

**DIOCESE OF BISMARCK
BISMARCK, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

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CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

The Most Reverend David D. Kagan
Diocese of Bismarck
Bismarck, North Dakota

We have audited the accompanying financial statements of the Diocese of Bismarck (a nonprofit organization), 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

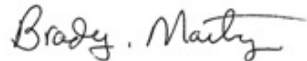
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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 Diocese of Bismarck as of June 30, 2015 and 2014, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Brady Martz".

BRADY, MARTZ & ASSOCIATES, P.C.

Bismarck, North Dakota

December 2, 2015

DIOCESE OF BISMARCK
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

	2015	2014
ASSETS		
Accounts/pledges receivable, net of allowance for doubtful accounts	\$ 754,170	\$ 806,734
Interest receivable	62,752	48,370
Due from related parties	100,000	100,000
Prepaid expenses	84,516	59,198
Investments	20,754,423	20,267,044
Mutual investment	264,126	269,751
Land, buildings and equipment, net of accumulated depreciation	5,201,935	4,713,158
Total assets	\$ 27,221,922	\$ 26,264,255
LIABILITIES AND NET ASSETS		
LIABILITIES		
Bank overdraft	\$ 86,086	\$ 66,282
Accounts payable and accrued expenses	1,267,494	1,282,533
Insurance premium payable	242,986	33,463
Annuities payable	977,945	871,422
Funds held for others	22,818	126,863
Total liabilities	2,597,329	2,380,563
NET ASSETS		
Unrestricted		
Undesignated	16,398,361	15,550,476
Designated	8,226,232	8,333,216
Total unrestricted net assets	24,624,593	23,883,692
Total liabilities and net assets	\$ 27,221,922	\$ 26,264,255

See Notes to the Financial Statements

DIOCESE OF BISMARCK
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
SUPPORT AND REVENUE		
Contributions and bequests - God's Share	\$ 3,212,022	\$ 3,246,124
Contributions and bequests - other	174,274	252,349
Contributions from Catholic Foundation	742,339	628,244
Grant income	115,748	115,896
Mineral rights lease and royalty revenue	955,843	355,574
Investment income	341,790	291,029
Net realized and unrealized gain on investments	52,244	1,574,573
Insurance	120,438	-
Rent and other revenue	99,233	208,925
Admin fee revenue	80,750	65,416
Gain on sale of fixed assets	1,541	2,000
Total support and revenue	5,896,222	6,740,130
EXPENSES		
Program services		
Pastoral	1,540,145	1,618,909
Religious personnel development	936,010	692,100
Religious personnel services	375,493	332,507
Education	660,053	749,848
Social services	148,405	120,405
Program administration	150,416	132,635
Total program services	3,810,522	3,646,404
Supporting services:		
General administration	1,344,799	1,256,679
Total expenses	5,155,321	4,903,083
INCREASE IN NET ASSETS	740,901	1,837,047
NET ASSETS, BEGINNING OF YEAR	23,883,692	22,046,645
NET ASSETS, END OF YEAR	\$ 24,624,593	\$ 23,883,692

See Notes to the Financial Statements

DIOCESE OF BISMARCK
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 740,901	\$ 1,837,047
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	141,980	144,041
(Gain) loss on sale of fixed assets	(1,541)	(2,000)
Realized and unrealized (gain) loss on investments	48,654	(1,528,138)
Change in equity in the undistributed (gain) loss on mutual investment	5,625	(43,166)
Effects on operating cash flow due to changes in:		
Accounts/pledges receivable	52,564	118,762
Interest receivable	(14,382)	(1,715)
Prepaid expenses	(25,318)	18,748
Accounts payable and accrued expenses	(15,039)	245,569
Insurance premium payable	209,523	(643,197)
Funds held for others	(104,045)	28,984
	<u>1,038,922</u>	<u>174,935</u>
Net cash provided (used) by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(6,786,870)	(5,834,365)
Proceeds from sale of investments	6,357,360	5,940,702
Purchase of property and equipment	(630,757)	(460,833)
Proceeds from sale of fixed assets - net of selling expenses	1,541	2,000
	<u>(1,058,726)</u>	<u>(352,496)</u>
Net cash provided (used) by investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in cash overdraft	<u>19,804</u>	<u>66,282</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	-	(111,279)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>-</u>	<u>111,279</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>
SUPPLEMENTAL DISCLOSURE		
Schedule of Noncash Transactions		
Increase (decrease) in annuities payable and investments	\$ 106,523	\$ 3,269

See Notes to Financial Statements

DIOCESE OF BISMARCK
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

Organization

In evaluating how to define the Diocese of Bismarck (Diocese) for financial reporting purposes, management has considered all potential related institutions and organizations providing services at the Diocesan level of administration which are fiscally responsible to the Diocese of Bismarck.

The financial statements do not include the assets, liabilities and operations of the parishes, schools or other separately incorporated and administered operations of the Roman Catholic Church within the Diocese. In addition, the financial statements do not include the operations and activities of various religious orders, lay societies, and religious organizations which operate within the Diocese, but which are not fiscally responsible to the Diocese.

Method of Accounting

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America, ("GAAP"), as codified by the Financial Accounting Standards Board.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Accounting Standards Codification Topic 958, Accounting for Not-for-Profit Entities. The codification requires the Diocese to report 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.

The Diocese has only unrestricted net assets. Unrestricted net assets include the following net assets that have been designated by the Board of Directors for the following:

	<u>2015</u>	<u>2014</u>
Insurance Fund	\$ 552,053	\$ 632,015
Expansion General Fund - Designated	3,467,378	3,467,378
Administrative facilities	1,794,760	1,794,760
Program and services	1,347,363	1,347,363
Clergy needs	250,000	250,000
Reserve Fund for Contingency	283,500	283,500
Reserve for Technology to be Capitalized	75,000	55,000
Kateri Tekawitha	9,600	9,600
Binations	250	10,552
Rev. M. Mullner Search	5,492	6,368
Vocations	86,080	14,857
Human Development	32,780	35,446
Deacon Education	516	2,479
Catholics Come Home	-	12,438
Fr. Kramer Estate	321,460	411,460
Total	<u>\$ 8,226,232</u>	<u>\$ 8,333,216</u>

DIOCESE OF BISMARCK
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2015 AND 2014

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

The Diocese recognizes gains, losses and ordinary income on investments in the designation or restriction owning the investment. It is the policy of the Diocese to include restricted investment income, whose restrictions are met in the same reporting period, as unrestricted investment income.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding assets whose use is limited or restricted.

Receivable and Allowance for Uncollectible Receivables

Accounts receivable are uncollateralized obligations due under normal trade terms requiring payment within 30 days from the invoice date. The receivables are non-interest bearing. Payments on accounts receivable are applied to the earliest unpaid amounts, unless specifically identified. The carrying amount of the accounts receivable is reduced by an amount that reflects management's best estimate of the amounts that will not be collected.

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give (pledges) that are expected to be collected within one year are recorded at net realized value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in the contribution revenue.

DIOCESE OF BISMARCK
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2015 AND 2014

Fair Value Measurements

GAAP established a framework for measuring fair value which applies to all assets and liabilities that are being measured and reported on a fair value basis. It defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosure about fair value measurements.

When fair value measurements are required, various data is used in determining those values. This statement requires that assets and liabilities that are carried at fair value must be classified and disclosed in the following levels based on the nature of the data used.

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

The application of valuation techniques applied to similar assets and liabilities has been consistently applied. The following is a description of the valuation methodologies used for instruments measured at fair value:

Investments

The fair value of investments is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

Annuities Payable

The Diocese enters into written gift annuity agreements and agrees to pay to the donors an annuity on a monthly, quarterly, semi-annual or annual basis beginning on a set date and for the lifetime of the donor and/or their designated beneficiaries. The Diocese is discharged from payment of the annuity upon the death(s) of the designated recipient(s). The balance of the donated funds is then distributed to the organization described in the gift annuity agreement. Annuities payable are valued based on the fair market value of the underlying investment(s) reduced by the discounted cash flow of estimated payments to the donor based on their expected life.

Land, Buildings and Equipment, and Depreciation

Property and equipment is stated at cost, for items purchased and fair market value at the date of the gifts, if donated. Fixed assets are being depreciated over estimated useful lives from 5 to 75 years, using a straight-line method.

The Diocese capitalizes purchases of property and equipment with a cost greater than \$500 and a useful life greater than one year, with the exception of computer equipment which is capitalized regardless of cost. The Diocese also capitalizes expenditures for major additions and improvements that extend the useful lives of property and equipment. Routine expenditures for repairs and maintenance are charged to expense as incurred.

DIOCESE OF BISMARCK
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2015 AND 2014

Income Taxes

The Diocese is exempt from federal income tax under provisions of Section 501(c)(3) of the Internal Revenue Code. The Diocese is deemed to be a church related organization and as such is not required to file an annual informational tax return to the Internal Revenue Service or the State of North Dakota.

The Diocese's policy is to evaluate the likelihood that its uncertain tax positions will prevail upon examination based on the extent to which those positions have substantial support within the Internal Revenue Code and Regulations, Revenue Rulings, court decisions, and other evidence.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Reclassification of Prior Year Information

Certain reclassifications have been made within the prior year financial statements in order to conform them with the current year presentation.

NOTE 2 CONCENTRATIONS OF CREDIT RISK

Accounts receivable are due from Catholic parishes and associated individuals located in western North Dakota.

The Diocese maintains cash on deposit at financial institutions. The amounts were insured by the FDIC up to \$250,000 per financial institution. At June 30, 2015, the Diocese was not exposed to any custodial credit risk.

NOTE 3 ACCOUNTS/PLEDGES RECEIVABLE

Accounts/pledges receivable at June 30, 2015 and 2014, consist of the following:

	2015	2014
Due from Parishes for:		
Priests health insurance	\$ 1,616	\$ 13,030
Other	4,090	4,090
Pledges receivable - God's Share	363,900	440,970
Due from Catholic Foundation	286,788	255,425
Other receivables	137,945	133,388
Allowance for doubtful accounts	(40,169)	(40,169)
	\$ 754,170	\$ 806,734

DIOCESE OF BISMARCK
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2015 AND 2014

As of June 30, 2015 and 2014, there are no accounts receivable in excess of ninety days past due. Additionally, there are no accounts receivable on non-accrual status as of June 30, 2015 and 2014.

Pledges receivable - God's Share are due within one year or less.

NOTE 4 INVESTMENTS

Investments are stated at fair value and are summarized as follows as of June 30, 2015:

	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 1,105,584	\$ 1,105,584
Equities:		
U.S. large cap	4,417,520	6,601,797
U.S. mid cap	1,668,896	2,431,863
U.S. small cap	940,309	1,114,738
International developed/emerging markets	792,823	1,083,332
Mutual funds:		
U.S. large cap	104,418	104,418
U.S. mid cap	32,712	32,712
U.S. small cap	14,142	14,142
International developed/emerging markets	82,300	82,300
Fixed income	246,588	246,588
Fixed income:		
Investment grade taxable	7,340,253	7,319,155
International developed	226,017	226,024
Fixed income other	20,872	20,885
Public REITs	409,383	370,885
	<u>\$ 17,401,817</u>	<u>\$ 20,754,423</u>

DIOCESE OF BISMARCK
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2015 AND 2014

Investments are stated at fair value and are summarized as follows as of June 30, 2014:

	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 3,043,912	\$ 3,043,912
Equities:		
U.S. large cap	3,504,470	5,478,092
U.S. mid cap	2,391,204	3,615,197
U.S. small cap	743,802	900,668
International developed/emerging markets	759,595	1,015,995
Mutual funds:		
U.S. large cap	118,715	118,715
U.S. mid cap	35,395	35,395
U.S. small cap	15,995	15,995
International developed/emerging markets	95,302	95,302
Fixed income	239,405	239,405
Fixed income:		
Investment grade taxable	5,086,958	5,141,285
International developed	241,888	244,420
Fixed income other	31,644	31,722
Public REITs	279,038	290,941
	<u>\$ 16,587,323</u>	<u>\$ 20,267,044</u>

The Diocese had a realized gain of \$306,367 and an unrealized loss of \$254,123 for the year ended June 30, 2015. The Diocese had a realized gain of \$369,157 and unrealized gain of \$1,205,416 for the year ended June 30, 2014.

DIOCESE OF BISMARCK
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2015 AND 2014

NOTE 5 FAIR VALUE MEASUREMENTS

Financial instruments measured at fair value on a recurring basis as of June 30, 2015 are summarized as follows:

Description	Total Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 1,105,584	\$ 1,105,584	\$ -	\$ -
Equities:				
U.S. large cap	6,601,797	6,601,797	-	-
U.S. mid cap	2,431,863	2,431,863	-	-
U.S. small cap	1,114,738	1,114,738	-	-
International developed/ emerging markets	1,083,332	1,083,332	-	-
Mutual funds:				
U.S. large cap	104,418	104,418	-	-
U.S. mid cap	32,712	32,712	-	-
U.S. small cap	14,142	14,142	-	-
International developed/ emerging markets	82,300	82,300	-	-
Fixed income	246,588	246,588	-	-
Fixed income:				
Investment grade taxable	7,319,155	-	7,319,155	-
International developed	226,024	-	226,024	-
Fixed income other	20,885	-	20,885	-
Public REITs	370,885	370,885	-	-
Total investments at fair value	<u>\$20,754,423</u>	<u>\$ 13,188,359</u>	<u>\$7,566,064</u>	<u>\$ -</u>
Annuities payable	<u>\$ 977,945</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 977,945</u>

DIOCESE OF BISMARCK
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2015 AND 2014

Assets measured at fair value on a recurring basis as of June 30, 2014 are summarized as follows:

Description	Total Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 3,043,912	\$ 3,043,912	\$ -	\$ -
Equities:				
U.S. large cap	5,478,092	5,478,092	-	-
U.S. mid cap	3,615,197	3,615,197	-	-
U.S. small cap	900,668	900,668	-	-
International developed/ emerging markets	1,015,995	1,015,995	-	-
Mutual funds:				
U.S. large cap	118,715	118,715	-	-
U.S. mid cap	35,395	35,395	-	-
U.S. small cap	15,995	15,995	-	-
International developed/ emerging markets	95,302	95,302	-	-
Fixed income	239,405	239,405	-	-
Fixed income:				
Investment grade taxable	5,141,285	-	5,141,285	-
International developed	244,420	-	244,420	-
Fixed income other	31,722	-	31,722	-
Public REITs	290,941	290,941	-	-
Total investments at fair value	<u>\$ 20,267,044</u>	<u>\$ 14,849,617</u>	<u>\$ 5,417,427</u>	<u>\$ -</u>
Annuities payable	<u>\$ 871,422</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 871,422</u>

DIOCESE OF BISMARCK
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2015 AND 2014

The following table sets forth a summary of changes in the fair value of the Diocese of Bismarck's level 3 financial instruments which consist entirely of annuities payable for the years ended June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 871,422	\$ 868,153
Total gains (losses) (realized/unrealized) included in increase (decrease) in net assets	-	-
Purchases	155,000	356,586
Sales	(48,477)	(353,317)
Issuances	-	-
Settlements	-	-
Transfers in and/or out of Level 3	-	-
Balance, end of year	<u>\$ 977,945</u>	<u>\$ 871,422</u>

Qualitative information about Significant Unobservable Inputs Used in Level 3 Fair Value Measurements

The following table represents the Diocese's Level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments, and the significant unobservable inputs and the ranges of values for those inputs.

<u>Instrument</u>	<u>Fair Value</u>	<u>Principle Valuation Technique</u>	<u>Unobservable Inputs</u>	<u>Range of Significant Input Values</u>	<u>Weighted Average</u>
Annuity Payable	\$977,945	Discounted Cash Flow	Discount Rate	5.0% - 10.0%	7.50%

NOTE 6 CATHOLIC UMBRELLA POOL II MUTUAL INVESTMENT

The Diocese of Bismarck purchases liability insurance coverage from the Catholic Mutual group (CMG) located in Omaha, Nebraska. On July 1, 1989 CMG created an excess liability pool called the Catholic Umbrella Pool II (CUP II). The Diocese of Bismarck is a charter member of CUP II. The primary purpose of the pool was to provide a self-insurance fund for small or medium sized dioceses for the Roman Catholic Church in North America. CUP II provides approximately 50% of an additional \$4 million layer of liability insurance coverage for the 48 participating dioceses. In addition to the above coverage, CUP II has a 5% participation for coverage in excess of \$1,500,000 up to \$5,000,000 for morality certificates and up to \$20,000,000 for liability certificates.

As of July 1, 1995, CUP II attained its goal and assumed 100% of the individual casualty claims exceeding \$1,500,000 to a limit of \$5,000,000 for the 48 dioceses. Participating dioceses are liable for any losses beyond the Pool's responsibilities to fund such losses. Outstanding claims of approximately \$113,725 have been made against CUP II as of June 30, 2015. There was approximately \$111,097 in outstanding claims as of June 30, 2014.

DIOCESE OF BISMARCK
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2015 AND 2014

Participating dioceses share in the operating and investment income and expenses of CUP II based on the contributions for each fiscal year. Participants are liable for claims and expenses incurred during fiscal years in which they participate in CUP II.

The Diocese of Bismarck's equity in the Pool was \$264,126 and \$269,751 as of June 30, 2015 and 2014, respectively. CUP II has established a dividend policy to distribute the participant's equity of a fiscal year after 10 years. The Executive Committee reviews this policy annually. The Diocese's dividend for 2015 and 2014 was \$26,975 and \$22,658, respectively.

NOTE 7 LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consist of the following as of June 30, 2015:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Future parish sites	\$ 1,489,914	\$ -	\$ 1,489,914
Land and improvements	719,998	-	719,998
Building and improvements	3,810,390	1,038,091	2,772,299
Technological equipment	382,656	294,936	87,720
Furniture and fixtures	539,806	511,021	28,785
Other equipment	118,035	89,723	28,312
Vehicles	124,027	49,120	74,907
	<u>\$ 7,184,826</u>	<u>\$ 1,982,891</u>	<u>\$ 5,201,935</u>

Land, buildings and equipment consist of the following as of June 30, 2014:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Future parish sites	\$ 1,465,630	\$ -	\$ 1,465,630
Land and improvements	716,038	-	716,038
Building and improvements	3,262,371	963,185	2,299,186
Technological equipment	357,170	260,597	96,573
Furniture and fixtures	528,767	502,070	26,697
Other equipment	105,812	89,404	16,408
Vehicles	124,027	31,401	92,626
	<u>\$ 6,559,815</u>	<u>\$ 1,846,657</u>	<u>\$ 4,713,158</u>

Depreciation expense for the years ended June 30, 2015 and 2014, was \$141,980 and \$144,041, respectively.

DIOCESE OF BISMARCK
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2015 AND 2014

NOTE 8 FUNDS HELD FOR OTHERS

The Diocese serves as custodian for many collections in the Diocese. The normal function of the Diocese in these cases is to collect and remit to the proper parties the proceeds from these collections.

NOTE 9 RETIREMENT PLAN

The Diocese has adopted a deferred compensation 401(k) Retirement Savings Plan and Trust for the exclusive benefit of all eligible employees and their beneficiaries. Employees are immediately eligible at hire to receive discretionary contributions to the Plan if the employee is of age 21, or upon reaching age 21. Employees are also permitted to make voluntary contributions up to a maximum amount set by the Federal Government, and a maximum amount and percentage allowable by the IRS. The Diocese contributes 4% of the eligible employees' salary. Retirement expenses for the years ended June 30, 2015 and 2014 were \$80,271 and \$75,840, respectively.

NOTE 10 RELATED PARTY

The Diocese of Bismarck is affiliated with the Expansion Fund of the Diocese of Bismarck (Expansion Fund) through some common members of their Boards of Directors. The Expansion Fund provides a lending and depository function for the parishes and related entities of the Diocese. At June 30, 2015 and 2014, the Diocese has \$100,000 due from the Expansion Fund.

NOTE 11 OPERATING LEASES, AS LESSOR

The Diocese of Bismarck leases office space to an unaffiliated lessee. Future minimum rents receivable under the non-cancelable lease that expires in October of 2015 is as follows for the year ending June 30, 2016:

2016	\$ 6,000
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The properties held for lease are included in building and improvements at a cost of \$446,518 and \$676,476 at June 30, 2015 and 2014, respectively. Accumulated depreciation on the property held for lease was \$16,213 and \$127,434 as of June 30, 2015 and 2014, respectively.

NOTE 12 FUNCTIONAL ALLOCATION OF EXPENSES

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

NOTE 13 LINE OF CREDIT

The Diocese had available a \$250,000 unsecured revolving line of credit note with U.S. Bank. Interest is due monthly with an interest rate equal to U.S. Bank Prime, plus 0.25%. At June 30, 2015, there was no outstanding balance on the line of credit.

DIOCESE OF BISMARCK
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2015 AND 2014

NOTE 14 INCOME TAXES

It is the opinion of management that the Diocese has no significant uncertain tax positions that would be subject to change upon examination.

NOTE 15 SUBSEQUENT EVENTS

The Diocese received approval from the Holy see on October 14, 2015 to guarantee a loan of \$4,500,000 to enable the rebuilding and expansion of Trinity High School in Dickinson, ND.

In August 2015, the Diocese of Bismarck was named as a co-defendant regarding potential claims filed for allegations of abuse. The claims have yet to go to mediation, and the amount of loss, if any, is undeterminable as of the date of this report.

Subsequent events have been evaluated through December 2, 2015, which is the date these financial statements were available to be issued.



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

The Most Reverend David D. Kagan
Diocese of Bismarck
Bismarck, North Dakota

We have audited the financial statements of the Diocese of Bismarck as of and for the years ended June 30, 2015 and 2014, and have issued our report thereon dated December 2, 2015, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

The Schedule of Changes in Designated Unrestricted Net Assets, Schedule of Changes in Funds Held for Others and the Schedules of Functional Expenses are presented for the purposes of additional analysis and are 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 our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

BRADY, MARTZ & ASSOCIATES, P.C.

Bismarck, North Dakota

December 2, 2015

DIOCESE OF BISMARCK
SCHEDULE OF CHANGES IN DESIGNATED UNRESTRICTED NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2015

	Balance 6/30/2014	Transfers/ Additions	Transfers/ Disbursements	Balance 6/30/2015
(1) Insurance Fund	\$ 632,015	\$ 120,438	\$ 200,400	\$ 552,053
(2) Expansion General Fund - Designated	3,467,378	-	-	3,467,378
(3) Administrative facilities	1,794,760	-	-	1,794,760
(4) Program and services	1,347,363	-	-	1,347,363
(5) Clergy needs	250,000	-	-	250,000
(6) Reserve Fund for Contingency	283,500	-	-	283,500
(7) Reserve for Technology to be Capitalized	55,000	20,000	-	75,000
Kateri Tekawitha	9,600	-	-	9,600
Binations	10,552	11,200	21,502	250
Rev. M. Mullner Search	6,368	2,987	3,863	5,492
Vocations	14,857	176,789	105,566	86,080
Human Development	35,446	1,980	4,646	32,780
Deacon Education	2,479	438	2,401	516
Catholics Come Home	12,438	-	12,438	-
Rev. Thomas Kramer Estate Fund for Special Purposes	411,460	-	90,000	321,460
	<u>\$ 8,333,216</u>	<u>\$ 333,832</u>	<u>\$ 440,816</u>	<u>\$ 8,226,232</u>

The purpose of these designations is as follows:

- (1) This balance includes premium savings generated by increasing the policy deductible to \$1,000. It also includes the Diocesan handling fee charged to parishes. The designation is to reserve funds to cover the deductible on insurance claims.
- (2) This designation is to reserve funds in order to provide the expansion fund an adequate loan pool.
- (3) This designation is to reserve funds for future replacement and acquisition of fixed assets, church sites, and Diocesan administrative facilities. Designation of current earnings is added to the fund at the discretion of the Bishop.
- (4) This designation is to reserve funds for future Diocesan administrative programs and supporting services. Designation of current earnings is added to the fund at the discretion of the Bishop.
- (5) This designation is to reserve funds for continued support and assistance for clergy needs. Designation of current earnings is added to the fund at the discretion of the Bishop.
- (6) This designation is to reserve funds for potential claims filed against the Diocese of Bismarck. Designation of current earnings is added to the fund at the discretion of the Bishop.
- (7) This designation is to reserve funds for future technology expenditures to be capitalized. Additions and disbursements will be determined annually based on the approved budget.

DIOCESE OF BISMARCK
SCHEDULE OF CHANGES IN FUNDS HELD FOR OTHERS
FOR THE YEAR ENDED JUNE 30, 2015

	Balance 6/30/2014	Additions	Transfers/ Disbursements	Balance 6/30/2015
Campaign for Human Development	\$ 220	\$ 8,712	\$ 7,920	\$ 1,012
Indian and Black Missions	1,424	48,849	49,289	984
Operation Rice Bowl	164	60,549	60,166	547
Mass Stipends Fund	18,740	14,370	12,525	20,585
National Religious Retirement Office	5,278	39,765	41,372	3,671
Peter's Pence Collection	9,171	31,915	36,357	4,729
Propagation of Faith	8,517	44,672	54,293	(1,104)
Holy Land Collections	1,918	68,096	69,514	500
Archdiocese Military Service	1,602	355	-	1,957
Bishop Ryan High School	21	1,965	1,986	-
Disaster Relief Fund	1,474	1,757	3,231	-
L-T Care Fund - Priest	47,075	114,071	194,263	(33,117)
Retrouvaille Fund - Family Ministry	29,501	18,610	27,837	20,274
Catholic Leadership	1,310	-	-	1,310
Middle East Collection	-	59,277	59,277	-
Nepal Earthquake Collection	-	90,167	90,167	-
Miscellaneous	448	24,786	23,764	1,470
	<u>\$ 126,863</u>	<u>\$ 627,916</u>	<u>\$ 731,961</u>	<u>\$ 22,818</u>

DIOCESE OF BISMARCK
SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Pastoral:		
Bishop's office	\$ 160,458	\$ 144,319
Bishop's contingency	58,185	13,449
Canonical services	211,496	193,793
Stewardship office	239,064	233,189
Office of liturgy	25,891	45,361
East African Mission	265,281	190,476
Planned giving office	264,284	284,415
Dakota Catholic Action	154,812	158,649
North Dakota Catholic Conference	84,500	127,963
National Catholic Conference of Bishops	16,784	16,452
THIRST Conference	22,138	139,194
Search for Catholic Ministry	13,052	46,151
Catholic Home Missions Appeal	17,000	17,000
Holy Father missions	5,600	5,600
Pastoral Planning	-	1,298
Catholic Communication Campaign	1,600	1,600
	<u>1,600</u>	<u>1,600</u>
 Total pastoral	 <u>\$ 1,540,145</u>	 <u>\$ 1,618,909</u>
 Religious personnel development:		
Seminarian education & formation	\$ 624,586	\$ 381,919
Vocation office	117,714	120,963
Diaconate formation	129,851	127,830
Continuing education of priests	62,472	60,125
Vicar General/Vicar Presbyters	1,387	1,263
	<u>1,387</u>	<u>1,263</u>
 Total religious personnel development	 <u>\$ 936,010</u>	 <u>\$ 692,100</u>
 Religious personnel services:		
Retired priests' expense	\$ 204,798	\$ 175,649
Other priests' care needs	44,044	76,393
Emmaus Place	124,091	77,577
Presbyteral council	2,416	2,777
Priest personnel board	144	111
	<u>144</u>	<u>111</u>
 Total religious personnel services	 <u>\$ 375,493</u>	 <u>\$ 332,507</u>

DIOCESE OF BISMARCK
SCHEDULES OF FUNCTIONAL EXPENSES - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Education:		
Aid to schools	\$ 265,900	\$ 255,898
Catholic schools and educational endowment	113,231	105,460
Faith formation	81,275	120,219
Fort Yates Indian Mission	48,464	55,035
Other education	110,201	144,384
Catholic University	1,000	1,000
Holy See	12,500	12,500
Youth Correctional Center	5,247	5,474
Youth ministry	<u>22,235</u>	<u>49,878</u>
Total education	<u>\$ 660,053</u>	<u>\$ 749,848</u>
Social services:		
Office of Family Life	\$ 108,299	\$ 92,834
Catholic Relief Services	8,906	8,000
Respect life program	26,200	14,571
Church in Latin America	<u>5,000</u>	<u>5,000</u>
Total social services	<u>\$ 148,405</u>	<u>\$ 120,405</u>
General administration:		
Chancery	\$ 194,202	\$ 181,222
Property management	329,877	268,049
Depreciation	141,980	144,041
Fiscal	244,118	270,696
Professional fees	202,444	190,850
Personnel administration	31,778	28,522
Insurance program	200,400	173,285
Interest	<u>-</u>	<u>14</u>
Total general administration	<u>\$ 1,344,799</u>	<u>\$ 1,256,679</u>