

Diocese of Superior

Annual Financial Statements Together with Independent
Auditor's Report

Years ended June 30, 2018 and 2017

WIPFLi^{LLP}
CPAs and Consultants



Independent Auditor's Report

Diocesan Finance Council
Diocese of Superior
Superior, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of Diocese of Superior (Organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; 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. 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 Diocese of Superior as of June 30, 2018 and 2017, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information (Schedules of Support, Revenue, and Expenses by Fund and Schedules of Expenses by Fund) appearing on pages 27 through 30 is presented for the purpose 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 audits 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. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Wipfli LLP

Wipfli LLP

December 3, 2018
Duluth, Minnesota

Diocese of Superior

Statement of Financial Position

As of June 30, 2018

Assets	General Fund	Insurance Fund	Health Insurance Fund	Total
Current assets				
Cash	\$ 1,750,973	\$ 248,081	\$ 1,344,301	\$ 3,343,355
Investments	2,586,967	1,308,740	56,936	3,952,643
Accounts receivable				
Affiliated organizations	536,531	9,810	225,489	771,830
Other			27,731	27,731
Contributions receivable	100,000			100,000
Capital Campaign contributions receivable, net	24,110			24,110
Grants receivable	193,094			193,094
Prepaid expenses	25,689	21,606		47,295
Notes receivable - current portion	36,074			36,074
Interest receivable	5,016	7,581		12,597
Total current assets	5,258,454	1,595,818	1,654,457	8,508,729
Property and equipment - net	389,013			389,013
Other assets				
Capital campaign contributions receivable, long term	4,744			4,744
Notes receivable - affiliated organizations	220,084			220,084
Beneficial interest in perpetual trust	174,192			174,192
Equity in Catholic Umbrella Pool		399,302		399,302
Total other assets	399,020	399,302		798,322
Total Assets	\$ 6,046,487	\$ 1,995,120	\$ 1,654,457	\$ 9,696,064

See accompanying notes to financial statements.

Diocese of Superior

Statement of Financial Position (Continued)

As of June 30, 2018

Liabilities and Net Assets	General Fund	Insurance Fund	Health Insurance Fund	Total
Current liabilities				
Accounts payable	\$ 193,399	\$	\$ 6,700	\$ 200,099
Endowment fund payable	349,584			349,584
Accrued payroll and vacation	40,276			40,276
Collections payable	232,912			232,912
Estimate of claims incurred		51,500	230,000	281,500
Held for others	11,902			11,902
Accrued FOF reimbursements to parishes	3,000			3,000
Total current liabilities	831,073	51,500	236,700	1,119,273
Long-term liabilities				
Clergy postretirement benefits	4,522,205			4,522,205
Total liabilities	5,353,278	51,500	236,700	5,641,478
Net assets				
Unrestricted (deficit)	(237,795)	1,943,620	1,417,757	3,123,582
Temporarily restricted	756,812			756,812
Permanently restricted	174,192			174,192
Total net assets	693,209	1,943,620	1,417,757	4,054,586
Total Liabilities and Net Assets	\$ 6,046,487	\$ 1,995,120	\$ 1,654,457	\$ 9,696,064

See accompanying notes to financial statements.

Diocese of Superior

Statement of Financial Position

As of June 30, 2017

Assets	General Fund	Insurance Fund	Health Insurance Fund	Total
Current assets				
Cash	\$ 1,635,430	\$ 256,356	\$ 1,265,503	\$ 3,157,289
Investments	2,421,189	1,330,501	52,285	3,803,975
Accounts receivable				
Affiliated organizations	867,784	9,380	210,868	1,088,032
Other			54,307	54,307
Contributions receivable	100,000			100,000
Capital Campaign contributions receivable, net	214,130			214,130
Due from (to) other funds	(27,626)	27,626		
Grants receivable	141,900			141,900
Prepaid expenses	17,219	21,605		38,824
Notes receivable - current portion	34,546			34,546
Interest receivable	5,446	8,637		14,083
Total current assets	5,410,018	1,654,105	1,582,963	8,647,086
Property and equipment -net	418,381			418,381
Other assets				
Capital campaign contributions receivable, long term	7,543			7,543
Notes receivable - affiliated organizations	259,092			259,092
Beneficial interest in perpetual trust	177,558			177,558
Equity in Catholic Umbrella Pool		394,304		394,304
Total other assets	444,193	394,304		838,497
Total Assets	\$ 6,272,592	\$ 2,048,409	\$ 1,582,963	\$ 9,903,964

See accompanying notes to financial statements.

Diocese of Superior

Statement of Financial Position (Continued)

As of June 30, 2017

Liabilities and Net Assets	General Fund	Insurance Fund	Health Insurance Fund	Total
Current liabilities				
Accounts payable	\$ 214,244	\$	\$ 125	\$ 214,369
Accrued payroll and vacation	34,949			34,949
Collections payable	363,805			363,805
Estimate of claims incurred		214,000	370,023	584,023
Held for others	12,567			12,567
Accrued FOF reimbursements to parishes	193,341			193,341
Total current liabilities	818,906	214,000	370,148	1,403,054
Long-term liabilities				
Clergy postretirement benefits	5,234,781			5,234,781
Total liabilities	6,053,687	214,000	370,148	6,637,835
Net assets				
Unrestricted (deficit)	(1,182,196)	1,834,409	1,212,815	1,865,028
Temporarily restricted	1,223,543			1,223,543
Permanently restricted	177,558			177,558
Total net assets	218,905	1,834,409	1,212,815	3,266,129
Total Liabilities and Net Assets	\$ 6,272,592	\$ 2,048,409	\$ 1,582,963	\$ 9,903,964

See accompanying notes to financial statements.

Diocese of Superior

Statement of Activities

For the Year Ended June 30, 2018

	General Fund	Insurance Fund	Health Insurance Fund	Total
Change in unrestricted net assets				
Support, revenue and gains				
Diocesan Services Appeal	\$ 2,197,942	\$	\$	\$ 2,197,942
Capital campaign contributions	85,564			85,564
Gifts, grants, bequests and memorials	264,522			264,522
Sales	13,782			13,782
Fees	104,027			104,027
Tuition	22,850			22,850
Workshops and in-service	65,149			65,149
Fax and photocopying	35,717			35,717
Interest and dividends	67,114	42,317	3,549	112,980
TAXA	6,400			6,400
Miscellaneous	3,748			3,748
Insurance premiums and revenues		1,249,620	3,530,321	4,779,941
Recovery of bad debt	299,992			299,992
Net realized gains (losses) on investments	51,707	(6,958)	1,669	46,418
Net unrealized gains (losses) on investments	62,524	(34,328)	(1,011)	27,185
Gain on disposal of property and equipment	140,548			140,548
Actuarial gain - clergy post retirement	712,576			712,576
Change in equity - Catholic Umbrella Pool		4,998		4,998
Total support, revenue and gains	4,134,162	1,255,649	3,534,528	8,924,339
Net assets released from restrictions	857,300			857,300
Total support, revenue, gains and reclassifications	4,991,462	1,255,649	3,534,528	9,781,639
Expenses				
Program services				
Services to parishes	1,828,886	938,804	2,414,772	5,182,462
Services to priests	510,148			510,148
Total program services	2,339,034	938,804	2,414,772	5,692,610
Supporting services				
Management and general	812,742	140,282	804,923	1,757,947
Fund raising	1,072,528			1,072,528
Total supporting services	1,885,270	140,282	804,923	2,830,475
Total expenses	4,224,304	1,079,086	3,219,695	8,523,085
Increase in unrestricted net assets	767,158	176,563	314,833	1,258,554

See accompanying notes to financial statements.

Diocese of Superior

Statement of Activities (Continued)

For the Year Ended June 30, 2018

	General Fund	Insurance Fund	Health Insurance Fund	Total
Change in temporarily restricted net assets				
Support, revenue and gains				
Gifts, grants, bequests and memorials	390,569			390,569
Total support, revenue and gains	390,569			390,569
Net assets released from restrictions	(857,300)			(857,300)
Decrease in temporarily restricted net assets	(466,731)			(466,731)
Change in permanently restricted net assets				
Support, revenue and gains				
Change in value of beneficial interest in perpetual trust	(3,366)			(3,366)
Total support, revenue and gains	(3,366)			(3,366)
Decrease in permanently restricted net assets	(3,366)			(3,366)
Increase in total net assets	297,061	176,563	314,833	788,457
Net assets, beginning of the year				
Unrestricted (deficit)	(1,182,196)	1,834,409	1,212,815	1,865,028
Temporarily restricted	1,223,543			1,223,543
Permanently restricted	177,558			177,558
Total net assets, beginning of the year	218,905	1,834,409	1,212,815	3,266,129
Transfers	177,243	(67,352)	(109,891)	
Net assets, end of the year				
Unrestricted (deficit)	(237,795)	1,943,620	1,417,757	3,123,582
Temporarily restricted	756,812			756,812
Permanently restricted	174,192			174,192
Total net assets, end of the year	\$ 693,209	\$ 1,943,620	\$ 1,417,757	\$ 4,054,586

See accompanying notes to financial statements.

Diocese of Superior

Statement of Activities

For the Year Ended June 30, 2017

	General Fund	Insurance Fund	Health Insurance Fund	Total
Change in unrestricted net assets				
Support, revenue and gains				
Diocesan Services Appeal	\$ 2,175,147	\$	\$	\$ 2,175,147
Capital campaign contributions	162,808			162,808
Gifts, grants, bequests and memorials	296,577			296,577
Sales	18,477			18,477
Fees	142,946			142,946
Tuition	9,310			9,310
Workshops and in-service	33,137			33,137
Fax and photocopying	35,669			35,669
Interest and dividends	68,642	36,386	670	105,698
TAXA	7,570			7,570
Miscellaneous	13,755			13,755
Insurance premiums and revenues		1,085,590	3,604,568	4,690,158
Recovery of bad debt	100,000			100,000
Net realized gains (losses) on investments	51,476	(5,627)	627	46,476
Net unrealized gains (losses) on investments	50,886	(34,948)	5,447	21,385
Actuarial loss - clergy post retirement	(145,438)			(145,438)
Change in equity - Catholic Umbrella Pool		29,613		29,613
Total support, revenue and gains	3,020,962	1,111,014	3,611,312	7,743,288
Net assets released from restrictions	355,963			355,963
Total support, revenue, gains and reclassifications	3,376,925	1,111,014	3,611,312	8,099,251
Expenses				
Program services				
Services to parishes	1,651,498	1,023,900	2,472,655	5,148,053
Services to priests	410,119			410,119
Total program services	2,061,617	1,023,900	2,472,655	5,558,172
Supporting services				
Management and general	902,574	152,997	824,218	1,879,789
Fund raising	1,089,816			1,089,816
Total supporting services	1,992,390	152,997	824,218	2,969,605
Total expenses	4,054,007	1,176,897	3,296,873	8,527,777
Increase (decrease) in unrestricted net assets	(677,082)	(65,883)	314,439	(428,526)

See accompanying notes to financial statements.

Diocese of Superior

Statement of Activities (Continued)

For the Year Ended June 30, 2017

	General Fund	Insurance Fund	Health Insurance Fund	Total
Change in temporarily restricted net assets				
Support, revenue and gains				
Gifts, grants, bequests and memorials	386,238			386,238
Total support, revenue and gains	386,238			386,238
Net assets released from restrictions	(355,963)			(355,963)
Increase in temporarily restricted net assets	30,275			30,275
Change in permanently restricted net assets				
Support, revenue and gains				
Change in value of beneficial interest in perpetual trust	2,744			2,744
Total support, revenue and gains	2,744			2,744
Increase in permanently restricted net assets	2,744			2,744
Increase (decrease) in total net assets	(644,063)	(65,883)	314,439	(395,507)
Net assets, beginning of the year				
Unrestricted	(645,114)	1,953,492	985,176	2,293,554
Temporarily restricted	1,193,268			1,193,268
Permanently restricted	174,814			174,814
Total net assets, beginning of the year	722,968	1,953,492	985,176	3,661,636
Transfers	140,000	(53,200)	(86,800)	
Net assets, end of the year				
Unrestricted (deficit)	(1,182,196)	1,834,409	1,212,815	1,865,028
Temporarily restricted	1,223,543			1,223,543
Permanently restricted	177,558			177,558
Total net assets, end of the year	\$ 218,905	\$ 1,834,409	\$ 1,212,815	\$ 3,266,129

See accompanying notes to financial statements.

Diocese of Superior

Statements of Cash Flows

As of June 30,

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ 788,457	\$ (395,507)
Adjustments to reconcile changes in net assets to net cash provided (used in) by operating activities		
Depreciation	40,433	40,078
Recovery of bad debt	(299,992)	(100,000)
Change in value of beneficial interest in perpetual trust	3,366	(2,744)
Net realized gains on investments	(46,418)	(46,476)
Net unrealized gains on investments	(27,185)	(21,385)
Gain on sale of property and equipment	(140,548)	
Change in equity - Catholic Umbrella Pool	(4,998)	(29,613)
Actuarial (gain) loss - clergy post retirement	(712,576)	145,438
(Increase) decrease in		
Accounts receivable	342,778	165,007
Contributions receivable		(100,000)
Capital Campaign contributions receivable	492,811	1,417,059
Grants receivable	(51,194)	(94,400)
Prepaid expenses	(8,471)	(6,584)
Interest receivable	1,486	(415)
Increase (decrease) in		
Accounts payable	(14,270)	(191,421)
Endowment fund payable	349,584	
Accrued payroll and vacation	5,327	(3,323)
Collections payable	(130,893)	180,025
Estimate of claims incurred	(302,523)	109,071
Held for others	(665)	(373)
Accrued FOF reimbursements to parishes	(190,341)	(554,088)
Net cash provided by (used in) operating activities	94,168	510,349
Cash flows from investing activities		
Purchase of investments	(1,461,503)	(1,224,565)
Proceeds from sales of investments	1,386,437	1,112,828
Payments received on notes receivable	37,480	75,472
Proceeds received on sale of property and equipment	144,416	
Purchase of property and equipment	(14,932)	(78,165)
Net cash provided by (used in) investing activities	91,898	(114,430)
Net increase in cash	186,066	395,919
Cash, beginning of year	3,157,289	2,761,370
Cash, end of year	\$ 3,343,355	\$ 3,157,289

See accompanying notes to financial statements.

Diocese of Superior

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Operations

The Diocese of Superior (Organization) is a non-profit corporation organized under the laws of the State of Wisconsin. The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Its activities consist principally of providing pastoral, administrative and insurance services to parishes and missions in sixteen counties of Northwestern Wisconsin, which comprise the geographical area of the Diocese of Superior.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States.

Basis of Presentation

Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets are the net assets of the Organization that are neither permanently restricted nor temporarily restricted. Thus, they include all net assets whose use has not been restricted by donors or by law.

Temporarily restricted net assets are subject to donor-imposed stipulations that may or may not be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are transferred to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

Cash and Cash Equivalents

Cash consists of demand deposits.

Accounts Receivable

Accounts receivable are due mainly from parishes within the Organization and are stated at the amount management expects to collect from balances outstanding at year-end. Management periodically evaluates the account balances and writes off, if necessary, any amounts considered uncollectible. Due to the nature of these accounts and based on past collection history, management believes collection of these accounts is reasonably certain and a valuation allowance is not considered necessary.

Diocese of Superior

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Contributions and Grants Receivable

Unconditional pledges, including grants and bequests receivable are recorded as receivables in the year pledged. Conditional pledges receivable are recognized only when the conditions on which they depend are substantially met. Pledges and other promises to give whose eventual uses are restricted by the donors are recorded as increases in temporarily restricted net assets. Unrestricted pledges to be collected in future periods are also recorded as an increase to temporarily restricted net assets and reclassified to unrestricted net assets when received, unless the donor's intention is to support current-period activities.

Pledges receivable expected to be collected in less than one year are reported at net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of estimated future cash flows on a discounted basis applicable to the years in which the promises were received. The amortization of the discount is recognized as contribution income over the duration of the pledge.

Management individually reviews all past due pledge receivable balances and estimates the portion, if any, of the balance that will not be collected. The carrying amounts of pledges receivable are reduced by allowances that reflect management's estimate of uncollectible amounts.

Contributions

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Diocese of Superior

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Investments

Investments consist primarily of marketable debt and equity securities and are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions. Unrealized gains and losses are included in the changes in net assets in the accompanying Statements of Activities.

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.

Investment Income and Gains

Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Donated Services

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

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Diocese of Superior

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Property, Equipment and Depreciation

Property and equipment are capitalized at cost or, if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset. The Organization capitalizes property and equipment with a value greater than or equal to \$1,000 and a useful life of greater than one year.

Property and equipment consisted of the following at June 30:

	2018	2017
Land	\$ 103,410	\$ 103,410
Land improvements	102,550	102,550
Buildings and improvements	1,187,035	1,301,626
Furnishings and equipment	577,082	566,485
Transportation equipment	30,819	30,818
Subtotal	2,000,896	2,104,889
Less accumulated depreciation	(1,611,883)	(1,686,508)
Net property and equipment	\$ 389,013	\$ 418,381

Depreciation expense was \$40,433 and \$40,078 for the years ended June 30, 2018 and 2017, respectively.

Pension Plan

The Diocese of Superior has established a defined contribution pension plan covering all eligible employees. Employees have the option to voluntarily contribute to the plan. Pension costs are expensed in the current period. Employer and employee contributions are vested immediately. Employer contributions are 3 - 7 percent of the salary of all full-time employees, after two years of service. Contributions for the years ended June 30, 2018 and 2017 totaled \$73,282 and \$61,978, respectively.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation on unrelated business income.

Diocese of Superior

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through December 3, 2018, which is the date the financial statements were available to be issued.

Note 2: Capital Campaign Contributions Receivable/Accrued FOF Reimbursements to Parishes/Endowment Fund Contributions

During the year ended June 30, 2013, the Diocese began its capital campaign Faith in Our Future - Our Legacy, Our Mission (FOF). The goal of this campaign was to raise \$16,000,000 over four years. This goal included the 2014 Diocesan Service Appeal (DSA) of \$2,000,000. A portion of the capital campaign pledges was used to establish a \$4,000,000 restricted endowment for current and future seminarians (The St. Augustine Fund for Seminarian Support) and \$4,000,000 restricted endowment for medical expenses of retired priests (Retired Priest Health Care Fund). Both endowments are separately incorporated organizations with the Bishop as President. The capital campaign contributions receivable due in more than one year have been discounted at 4 percent.

<i>Years Ended June 30, 2018 and 2017</i>	2018	2017
Receivable in less than one year	\$ 263,983	\$ 686,641
Receivable in one to three years	12,729	12,729
Receivable in four to seven years	480	480
Total capital campaign contributions receivable	277,192	699,850
Less allowance for doubtful accounts	(237,192)	(450,000)
Less discount to present value at 4%	(11,146)	(28,177)
Net capital campaign contributions receivable	\$ 28,854	\$ 221,673

Diocese of Superior

Notes to Financial Statements

Note 2: Capital Campaign Contributions Receivable/Accrued FOF Reimbursements to Parishes/Endowment Fund Contributions (Continued)

Of the pledges received, a portion was paid to the endowment funds described above. Total endowment fund contribution expense was \$992,569 and \$924,869 at June 30, 2018 and 2017, respectively. Of this amount, \$349,584 and \$0 were payable to the endowment funds at June 30, 2018 and 2017, respectively.

In addition, a portion of the FOF campaign pledges will be returned to parishes once they meet their individual goals. The accrued FOF reimbursements to parishes was \$3,000 and \$193,341 at June 30, 2018 and 2017, respectively.

Note 3: Investments

Investments at June 30, 2018 and 2017, and related returns for the years then ended consisted of the following:

	2018		2017	
	Fair Value	Cost	Fair Value	Cost
General Fund:				
U.S. Treasury bonds	\$ 458,812	\$ 468,644	\$ 467,265	\$ 467,410
Corporate bonds	418,519	424,439	423,181	420,919
Stocks	1,597,683	1,280,345	1,247,374	1,018,691
Mutual funds	111,953	98,121	281,384	261,481
REITs	-	-	1,985	1,436
Total general fund investments	2,586,967	2,271,549	2,421,189	2,169,937
Insurance Fund:				
U.S. Treasury bonds	666,102	683,839	651,443	654,009
Corporate bonds	642,638	654,114	679,058	675,965
Total insurance fund investments	1,308,740	1,337,953	1,330,501	1,329,974
Health Insurance Fund:				
Stocks	35,579	33,728	37,997	34,522
Mutual funds	21,357	21,003	14,288	14,676
Total health insurance fund investments	56,936	54,731	52,285	49,198
Total investments	\$ 3,952,643	\$ 3,664,233	\$ 3,803,975	\$ 3,549,109

Realized gains and losses on investments of \$86,611 and \$83,785 are reported net of fees of \$37,767 and \$35,504 for the years ended June 30, 2018 and 2017, respectively.

Diocese of Superior

Notes to Financial Statements

Note 4: Beneficial Interest in Perpetual Trust

The Diocese is a one-fifteenth income beneficiary under an irrevocable perpetual charitable trust agreement. This future interest in the trust's earnings is measured using one-fifteenth of the fair value of the trust assets based on the information received from the trustee. Under the terms of the trust, the Diocese has the irrevocable right to receive the income earned on trust assets in perpetuity. The fair value of the beneficial interest in perpetual trust is recognized as an asset and as a permanently restricted contribution at the date the trust is established.

Trust assets consist of, but are not limited to, cash and cash equivalents, corporate and government bonds, mutual funds, equity securities, real estate investment trusts, real estate funds, and oil, gas & minerals. These assets are not subject to control or direction by the Diocese. Gains and losses, which are not distributed by the trust, are reflected as the change in value of beneficial interest in perpetual trust in the statements of activities. The fair value of the trust totaling \$174,192 and \$177,558 is presented in the accompanying financial statements at June 30, 2018 and 2017, respectively.

Note 5: Fair Value Measurements

The Organization uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. The following is a description of the valuation methodologies used for assets measured at fair value.

Quoted market prices are used to determine the fair value of investments in stocks, mutual funds, and real estate investment trusts.

Corporate bonds and U.S. Treasury bonds are valued using quotes from pricing vendors based on recent trading activity and other observable market data.

The beneficial interest in perpetual trust is measured using the fair value of the underlying assets held by the trust as of June 30, 2018 and 2017. The Organization owns an interest in the perpetual trust but not the underlying assets. The Organization considers the measurement of its beneficial interest in perpetual trust to be a Level 3 measurement within the fair value measurement hierarchy because even though that measurement is based on the fair value of underlying assets reported by the trust, the Organization will never receive those assets or have the ability to direct the trust to redeem them.

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

Diocese of Superior

Notes to Financial Statements

Note 5: Fair Value Measurements (Continued)

The following table presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy at June 30:

	Total	2018	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)
Beneficial interest in perpetual trust	\$ 174,192	\$	\$ 174,192
Investments:			
U.S. Treasury bonds	1,124,914		1,124,914
Corporate bonds	1,061,157		1,061,157
Stocks	1,633,262	1,633,262	
Mutual funds	133,310	133,310	
Total investments	3,952,643	1,766,572	2,186,071
Total assets at fair value	\$ 4,126,835	\$ 1,766,572	\$ 2,186,071

	Total	2017	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)
Beneficial interest in perpetual trust	\$ 177,558	\$	\$ 177,558
Investments:			
U.S. Treasury bonds	1,118,708		1,118,708
Corporate bonds	1,102,239		1,102,239
Stocks	1,285,371	1,285,371	
Mutual funds	295,672	295,672	
REITs	1,985	1,985	
Total investments	3,803,975	1,583,028	2,220,947
Total assets at fair value	\$ 3,981,533	\$ 1,583,028	\$ 2,220,947

Diocese of Superior

Notes to Financial Statements

Note 5: Fair Value Measurements (Continued)

The amount of gains and losses related to fair value measurement using Level 3 inputs, including both realized and unrealized gains and losses, during the years ended June 30, were as follows:

	2018 Beneficial Interest in Perpetual Trust	2017 Beneficial Interest in Perpetual Trust
Balance, July 1	\$ 177,558	\$ 174,814
Change in value	(3,366)	2,744
Balance, June 30	\$ 174,192	\$ 177,558

Quantitative Information about Significant Unobservable Inputs Used in Level 3 Fair Value Measurements

The following tables represent the Organization's level 3 asset, the valuation techniques used to measure the fair value of the asset, and the significant unobservable inputs and the ranges of values for those inputs.

As of June 30, 2018

Assets	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range
Beneficial Interest in Perpetual Trust	\$ 174,192	Third Party Pricing or Appraisals	Market Price of Assets Held	Unknown

As of June 30, 2017

Assets	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range
Beneficial Interest in Perpetual Trust	\$ 177,558	Third Party Pricing or Appraisals	Market Price of Assets Held	Unknown

Diocese of Superior

Notes to Financial Statements

Note 6: Notes Receivable - Affiliated Organizations

<i>Years Ended June 30,</i>	2018	2017
Note receivable dated September 15, 2010, due in 172 monthly installments of \$3,805, including interest 4%. The note is unsecured.	\$ 256,158	\$ 293,638
Total notes receivable	\$ 256,158	\$ 293,638

The notes receivable are shown in the financial statements as follows:

<i>Years Ended June 30,</i>	2018	2017
Notes receivable - current portion	\$ 36,074	\$ 34,546
Notes receivable	220,084	259,092
Total notes receivable	\$ 256,158	\$ 293,638

The notes are due from affiliated organizations. Collection is fully expected and, accordingly, no allowance has been provided.

Note 7: Self-Funded Insurance Plans

Health Insurance Fund

The Diocese of Superior established a self-funded employee welfare benefit plan to provide for the payment or reimbursement of specified medical and related expenses incurred by eligible employees and dependents of the Organization and the parishes. The parishes pay premiums to the Organization for this insurance coverage. To control costs and liabilities, the Diocese has purchased a stop loss policy, which in part, pays any individual claim in excess of \$60,000 and also limits claims that must be paid by the Organization to 125 percent of prior year claims. Independent companies administer all claims processing for the Organization. The medical and related expenses are expensed as incurred. The expense is based on actual claims paid, premiums, administration fees, and unpaid claims at year-end.

The Diocese of Superior collected \$3,530,321 and \$3,604,568 in premium revenue from the parishes for the years ended June 30, 2018 and 2017, respectively. The Organization paid \$2,134,935 and \$2,192,507 in insurance claims and \$1,071,541 and \$1,091,006 in reinsurance premiums for the years ended June 30, 2018 and 2017, respectively. A liability has been recorded for claims outstanding in the amounts of \$230,000 and \$370,023 at June 30, 2018 and 2017, respectively. Management believes that this liability is sufficient to cover estimated claims including claims incurred but not yet reported.

Diocese of Superior

Notes to Financial Statements

Note 7: Self-Funded Insurance Plans (Continued)

Insurance Fund

The Diocese of Superior established a self-funded insurance fund to provide property and liability insurance to the Organization, parishes, and other affiliated organization. The parishes and affiliates pay premiums to the Organization for this insurance coverage. The Organization then pays premiums to Catholic Mutual who administers all claims. To control costs and liabilities, the Diocese has purchased reinsurance from Catholic Mutual who pays any claim per location in excess of \$50,000, and also limits claims that must be paid by the Organization to \$250,000 maximum per year. Insurance fund expenses are expensed as incurred. The expense is based on actual claims paid, reinsurance premiums, administration fees, and unpaid claims at year-end.

The Diocese of Superior collected \$1,249,620 and \$1,085,590 in premium revenue from the parishes for the years ended June 30, 2018 and 2017, respectively. The Organization paid \$139,265 and \$283,235 in insurance claims and \$783,930 and \$744,095 in insurance premiums for the years ended June 30, 2018 and 2017, respectively. A liability has been recorded for claims outstanding in the amount of \$51,500 and \$214,000 at June 30, 2018 and 2017, respectively. Management believes that this liability is sufficient to cover estimated claims including claims incurred but not yet reported.

Note 8: Equity in Catholic Umbrella Pool

The Diocese of Superior is a member of the Catholic Umbrella Pool (Pool) for the years ended June 30, 2018 and 2017. This Pool was created to provide coverage for excess liability claims for Diocese throughout the country. The Pool is responsible for individual casualty claims exceeding \$1,500,000 to a limit of \$5,000,000. The Pool does not cover losses beyond the Pool's ability to fund said losses.

As a member of the Catholic Umbrella Pool, the Organization builds equity in the net assets of the Pool. The equity in the Catholic Umbrella Pool as of June 30, 2018 and 2017 was \$399,302 and \$394,304, respectively.

In the event the total paid and reserved claims exceed the net assets of the Pool, the Organization could be responsible for additional contributions as defined in the participation agreements.

Diocese of Superior

Notes to Financial Statements

Note 9: Clergy Postretirement Benefits/Underfunded Liability

It is the policy of the Diocese of Superior to assume the costs of health care insurance for priests employed in the Organization upon retirement. The Organization has recognized a liability on the balance sheet for these future costs. As of June 30, 2018 and 2017, the estimated present value of these projected future costs was \$4,522,205 and \$5,234,781, respectively. Any change in the present value of future benefits payable is included as an actuarial gain or loss.

The post retirement liability is recalculated every two years by an actuary. Due to the sensitive nature of the assumptions used to calculate the estimated present value of the clergy postretirement benefit obligation it is reasonably possible that the estimate could change in the near term.

The Retired Priest Health Care Fund (the Fund) (a separately incorporated foundation) was established to cover the post retirement liability in the future. This has been funded through the capital campaign described in Note 2. At June 30, 2018 and 2017 the Fund had assets of \$2,865,497 and \$2,038,604, respectively, that will be used to cover future costs. The remaining balance is unfunded.

The accrued liability includes amounts for three categories of clergy:

	2018	2017
Retirees	\$ 1,791,202	\$ 2,005,979
Active priests eligible for retire	899,517	1,001,847
Remaining active priests	1,831,486	2,226,955
Total	\$ 4,522,205	\$ 5,234,781

The actuarial assumptions used in calculating the liability include:

Health care cost trend rate	8% - 4.50% over 7 years
Future discount rate	4%
Retirement age	70 years old
Retirees electing coverage	100%
Active priests	32
Retired priests	29

Diocese of Superior

Notes to Financial Statements

Note 10: Net Assets

Net assets consisted of the following at June 30:

	2018	2017
Unrestricted net assets:	\$ 3,123,582	\$ 1,865,028
Temporarily restricted net assets:		
Scholarships	19,465	15,816
Campaign for Human Development	104,471	99,561
Catholic Communications	42,762	39,202
Rice Bowl	188,598	200,016
Native American Evangelization	10,745	10,745
Hispanic ministry	20,000	-
For future periods - CHM grant	28,732	92,817
School management	20,000	40,000
Education	186,839	660,986
Youth Ministry	-	5,000
Building Faith - Bad River	36,000	-
Building Faith - Holy Rosary	60,000	-
Continuing forward - Bayfield Peninsula	19,200	38,400
Sisters of the Sorrowful Mother	20,000	20,000
Lumen Christi Award grant		1,000
Total temporarily restricted net assets	756,812	1,223,543
Permanently restricted net assets:		
Beneficial interest in perpetual trust	174,192	177,558
Total net assets	\$ 4,054,586	\$ 3,266,129

Note 11: Related Party Transactions

Related Entities - The Organization provides various services to 115 parishes and affiliates in Northwestern Wisconsin. The Organization has no ownership or voting interests in these parishes or affiliates. The parishes and affiliates of the Organization are not included in the accompanying financial statements because they are incorporated separately from the Organization and they do not meet the criteria for consolidation under financial statements standards applicable to this Organization. Likewise, religious orders, lay societies, and religious organizations which operate within the Organization, but which are not fiscally responsible to the Bishop, have not been included in the accompanying financial statements.

Diocese of Superior

Notes to Financial Statements

Note 11: Related Party Transactions (Continued)

The following is a summary of related party transactions:

<i>Years Ended June 30,</i>	2018	2017
Accounts receivable:		
Due from parishes for payroll and payroll services	\$ 23,025	\$ 4,391
Due from parishes for Diocesan Service Appeal contributions	511,405	863,393
Due from parishes and affiliates for insurance premiums	235,300	220,248
Due from parishes for miscellaneous reasons	2,100	
Total accounts receivable	771,830	1,088,032
Notes receivable:		
Note receivable - current portion	36,074	34,546
Note receivable	220,084	259,092
Total notes receivable	256,158	293,638
Support, revenue and gains:		
Diocesan Service Appeal from parishes	2,197,942	2,175,147
Insurance premium revenue from parishes and affiliates	4,779,941	4,690,158
Total support, revenue, and gains	\$ 6,977,883	\$ 6,865,305

Note 12: Concentration of Credit Risk

The Organization maintains cash balances at financial institutions where the accounts are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. At certain times during the year, cash balances may be in excess of FDIC coverage. Uninsured cash balances at June 30, 2018 and 2017 totaled \$2,762,522 and \$3,447,625, respectively. The Organization has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash.

Supplementary Information

Diocese of Superior

Schedule of Support, Revenue, and Expenses by Fund

For the Year Ended June 30, 2018

	General Fund	Insurance Fund	Health Insurance Fund	Eliminations	Total
Support					
Diocesan Services Appeal	\$ 2,197,942	\$	\$	\$	\$ 2,197,942
Capital campaign contributions	85,564				85,564
Grants	336,494				336,494
Other contributions and gifts	307,933				307,933
Bequests and memorials	10,664				10,664
Total support	2,938,597				2,938,597
Revenue					
Sales	13,782				13,782
Fees	281,270			(177,243)	104,027
Tuition	22,850				22,850
Workshops and in-service	65,149				65,149
Fax and photocopying	35,717				35,717
Interest and dividends	67,114	42,317	3,549		112,980
TAXA	6,400				6,400
Miscellaneous	3,748				3,748
Insurance premium and revenues		1,249,620	3,530,321		4,779,941
Total revenue	496,030	1,291,937	3,533,870	(177,243)	5,144,594
Total support and revenue	3,434,627	1,291,937	3,533,870	(177,243)	8,083,191
Expenses					
General fund expenses	4,183,871				4,183,871
Insurance funds expenses		1,146,438		(67,352)	1,079,086
Health insurance fund expenses			3,329,586	(109,891)	3,219,695
Total expenses before depreciation	4,183,871	1,146,438	3,329,586	(177,243)	8,482,652
Depreciation - equipment	15,132				15,132
Depreciation - building	25,301				25,301
Total depreciation	40,433				40,433
Total expenses	4,224,304	1,146,438	3,329,586	(177,243)	8,523,085
Excess (deficiency) of support and revenue over expenses	(789,677)	145,499	204,284		(439,894)
Other gains (losses)					
Recovery of bad debt	299,992				299,992
Net realized gains (losses) on investments	51,707	(6,958)	1,669		46,418
Net unrealized gains (losses) on investments	62,524	(34,328)	(1,011)		27,185
Gain on disposal of property and equipment	140,548				140,548
Actuarial gain - clergy postretirement	712,576				712,576
Change in value of perpetual trust	(3,366)				(3,366)
Change in equity - Catholic Umbrella Pool		4,998			4,998
Total other gains (losses)	1,263,981	(36,288)	658		1,228,351
Net excess of support and revenue over expenses	\$ 474,304	\$ 109,211	\$ 204,942	\$	\$ 788,457

See accompanying notes to financial statements.

Diocese of Superior

Schedule of Support, Revenue, and Expenses by Fund

For the Year Ended June 30, 2017

	General Fund	Insurance Fund	Health Insurance Fund	Eliminations	Total
Support					
Diocesan Services Appeal	\$ 2,175,147	\$	\$	\$	\$ 2,175,147
Capital campaign contributions	162,808				162,808
Grants	351,600				351,600
Other contributions and gifts	317,403				317,403
Bequests and memorials	13,812				13,812
Total support	3,020,770				3,020,770
Revenue					
Sales	18,477				18,477
Fees	282,946			(140,000)	142,946
Tuition	9,310				9,310
Workshops and in-service	33,137				33,137
Fax and photocopying	35,669				35,669
Interest and dividends	68,642	36,386	670		105,698
TAXA	7,570				7,570
Miscellaneous	13,755				13,755
Insurance premium and revenues		1,085,590	3,604,568		4,690,158
Total revenue	469,506	1,121,976	3,605,238	(140,000)	5,056,720
Total support and revenue	3,490,276	1,121,976	3,605,238	(140,000)	8,077,490
Expenses					
General fund expenses	4,013,929				4,013,929
Insurance funds expenses		1,230,097		(53,200)	1,176,897
Health insurance fund expenses			3,383,673	(86,800)	3,296,873
Total expenses before depreciation	4,013,929	1,230,097	3,383,673	(140,000)	8,487,699
Depreciation - equipment	16,450				16,450
Depreciation - building	23,628				23,628
Total depreciation	40,078				40,078
Total expenses	4,054,007	1,230,097	3,383,673	(140,000)	8,527,777
Excess (deficiency) of support and revenue over expenses	(563,731)	(108,121)	221,565		(450,287)
Other gains (losses)					
Recovery of bad debt	100,000				100,000
Net realized gains (losses) on investments	51,476	(5,627)	627		46,476
Net unrealized gains (losses) on investments	50,886	(34,948)	5,447		21,385
Actuarial loss - clergy postretirement	(145,438)				(145,438)
Change in value of perpetual trust	2,744				2,744
Change in equity - Catholic Umbrella Pool		29,613			29,613
Total other gains (losses)	59,668	(10,962)	6,074		54,780
Net excess (deficiency) of support and revenue over expenses	\$ (504,063)	\$ (119,083)	\$ 227,639	\$	\$ (395,507)

See accompanying notes to financial statements.

Diocese of Superior

Schedules of Expenses by Fund

For the Years Ended June 30,

	2018	2017
General Fund by cost center		
Diocesan administration	\$ 476,878	\$ 430,147
Charter implementation	67,424	75,485
Bishop's house	53,348	49,999
Bishop Emeritus House		4,302
Development	227,202	234,316
Maintenance	(5,790)	(152)
NOL maintenance	14,134	9,827
Capital Campaign	46,072	58,932
Bishop's Legacy Circle	5,700	
Chancellor	119,980	117,351
Respect Life	40,680	34,563
DCCW	10,000	10,000
Tribunal	84,593	79,809
Christian formation	21,169	19,311
CHM/DCF	96,268	134,149
Education	105,311	89,142
Fall institute	13,673	13,723
Diaconate	33,316	28,261
Diaconate training	54,541	37,425
Lay ministry	8,429	6,380
Religious education	122,097	97,533
Brady trust scholarships	4,015	6,025
Youth and young adult	63,873	61,630
Marriage & Family	35,074	40,249
Totus Tutus	26,560	26,815
Newman center	18,003	22,124
Vocations	34,704	41,508
Liturgy	105,529	123,135
Diocesan choral	23,184	14,008
Charismatic	2,020	
Computer services	71,808	73,657
Web site	6,967	11,948
Consult and leadership	61,806	64,518
Finance	200,848	256,667
Personnel	163,566	149,120
Parish accounting	55,458	37,005
Diocesan non-operating	190,626	390,991
Endowment fund contributions	992,569	924,869
Bad debt	77,187	73,211
Advisory committees	3,734	5,330
Seminary	134,400	13,723
Infirm priest	80,818	75,754
Retired priest health/dental	172,006	16,507
Education/sabbatical		8,876
Ongoing formation for priests	64,091	45,756
Total expenses before depreciation	4,183,871	4,013,929
Depreciation	40,433	40,078
Total expenses General Fund	\$ 4,224,304	\$ 4,054,007

See accompanying notes to financial statements.

Diocese of Superior

Schedules of Expenses by Fund

For the Years Ended June 30,
(Continued)

	2018	2017
Insurance Fund		
Insurance claims	\$ 139,264	\$ 283,234
Insurance premiums	783,930	744,095
Administrative fees and contract services	222,373	201,963
Office expense	871	805
Total expenses Insurance Fund	\$ 1,146,438	\$ 1,230,097
Health Insurance Fund		
Insurance claims	\$ 2,134,934	\$ 2,192,507
Insurance premiums	1,071,541	1,091,006
Office expenses	3,745	1,282
Administrative fees and contract services	119,366	98,878
Total expenses Health Insurance Fund	\$ 3,329,586	\$ 3,383,673

See accompanying notes to financial statements.