferred revenue in the statements of financial position.

Fundraising revenue is recognized when the event is held. All other sources of revenue are recognized when received.

K. Functional allocation of expenses

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

L. Income tax status

St. Francis of Assisi Parish is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A). The entity is also exempt from Wisconsin income taxes.

Note 2 - Concentration of credit risk

The Organization maintains its bank accounts at a bank located in Manitowoc, Wisconsin. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per insured depository institution. The Organization's cash deposits may exceed these federally insured limits at times during the year. The Organization has not experienced any losses on these accounts. Management believes the Organization is not exposed to any significant credit risk on cash.

ST. FRANCIS OF ASSISI PARISH

Notes to Financial Statements, Continued
June 30, 2017 and 2016

Note 3 - Investment return

Investment return consists of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 6,449	\$ 7,037
Unrealized gain (loss) on investments	11,953	(8,944)
Realized gain on sale of investments	<u>7,696</u>	<u>2,794</u>
	<u>\$ 26,098</u>	<u>\$ 887</u>

Note 4 - Land held for sale

In 2009, the Organization received an in-kind contribution of land that consists of two lots. One lot was sold during the year ended June 30, 2016 and the remaining lot was sold during the year ended June 30, 2017.

Note 5 - Notes payable

At June 30, 2017 and 2016, the Organization has a \$500,000 revolving credit agreement through Bank First National, which bears interest at prime plus 1% (4.75% at June 30, 2017). The line of credit expires December 1, 2017 and is secured by substantially all assets of the Organization. The Organization has the ability to increase total borrowings under this agreement to \$750,000 if requested. At June 30, 2017 and 2016, there was no balance outstanding.

The Organization also has a \$200,000 revolving credit agreement with Bank First National, which bears interest at prime plus 1% (4.75% at June 30, 2017). The line of credit expires on December 1, 2017 and is secured by substantially all assets of the Organization. The Organization has the ability to increase total borrowings under this agreement to \$300,000 if requested. At June 30, 2017 and 2016, there was no balance outstanding.

Note 6 - Endowment net assets

As of June 30, 2017 and 2016, the Organization's endowment fund consists of funds internally designated by the Board of Directors as a general endowment fund to support the mission of the Organization. Since the designated funds are not donor-restricted, they are classified and reported as unrestricted net assets.

The Organization has a spending policy that allows them to request up to 10% of the fair value of the fund. Restricted gifts and bequests shall be allocated in accordance with their stated restrictions. Income and assets, as permitted from the fund, shall be distributed annually and at such other times as deemed necessary and/or feasible for capital improvements, debt reduction, or specific program development for the Organization, as approved by the Organization's Board of Directors.

ST. FRANCIS OF ASSISI PARISH

Notes to Financial Statements, Continued
June 30, 2017 and 2016

Note 6 - Endowment net assets, continued

The Organization has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well-diversified asset mix, which includes mutual funds.

Composition of and changes in board-designated endowment investments for the years ended June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Beginning of the year	\$ 158,112	\$ 162,196
Investment income	2,529	3,095
Net appreciation (realized and unrealized)	19,649	(6,150)
Amounts appropriated for expenditure	<u>(1,173)</u>	<u>(1,029)</u>
End of year	<u>\$ 179,117</u>	<u>\$ 158,112</u>

Note 7 - Fair value measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1 – Quoted prices in active markets for identical assets and liabilities.
- Level 2 – Quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table presents, for each of the fair value hierarchy levels, the Organization's financial assets and liabilities at June 30, 2017 and 2016 that are measured at fair value on a recurring basis:

ST. FRANCIS OF ASSISI PARISH

Notes to Financial Statements, Continued
June 30, 2017 and 2016

Note 7 - Fair value measurements, continued

<u>Assets</u>	<u>Total</u>	<u>2017</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 2,976	\$ 2,976	\$ -	\$ -
Mutual bond funds	53,579	53,579	-	-
Mutual stock funds	<u>125,538</u>	<u>125,538</u>	-	-
	<u>\$182,093</u>	<u>\$182,093</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Assets</u>	<u>Total</u>	<u>2016</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual bond funds	\$ 47,884	\$ 47,884	\$ -	\$ -
Mutual stock funds	110,228	110,228	-	-
Land held for sale	<u>24,900</u>	-	-	<u>24,900</u>
	<u>\$183,012</u>	<u>\$158,112</u>	<u>\$ -</u>	<u>\$ 24,900</u>

Fair value for the land held for sale is determined from market transactions on similar parcels of land.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes the valuation methods are appropriate and consistent with the other market participants, the use of different methodologies or assumptions to determine the fair value of land held for sale could result in a different fair value measurement at the reporting date.

The Organization recognizes transfers into and out of levels within the fair value hierarchy at the end of the reporting period.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) for the years ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 24,900	\$ 49,800
Proceeds from sale of lot	(18,206)	(14,282)
Realized loss on sale of lot	<u>(6,694)</u>	<u>(10,618)</u>
Balance, end of year	<u>\$ -</u>	<u>\$ 24,900</u>

ST. FRANCIS OF ASSISI PARISH

Notes to Financial Statements, Continued
June 30, 2017 and 2016

Note 8 - Private School Choice Program

The Organization participates in the Private School Choice Program (Program), formerly Wisconsin Parental Choice Program, which is administered by the Wisconsin Department of Public Instruction. The Program subsidizes tuition costs for students that meet certain eligibility requirements. Total revenue from the Program for the years ended June 30, 2017 and 2016 was \$322,212 and \$301,185 respectively.

Note 9 - Retirement plans

The Organization participates in a 403(b) profit-sharing plan covering substantially all employees. The Organization made no contributions under this plan for the years ended June 30, 2017 and 2016.

The Organization also participates in a retirement plan administered by Empower, formerly Great West Retirement Service. Employees that are expected to work a minimum of 1,000 hours in a calendar year are eligible to participate. The Organization is required to contribute 6% of all eligible employees' salaries into the plan. Total contributions for the years ended June 30, 2017 and 2016 were \$167,506 and \$165,195, respectively.

Note 10 - Related party transactions

The Organization is the sole recipient of investment income from an endowment fund owned and managed by the St. Francis of Assisi School Foundation, Inc.

Composition of and changes in the endowment fund for the years ended June 30, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Beginning of the year	\$ 945,751	\$ 944,357
Contributions	34,876	35,857
Investment income, net	8,413	7,672
Net appreciation (realized and unrealized)	76,556	(3,918)
Distributions to St. Francis of Assisi Parish	<u>(40,609)</u>	<u>(38,217)</u>
End of year	<u>\$1,024,987</u>	<u>\$ 945,751</u>

The Organization provides administrative and maintenance services to Calvary Cemetery of Manitowoc, Inc. (Calvary), a corporation. During the years ended June 30, 2017 and 2016, the Organization recognized revenue of \$67,559 and \$93,296, respectively, for administrative and maintenance services provided to Calvary.

ST. FRANCIS OF ASSISI PARISH

Notes to Financial Statements, Continued
June 30, 2017 and 2016

Note 10 - Related party transactions, continued

For the years ended June 30, 2017 and 2016, the Organization's other receivable of \$245,511 and \$183,060, respectively is due from Calvary for services provided during the years then ended. Management of the Organization believes it is probable the entire receivable for the years ended June 30, 2017 and 2016 is uncollectible and at June 30, 2017 and 2016, recorded a provision for uncollectible amounts for \$165,189 and \$95,189, respectively.

Note 11 - Net assets

Temporarily restricted net assets consist of contributions or other revenue sources whose use by the Organization is limited by donor-imposed stipulations or regulatory restrictions imposed by external funding sources. The Organization has temporarily restricted net assets as of June 30, 2017 and 2016 available for the following purposes:

	<u>2017</u>	<u>2016</u>
New school project	\$ 1,807	\$ 2,788
Good Shepard	27,995	17,673
Mass stipend	3,450	4,610
Pastor discretionary funds	38,557	33,862
School revolving funds	11,350	11,765
Music/Choir fund	159	11,637
Annual appeal	17,495	33,711
Scholarship	68,403	80,584
Memorials	-	5,055
Service organizations funds	39,631	30,997
Other	11,003	7,498
Private School Choice Program reserve	24,888	10,377
Wish list	<u>7,767</u>	<u>-</u>
	<u>\$ 252,505</u>	<u>\$ 250,557</u>

SUPPLEMENTARY INFORMATION

St. Francis of Assisi Parish

Private School Choice Programs (PSCP) Reserve Balance

Year Ending June 30, 2017

NET ELIGIBLE EDUCATION EXPENSES FOR ALL PUPILS			
Line	A Line Description	B Non-Eligible Expenses & Offsetting Revenue	C Amount
1	Expenses on Statement of Activities		\$ 4,390,825
2	Depreciation on Contributed Fixed Assets	-	
3	Other Contributed Items	-	
4	Bad Debt Expense	69,394	
5	Scholarship Awards & Other Financial Support for Pupils	-	
6	Daycare Expenses	-	
7	School District Partnership Expenses	-	
8	Church Expenses	1,496,025	
9	Prior Year Eligible Education Expenses Determined Ineligible	-	
10	Eligible Education Expenses Exclusively for SNSP Pupils	-	
11	Other Non-Eligible Expenses		
12	Less: Total Non-Eligible Expenses		\$ 1,565,419
13	Add: Eligible Education Expense for Land		
14	Eligible Education Expenses		\$ 2,825,406
15	Government Assistance	40,475	
16	Fundraising Revenue	27,432	
17	Insurance Proceeds	-	
18	Less: Total Offsetting Revenue		\$ 67,907
19	Net Eligible Education Expenses for All Pupils		\$ 2,757,499
PERCENTAGE OF PUPILS PARTICIPATING IN PSCP			
20	PSCP Pupil Average Full-Time Equivalent <i>3rd Friday Sept & 2nd Friday Jan Average FTE</i>		44.00
21	All Pupil Average Full-Time Equivalent <i>3rd Friday Sept & 2nd Friday Jan Average FTE</i>		393.75
22	Percentage of Pupils Participating in PSCP		11.17%
PSCP RESERVE BALANCE			
23	2016-17 PSCP Revenue		322,212
24	2016 Summer School PSCP Revenue		-
25	Total 2016-17 PSCP Revenue		\$ 322,212
26	Add: June 30, 2016 PSCP Reserve Balance		10,689
27	Less: Net Eligible Education Expenses for PSCP Pupils <i>Line 19 times Line 22</i>		308,013
28	June 30, 2017 PSCP Reserve Balance		\$ 24,888
29	Plan for PSCP Reserve Required		Not Required
REQUIRED CASH AND INVESTMENT BALANCE			
30	June 30, 2017 PSCP Reserve Balance <i>Line 28</i>		24,888
31	June 30, 2017 SNSP Reserve Balance		-
32	Less: Remaining Depreciation on Fixed Assets		53,201
33	Less: Land Purchases that have not Been Included as Eligible		-
34	Required Cash and Investment Balance		\$ -
MANAGEMENT LETTER			
35	Did the auditor issue a management letter for the 2017-18 financial audit? <i>If yes, submit with audit.</i>		Yes