

Diocese of Superior

Annual Financial Statements Together with Independent
Auditor's Report

Years ended June 30, 2017 and 2016

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, 2017 and 2016, 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, 2017 and 2016, 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 Expense by Fund and Schedules of Expenses by Fund) appearing on pages 26 through 29 are presented for the purpose 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 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

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

November 21, 2017
Duluth, Minnesota

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 Financial Position

As of June 30, 2016

Assets	General Fund	Insurance Fund	Health Insurance Fund	Total
Current assets				
Cash	\$ 1,479,911	\$ 276,478	\$ 1,004,981	\$ 2,761,370
Investments	2,243,385	1,334,923	46,069	3,624,377
Accounts receivable				
Affiliated organizations	978,652	19,616	250,887	1,249,155
Other			58,191	58,191
Capital Campaign contributions receivable, net	1,429,228			1,429,228
Due from (to) other funds	(27,626)	27,626		
Grants receivable	47,500			47,500
Prepaid expenses	10,635	21,605		32,240
Notes receivable - current portion	75,478			75,478
Interest receivable	5,115	8,553		13,668
Total current assets	6,242,278	1,688,801	1,360,128	9,291,207
Property and equipment -net	380,294			380,294
Other assets				
Capital campaign contributions receivable, long term	109,504			109,504
Notes receivable - affiliated organizations	293,632			293,632
Beneficial interest in perpetual trust	174,814			174,814
Equity in Catholic Umbrella Pool		364,691		364,691
Total other assets	577,950	364,691		942,641
Total assets	\$ 7,200,522	\$ 2,053,492	\$ 1,360,128	\$ 10,614,142

See accompanying notes to financial statements.

Diocese of Superior

Statement of Financial Position (Continued)

As of June 30, 2016

Liabilities and Net Assets	General Fund	Insurance Fund	Health Insurance Fund	Total
Current liabilities				
Accounts payable	\$ 405,790	\$	\$	\$ 405,790
Accrued payroll and vacation	38,272			38,272
Collections payable	183,780			183,780
Estimate of claims incurred		100,000	374,952	474,952
Held for others	12,940			12,940
Accrued FOF reimbursements to parishes	747,429			747,429
Total current liabilities	1,388,211	100,000	374,952	1,863,163
Long-term liabilities				
Clergy postretirement benefits	5,089,343			5,089,343
Total liabilities	6,477,554	100,000	374,952	6,952,506
Net assets				
Unrestricted (deficit)	(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	722,968	1,953,492	985,176	3,661,636
Total liabilities and net assets	\$ 7,200,522	\$ 2,053,492	\$ 1,360,128	\$ 10,614,142

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 (deficit)	(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

Statement of Activities

For the Year Ended June 30, 2016

	General Fund	Insurance Fund	Health Insurance Fund	Total
Change in unrestricted net assets				
Support, revenue and gains				
Diocesan Services Appeal	\$ 2,125,000	\$	\$	\$ 2,125,000
Capital campaign contributions	425,216			425,216
Gifts, grants, bequests and memorials	716,009			716,009
Sales	14,402			14,402
Fees	88,090			88,090
Tuition	9,750			9,750
Workshops and in-service	68,180			68,180
Fax and photocopying	26,664			26,664
Interest and dividends	63,828	74,995	929	139,752
TAXA	9,650			9,650
Miscellaneous	5,216	433		5,649
Insurance premiums and revenues		1,085,236	3,599,839	4,685,075
Net realized gains (losses) on investments	30,861	(2,783)	(417)	27,661
Net unrealized gains (losses) on investments	(88,384)	9,226	(3,738)	(82,896)
Actuarial loss - clergy post retirement	(853,665)			(853,665)
Change in equity - Catholic Umbrella Pool		(2,046)		(2,046)
Total support, revenue and gains	2,640,817	1,165,061	3,596,613	7,402,491
Net assets released from restrictions	432,474			432,474
Total support, revenue, gains and reclassifications	3,073,291	1,165,061	3,596,613	7,834,965
Expenses				
Program services				
Services to parishes	1,791,342	854,332	2,638,333	5,284,007
Services to priests	458,837			458,837
Total program services	2,250,179	854,332	2,638,333	5,742,844
Supporting services				
Management and general	869,538	129,794	880,080	1,879,412
Fund raising	2,004,174			2,004,174
Total supporting services	2,873,712	129,794	880,080	3,883,586
Total expenses	5,123,891	984,126	3,518,413	9,626,430
Increase (decrease) in unrestricted net assets	(2,050,600)	180,935	78,200	(1,791,465)

See accompanying notes to financial statements.

Diocese of Superior

Statement of Activities (Continued)

For the Year Ended June 30, 2016

	General Fund	Insurance Fund	Health Insurance Fund	Total
Change in temporarily restricted net assets				
Support, revenue and gains				
Gifts, grants, bequests and memorials	996,086			996,086
Total support, revenue and gains	996,086			996,086
Net assets released from restrictions	(432,474)			(432,474)
Increase in temporarily restricted net assets	563,612			563,612
Change in permanently restricted net assets				
Support, revenue and gains				
Change in value of beneficial interest in perpetual trust	(15,691)			(15,691)
Total support, revenue and gains	(15,691)			(15,691)
Decrease in permanently restricted net assets	(15,691)			(15,691)
Increase (decrease) in total net assets	(1,502,679)	180,935	78,200	(1,243,544)
Net assets, beginning of the year				
Unrestricted	1,274,256	1,822,424	988,339	4,085,019
Temporarily restricted	629,656			629,656
Permanently restricted	190,505			190,505
Total net assets, beginning of the year	2,094,417	1,822,424	988,339	4,905,180
Transfers	131,230	(49,867)	(81,363)	
Net assets, end of the year				
Unrestricted (deficit)	(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, end of the year	\$ 722,968	\$ 1,953,492	\$ 985,176	\$ 3,661,636

See accompanying notes to financial statements.

Diocese of Superior

Statements of Cash Flows

As of June 30,

	2017	2016
Cash flows from operating activities		
Change in net assets	\$ (395,507)	\$ (1,243,544)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	40,078	39,307
Recovery of bad debt	(100,000)	
Change in value of beneficial interest in perpetual trust	(2,744)	15,691
Net realized gains on investments	(46,476)	(27,661)
Net unrealized (gains) losses on investments	(21,385)	82,896
Change in equity - Catholic Umbrella Pool	(29,613)	2,046
Actuarial loss - clergy post retirement	145,438	853,665
(Increase) decrease in		
Accounts receivable	165,007	784
Contributions receivable	(100,000)	
Capital Campaign contributions receivable	1,417,059	1,841,911
Grants receivable	(94,400)	201,840
Prepaid expenses	(6,584)	(10,634)
Interest receivable	(415)	(1,632)
Increase (decrease) in		
Accounts payable	(191,421)	75,968
Accrued payroll and vacation	(3,323)	(5,594)
Collections payable	180,025	(102,500)
Estimate of claims incurred	109,071	(50,048)
Held for others	(373)	(266)
Accrued FOF reimbursements to parishes	(554,088)	(672,491)
Net cash provided by operating activities	510,349	999,738
Cash flows from investing activities		
Purchase of investments	(1,224,565)	(2,084,854)
Proceeds from sales of investments	1,112,828	1,488,488
Issuance of note receivable		(45,000)
Payments received on notes receivable	75,472	31,994
Purchase of property and equipment	(78,165)	(24,106)
Net cash used in investing activities	(114,430)	(633,478)
Net increase in cash	395,919	366,260
Cash, beginning of year	2,761,370	2,395,110
Cash, end of year	\$ 3,157,289	\$ 2,761,370

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, expenses, 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:

	2017	2016
Land	\$ 103,410	\$ 103,410
Land improvements	102,550	102,550
Buildings and improvements	1,301,626	1,227,089
Furnishings and equipment	566,485	562,892
Transportation equipment	30,818	30,818
Subtotal	2,104,889	2,026,759
Less accumulated depreciation	(1,686,508)	(1,646,465)
Net property and equipment	\$ 418,381	\$ 380,294

Depreciation expense was \$40,078 and \$39,307 for the years ended June 30, 2017 and 2016, 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, 2017 and 2016 totaled \$61,978 and \$68,882, 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 November 21, 2017, 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 totaled \$699,850 less the unamortized discount of \$28,177 and allowance for doubtful accounts of \$450,000 at June 30, 2017. The capital campaign contributions receivable totaled \$2,179,105 less the unamortized discount of \$90,373 and allowance for doubtful accounts of \$550,000 at June 30, 2016. The capital campaign contributions receivable due in more than one year have been discounted at 4 percent.

<i>Years Ended June 30, 2017 and 2016</i>	2017	2016
Receivable in less than one year	\$ 686,641	\$ 2,064,347
Receivable in one to three years	12,729	112,548
Receivable in four to seven years	480	2,210
Total capital campaign contributions receivable	699,850	2,179,105
Less allowance for doubtful accounts	(450,000)	(550,000)
Less discount to present value	(28,177)	(90,373)
Net capital campaign contributions receivable	\$ 221,673	\$ 1,538,732

Of the pledges received, a portion was paid to the endowment funds described above. Total endowment fund contribution expense was \$924,869 and \$1,727,470 at June 30, 2017 and 2016, respectively.

Diocese of Superior

Notes to Financial Statements

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

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 \$193,341 and \$747,429 at June 30, 2017 and 2016, respectively.

Note 3: Investments

Investments at June 30, 2017 and 2016, and related returns for the years then ended consisted of the following:

	2017		2016	
	Fair Value	Cost	Fair Value	Cost
General Fund:				
U.S. Treasury bonds	\$ 467,265	\$ 467,410	\$ 478,341	\$ 469,285
Corporate bonds	423,181	420,919	413,839	404,618
Stocks	1,247,374	1,018,691	1,069,059	932,416
Mutual funds	281,384	261,481	280,555	247,628
REITs	1,985	1,436	1,591	1,222
Total general fund investments	2,421,189	2,169,937	2,243,385	2,055,169
Insurance Fund:				
U.S. Treasury bonds	651,443	654,009	615,163	604,154
Corporate bonds	679,058	675,965	719,760	702,962
Total insurance fund investments	1,330,501	1,329,974	1,334,923	1,307,116
Health Insurance Fund:				
Stocks	37,997	34,522	32,738	33,962
Mutual funds	14,288	14,676	13,331	14,524
Total health insurance fund investments	52,285	49,198	46,069	48,486
Total investments	\$ 3,803,975	\$ 3,549,109	\$ 3,624,377	\$ 3,410,771

Realized gains and losses on investments of \$46,476 and \$27,661 are reported net of fees of \$35,504 and \$32,442 for the years ended June 30, 2017 and 2016, 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 trusts, 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 \$177,558 and \$174,814 is presented in the accompanying financial statements at June 30, 2017 and 2016, 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, 2017 and 2016. 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	2017		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
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	\$ 177,558

	Total	2016		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interest in perpetual trust	\$ 174,814	\$	\$	\$ 174,814
Investments:				
U.S. Treasury bonds	1,093,504		1,093,504	
Corporate bonds	1,133,599		1,133,599	
Stocks	1,101,797	1,101,797		
Mutual funds	293,886	293,886		
REITs	1,591	1,591		
Total investments	3,624,377	1,397,274	2,227,103	
Total assets at fair value	\$ 3,799,191	\$ 1,397,274	\$ 2,227,103	\$ 174,814

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:

	2017		2016	
	Beneficial Interest in Perpetual Trust		Beneficial Interest in Perpetual Trust	
Balance, July 1	\$	174,814	\$	190,505
Change in value		2,744		(15,691)
Balance, June 30	\$	177,558	\$	174,814

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, 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

As of June 30, 2016

Assets	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range
Beneficial Interest in Perpetual Trust	\$ 174,814	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>	2017	2016
Note receivable dated September 15, 2010, due in 172 monthly installments of \$3,805, including interest 4%. The note is unsecured.	\$ 293,638	\$ 324,110
Note receivable due in monthly installments of \$4,000, at 0% interest. The note is unsecured.		45,000
Total notes receivable	\$ 293,638	\$ 369,110

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

<i>Years Ended June 30,</i>	2017	2016
Notes receivable - current portion	\$ 34,546	\$ 75,478
Notes receivable	259,092	293,632
Total notes receivable	\$ 293,638	\$ 369,110

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 \$3,604,568 and \$3,599,839 in premium revenue from the parishes for the years ended June 30, 2017 and 2016, respectively. The Organization paid \$2,192,507 and \$2,570,909 in insurance claims and \$1,091,006 and \$925,720 in reinsurance premiums for the years ended June 30, 2017 and 2016, respectively. A liability has been recorded for claims outstanding in the amounts of \$370,023 and \$374,952 at June 30, 2017 and 2016, 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 \$1,085,590 and \$1,085,236 in premium revenue from the parishes for the years ended June 30, 2017 and 2016, respectively. The Organization paid \$283,235 and \$115,993 in insurance claims and \$744,095 and \$728,976 in insurance premiums for the years ended June 30, 2017 and 2016, respectively. A liability has been recorded for claims outstanding in the amount of \$214,000 and \$100,000 at June 30, 2017 and 2016, 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, 2017 and 2016. 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, 2017 and 2016 was \$394,304 and \$364,691, 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, 2017 and 2016, the estimated present value of these projected future costs was \$5,234,781 and \$5,089,343, 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.

At June 30, 2017 and 2016, unrestricted net assets did not cover the estimated future cost of this liability.

The accrued liability includes amounts for three categories of clergy:

	2017	2016
Retirees	\$ 2,005,979	\$ 2,081,916
Active priests eligible for retire	1,001,847	988,869
Remaining active priests	2,226,955	2,018,558
Total	\$ 5,234,781	\$ 5,089,343

The actuarial assumptions used in calculating the liability include:

Health care cost trend rate	8% - 4.50% over 7 years
Future discount rate	3.75%
Retirement age	70 years old
Retirees electing coverage	100%
Active priests	36
Retired priests	29

Diocese of Superior

Notes to Financial Statements

Note 10: Net Assets

Net assets consisted of the following at June 30:

	2017	2016
Unrestricted net assets:	\$ 1,865,028	\$ 2,293,554
Temporarily restricted net assets:		
Scholarships	15,816	13,559
Campaign for Human Development	99,561	93,926
Catholic Communications	39,202	50,529
Rice Bowl	200,016	207,985
Native American Evangelization	10,745	10,745
For future periods - CHM grant	92,817	103,038
School management	40,000	20,000
Education	660,986	660,986
Youth Ministry	5,000	5,000
Continuing Forward - Park Falls		10,000
Continuing Forward - Bad River		17,500
Continuing forward - Bayfield Peninsula	38,400	
Sisters of the Sorrowful Mother	20,000	
Lumen Christi Award grant	1,000	
Total temporarily restricted net assets	1,223,543	1,193,268
Permanently restricted net assets:		
Beneficial interest in perpetual trust	177,558	174,814
Total net assets	\$ 3,266,129	\$ 3,661,636

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>	2017	2016
Accounts receivable:		
Due from parishes for payroll and payroll services	\$ 4,391	\$ 9,724
Due from parishes for Diocesan Service Appeal contributions	863,393	968,928
Due from parishes and affiliates for insurance premiums	220,248	270,503
Total accounts receivable	1,088,032	1,249,155
Notes receivable:		
Note receivable - current portion	34,546	75,478
Note receivable	259,092	293,632
Total notes receivable	293,638	369,110
Support, revenue and gains:		
Diocesan Service Appeal from parishes	2,175,147	2,125,000
Insurance premium revenue from parishes and affiliates	4,690,158	4,685,075
Total support, revenue, and gains	\$ 6,865,305	\$ 6,810,075

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, 2017 and 2016 totaled \$3,447,625 and \$2,348,398, respectively. The Organization has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash.

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

Schedule of Support, Revenue, and Expenses by Fund

For the Year Ended June 30, 2016

	General Fund	Insurance Fund	Health Insurance Fund	Eliminations	Total
Support					
Diocesan Services Appeal	\$ 2,125,000	\$	\$	\$	\$ 2,125,000
Capital campaign contributions	425,216				425,216
Grants	300,060				300,060
Other contributions and gifts	77,437				77,437
Bequests and memorials	1,334,598				1,334,598
Total support	4,262,311				4,262,311
Revenue					
Sales	14,402				14,402
Fees	219,320			(131,230)	88,090
Tuition	9,750				9,750
Workshops and in-service	68,180				68,180
Fax and photocopying	26,664				26,664
Interest and dividends	63,828	74,995	929		139,752
TAXA	9,650				9,650
Miscellaneous	5,216	433			5,649
Insurance premium and revenues		1,085,236	3,599,839		4,685,075
Total revenue	417,010	1,160,664	3,600,768	(131,230)	5,047,212
Total support and revenue	4,679,321	1,160,664	3,600,768	(131,230)	9,309,523
Expenses					
General fund expenses	5,084,584				5,084,584
Insurance funds expenses		1,033,993		(49,867)	984,126
Health insurance fund expenses			3,599,776	(81,363)	3,518,413
Total expenses before depreciation	5,084,584	1,033,993	3,599,776	(131,230)	9,587,123
Depreciation - equipment	18,480				18,480
Depreciation - building	20,827				20,827
Total depreciation	39,307				39,307
Total expenses	5,123,891	1,033,993	3,599,776	(131,230)	9,626,430
Excess (deficiency) of support and revenue over expenses	(444,570)	126,671	992		(316,907)
Other gains (losses)					
Net realized gains (losses) on investments	30,861	(2,783)	(417)		27,661
Net unrealized gains (losses) on investments	(88,384)	9,226	(3,738)		(82,896)
Actuarial loss - clergy postretirement	(853,665)				(853,665)
Change in value of perpetual trust	(15,691)				(15,691)
Change in equity - Catholic Umbrella Pool		(2,046)			(2,046)
Total other gains (losses)	(926,879)	4,397	(4,155)		(926,637)
Net excess (deficiency) of support and revenue over expenses	\$ (1,371,449)	\$ 131,068	\$ (3,163)	\$	\$ (1,243,544)

See accompanying notes to financial statements.

Diocese of Superior

Schedules of Expenses by Fund

For the Years Ended June 30,

	2017	2016
General Fund by cost center		
Diocesan administration	\$ 430,147	\$ 372,489
Charter implementation	75,485	75,322
Bishop's house	49,999	58,028
Bishop Emeritus House	4,302	32,648
Development	234,316	192,242
Maintenance	(152)	(14,341)
NOL maintenance	9,827	10,963
Installation of Bishop		61,404
Capital Campaign	58,932	189,008
Chancellor	117,351	169,968
Respect Life	34,563	16,057
DCCW	10,000	10,000
Tribunal	79,809	95,168
Christian formation	19,311	28,842
CHM/DCF	134,149	92,458
Education	89,142	132,650
Fall institute	13,723	11,191
Diaconate	28,261	38,096
Diaconate training	37,425	34,008
Lay ministry	6,380	6,556
Religious education	97,533	71,182
Brady trust scholarships	6,025	7,980
Youth and young adult	61,630	54,078
Marriage & Family	40,249	48,233
Totus Tutus	26,815	18,927
Newman center	22,124	23,398
Vocations	41,508	41,367
Liturgy	123,135	121,510
Diocesan choral	14,008	17,727
Charismatic		681
Computer services	73,657	80,535
Web site	11,948	15,778
Consult and leadership	64,518	65,415
Parish viability		1,064
Finance	256,667	231,945
Personnel	149,120	134,287
Parish accounting	37,005	38,607
Diocesan non-operating	390,991	246,649
Endowment fund contributions	924,869	1,727,470
Bad debt	73,211	163,898
Advisory committees	5,330	1,548
Seminary	13,723	42,563
Infirm priest	75,754	95,458
Retired priest health/dental	16,507	173,029
Education/sabbatical	8,876	
Ongoing formation for priests	45,756	48,498
Total expenses before depreciation	4,013,929	5,084,584
Depreciation	40,078	39,307
Total expenses General Fund	\$ 4,054,007	\$ 5,123,891

See accompanying notes to financial statements.

Diocese of Superior

Schedules of Expenses by Fund

For the Years Ended June 30,
(Continued)

	2017	2016
Insurance Fund		
Insurance claims	\$ 283,234	\$ 115,993
Insurance premiums	744,095	728,976
Administrative fees and contract services	201,963	188,045
Office expense	805	979
Total expenses Insurance Fund	\$ 1,230,097	\$ 1,033,993
Health Insurance Fund		
Insurance claims	\$ 2,192,507	\$ 2,570,909
Insurance premiums	1,091,006	925,720
Office expenses	1,282	4,564
Administrative fees and contract services	98,878	98,583
Total expenses Health Insurance Fund	\$ 3,383,673	\$ 3,599,776

See accompanying notes to financial statements.