

Diocese of La Crosse Financial Report for the Fiscal Year 2003 - 2004

November 4, 2004

Dear Friends in Christ,

As a Local Church, we carry out the important mission of making the Gospel of Christ known to the people of our Diocese and beyond. We are stewards of this mission as well as of the financial gifts with which God has blessed us to carry out this work. Therefore, I present to you the Diocesan Financial Report for the fiscal year ending June 30, 2004. This report reflects the financial operations of our Curia offices, which carry out faithfully and effectively the work and ministries of our Diocese.

As a Diocese, we have 199,200 Catholics living in our 19 counties that cover over 15,000 square miles. We are served devotedly by the 209 priests who minister and labor in 165 parishes and in other special ministries. And through God's blessings we have 26 seminarians, who with perseverance will serve our parishes for many years to come.

The vitality of our Diocese this past year can be measured by considering the 2,522 people who were baptized, the 2,737 children who received their first Holy Communion, the 4,529 young adults who were confirmed in the Catholic faith and the 1,049 couples who were joined together in marriage.

The gifts that you offer to our parishes and the Diocese are greatly needed and appreciated. It enables the work of the Church to be carried out in the name of Jesus Christ. One notable example of how this is done is through our Catholic schools and religious education programs, which faithfully assist parents to transmit the

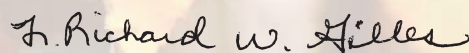
knowledge and the practice of the faith from one generation to the next.

We as a Diocese join together through our parishes, ministries and apostolates to undertake faithfully the work of Christ in fulfilling the mission of the Gospel. We are conscientious stewards and faithful trustees of the monies and gifts that have been given to the Church.

Having worked with the Diocesan Curia staff, the Diocesan Finance Council and utilizing an independent accounting firm to audit the financial records of the Diocese, I can assure you of the integrity of the annual Financial Report. May it inspire confidence in you to continue to contribute to the good work which is being accomplished in our midst!

May God, who is the source of all blessings, continue to bless you abundantly for your willingness to share your gifts with others for the good of all. Asking God's blessings upon you and your families, I remain

Yours devotedly in Christ,



The Very Rev. Richard W. Gilles
Diocesan Administrator



INDEPENDENT AUDITORS' REPORT

To the Very Reverend Richard W. Gilles, Diocesan Administrator
Diocese of La Crosse

We have audited the accompanying statements of financial position of the Diocese of La Crosse - Administration Offices as of June 30, 2004 and 2003, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the management of the Diocese. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As more fully described in Note 1 to the financial statements, the aforementioned financial statements do not present financial position and changes in net assets of the Diocese of La Crosse - Administration Offices in conformity with accounting principles generally accepted in the United States of America, as property and

equipment are not capitalized consistently and no depreciation is recorded over the useful lives of fixed assets. It is not practical to determine the effects of this omission on the financial statements.

In our opinion, except for the effects of not recording property, equipment, and depreciation as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Diocese of La Crosse - Administration Offices as of June 30, 2004 and 2003, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Diocese of La Crosse - Administration Offices, taken as a whole. The accompanying supplemental statements contained on pages 15 through 18 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



La Crosse, Wisconsin
August 12, 2004

Frequently asked questions about the diocesan audit

Q: Who conducts the annual audit?

A: The finances of the Diocese of La Crosse Administration Offices undergo an annual audit by an independent public accounting firm every year. The La Crosse office of Hawkins, Ash, Baptie & Company, LLP is the auditing firm.

Q: What Diocesan institutions are covered in the Financial Statements?

A: The Statements include the financial activities of the Diocesan Administration Offices, including all Diocesan Curia offices. It includes the activity of

the Diocesan Annual Appeal, both high school House of Formation programs for vocations, the Deposit and Loan Fund, and the insurance and retirement programs operated for the benefit of all Diocesan entities.

Among the institutions and agencies not included in the Statements are Diocesan parishes and schools, Catholic Charities, the Society for the Propagation of the Faith, St. Joseph's Priest Fund, Catholic Residential Services, deaneries, hospitals, colleges, universities and other institutions owned or sponsored by religious orders of men or women.

Q: Why is such a report necessary?

A: Since corporate accountability has been under scrutiny and with the clergy sexual abuse crisis still affecting Catholics across the country, accountability of all non-profit entities is essential. This report explains the financial condition of the Diocese of La Crosse Administration Offices. It also enables the Diocese of La Crosse to communicate the Diocese's financial stability and the basis of financial planning for the future. More importantly, it provides parishioners of the Diocese of La Crosse a chance to examine the financial situation of the Church in their Diocese.

Q: How can I learn more about the Diocese of La Crosse's finances?

A: The Diocese of La Crosse Finance Office can answer any questions you have about the financial report. You may write to the Finance Office at the Diocese of La Crosse, Post Office Box 4004, or fax your questions to 608-787-8068. Please include your full name and mailing address in all requests.

If you would like a copy of the audited financial statements for fiscal year ended June 30, 2004, visit www.dioceseoflacrosse.com or request a copy by contacting the Finance Office at the above numbers.

“Do not neglect to do good and to share what you have, for such sacrifices are pleasing to God.”

– Hebrews 13: 16

FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL POSITION		
	JUNE 30, 2004	JUNE 30, 2003
ASSETS		
Cash	\$251,304	\$685,343
Accounts receivables, less \$411,000 and \$351,000 allowance for doubtful accounts in 2004 and 2003, respectively	9,692,035	7,382,673
Accrued interest receivable	234,993	253,629
Prepaid expenses	578,272	555,013
Notes receivable, less \$440,785 and \$437,542 allowance for doubtful receivables in 2004 and 2003, respectively	18,116,935	15,549,475
Investments	12,805,474	15,707,800
Property and equipment	9,055,511	9,039,014
Restricted investments	3,805,410	3,471,245
TOTAL ASSETS	\$54,539,934	\$52,644,192
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$585,559	\$690,868
Deferred revenue	494,890	491,630
Reserve for self-insurance	600,000	350,000
Deposits payable	23,972,732	23,233,507
Pledges payable - current portion	4,608	--
Collections for transmittal	458,908	290,094
TOTAL LIABILITIES	\$26,116,697	\$25,056,099
COMMITMENTS AND CONTINGENCIES		
Pledges payable	\$149,003	\$ --
NET ASSETS		
Unrestricted		
Undesignated	\$(205,215)	\$485,834
Designated - specific purpose	20,783,516	19,703,952
TOTAL UNRESTRICTED	\$20,578,301	\$20,189,786
Temporarily restricted	4,069,927	4,000,000
Permanently restricted	3,626,006	3,398,307
TOTAL NET ASSETS	\$28,274,234	\$27,588,093
TOTAL LIABILITIES AND NET ASSETS	\$54,539,934	\$52,644,192

STATEMENTS OF CASH FLOWS		
	YEAR ENDED JUNE 30,	
	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$686,141	\$795,237
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Unrealized losses on investments	1,265,823	2,668,865
Realized (gains) on investments	(1,815,793)	(2,285,667)
Provision for losses on receivables	63,243	3,494
Gain on disposal of assets	(2,801)	--
Changes in assets and liabilities		
(Increase) decrease in assets		
Accounts receivable	(2,369,362)	(1,794,788)
Accrued interest receivable	18,636	47,839
Prepaid expenses	(23,259)	(67,939)
Notes receivable	(2,570,703)	(4,248,318)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(105,309)	29,731
Deferred revenue	3,260	(24,631)
Reserve for self-insurance	250,000	--
Deposits payable	739,225	(6,790,902)
Pledges payable	153,611	--
Collections for transmittal	168,814	47,415
Contributions restricted for investment in endowment	(118,000)	(309,055)
NET CASH (USED IN) OPERATING ACTIVITIES	\$(3,656,474)	\$(11,928,719)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of real estate	\$273,012	\$ --
Acquisition of property and equipment	(286,708)	(252,027)
Purchases of investment securities	(9,607,306)	(7,101,780)
Proceeds on sales of investment securities	12,725,437	19,261,082
NET CASH PROVIDED BY INVESTING ACTIVITIES	\$3,104,435	\$ 11,907,275
CASH FLOWS FROM FINANCING ACTIVITIES		
Collection of contributions restricted for investment in endowment	\$118,000	\$309,055
NET (DECREASE) INCREASE IN CASH	\$(434,039)	\$287,611
CASH AT BEGINNING OF YEAR	685,343	397,732
CASH AT END OF YEAR	\$251,304	\$685,343
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest on the deposit and loan fund	\$262,878	\$411,036

STATEMENTS OF ACTIVITIES

	YEAR ENDED JUNE 30, 2004				YEAR ENDED JUNE 30, 2003			
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
SUPPORT AND REVENUE								
Contributions and bequests	\$1,226,860	\$4,069,927	\$118,000	\$5,414,787	\$871,539	\$4,000,000	\$309,055	\$5,180,594
Investment and endowment income	815,172	--	109,699	924,871	947,986	62,270	159,360	1,169,616
Services and other income	3,082,744	--	--	3,082,744	3,056,641	--	--	3,056,641
Quotas	821,895	--	--	821,895	809,741	--	--	809,741
Net assets released from restrictions	4,000,000	(4,000,000)	--	--	3,862,270	(3,862,270)	--	--
TOTAL SUPPORT AND REVENUE	\$9,946,671	\$69,927	\$227,699	\$10,244,297	\$9,548,177	\$200,000	\$468,415	\$10,216,592
EXPENSES								
Program Services								
Pastoral and administration	\$4,126,494	\$ --	\$ --	\$4,126,494	\$3,648,901	\$ --	\$ --	\$3,648,901
Interest	262,878	--	--	262,878	440,626	--	--	440,626
Religious and personnel development	1,123,285	--	--	1,123,285	1,448,448	--	--	1,448,448
Education	714,689	--	--	714,689	682,373	--	--	682,373
Charity and social justice	1,765,089	--	--	1,765,089	1,347,148	--	--	1,347,148
Investment fees	41,153	--	--	41,153	68,133	--	--	68,133
Net insurance and retirement expense	236,228	--	--	236,228	(516,347)	--	--	(516,347)
TOTAL PROGRAM SERVICES	\$8,269,816	\$ --	\$ --	\$8,269,816	\$7,119,282	\$ --	\$ --	\$7,119,282
Supporting Services								
Administration	1,397,998	--	--	1,397,998	1,500,738	--	--	1,500,738
Fundraising	443,114	--	--	443,114	418,137	--	--	418,137
TOTAL EXPENSES	\$10,110,928	\$ --	\$ --	\$10,110,928	\$9,038,157	\$ --	\$ --	\$9,038,157
NET SUPPORT IN EXCESS (DEFICIT) OF EXPENSES	\$(164,257)	\$69,927	\$227,699	\$133,369	\$510,020	\$200,000	\$468,415	\$1,178,435
OTHER GAINS AND LOSSES								
Net realized gain on investments	\$1,815,794	\$ --	\$ --	\$1,815,794	\$2,285,667	\$ --	\$ --	\$2,285,667
Unrealized (loss) on investments	(1,265,823)	--	--	(1,265,823)	(2,668,865)	--	--	(2,668,865)
Gain on disposal of assets	2,801	--	--	2,801	--	--	--	--
TOTAL OTHER GAINS AND (LOSSES)	\$552,772	\$ --	\$ --	\$552,772	\$(383,198)	\$ --	\$ --	\$(383,198)
CHANGE IN NET ASSETS	\$388,515	\$69,927	\$227,699	\$686,141	\$126,822	\$200,000	\$468,415	\$795,237
NET ASSETS AT BEGINNING OF YEAR								
as previously stated	20,189,786	4,000,000	3,398,307	27,588,093	19,662,774	3,800,000	2,929,892	26,392,666
PRIOR PERIOD ADJUSTMENT	--	--	--	--	400,190	--	--	400,190
NET ASSETS AT END OF YEAR	\$20,578,301	\$4,069,927	\$3,626,006	\$28,274,234	\$20,189,786	\$4,000,000	\$3,398,307	\$27,588,093

The accompanying notes are an integral part of these financial statements.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003**
NOTE 1 - Nature of Organization and Significant Accounting Policies
Nature of Organization:

The Diocese of La Crosse - Administration Offices ("Offices") are operated to provide services to the parishes, schools, and entities affiliated with the Roman Catholic Church within its boundaries and under the authority of the Bishop of the Diocese of La Crosse. Services provided include deposit and loan activities, cooperative insurance programs, administrative services with regard to education, charitable projects, parish administration, and religious personnel activities.

The financial statements are presented for the Administration Offices of the Diocese of La Crosse. These statements do not include a complete presentation of the financial position of the entire Diocese of La Crosse or its change in its net assets or its cash flows in conformity with accounting principles generally accepted in the United States of America. If such statements were presented, they would be required to be consolidated and include information from all entities incorporated under the umbrella of the Diocese of La Crosse. Those entities would include all parishes and parochial schools within the geographical boundaries of the Diocese of La Crosse.

The entities are controlled by the Bishop of the Diocese of La Crosse. The Bishop controls how the entities carry out their activities and the Diocese of La Crosse provides technical and fundraising assistance. In return, some entities are assessed quotas. The Administration Offices handle the insurance and some of the retirement administration of the related groups. The Administration Offices have an economic dependency on the collective affiliated organizations.

The above named entities are all incorporated under the Diocese of La Crosse. As such, all liability relating to payroll tax payment and reporting, physical properties and equipment, environmental remediation concerns, etc., would be that of the Diocese of La Crosse. All assets would be subject to claims in litigation. A contingency therefore exists in regard to all assets held by the Administration Offices.

Predominantly all assets, liabilities, and revenue are transactions associated with related parties.

Summary of Significant Accounting Policies:

Basis of Accounting - The financial statements of the Diocese of La Crosse - Administration Offices have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Offices are required to report information regarding the financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Advertising - The Offices expense advertising costs as they are incurred.

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

Property and Equipment - Use of operating funds for certain property acquisitions are accounted for as designated net assets. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. The Offices capitalize all purchases of land and buildings, however, not all equipment, furniture, vehicles, and the like are consistently capitalized. This is a departure from generally accepted accounting principles. No provision is made for depreciation of these assets and, therefore, this represents a departure from accounting principles generally accepted in the United States of America.

Accounts Receivable and Allowance for Doubtful Accounts - The balance of accounts receivable consists of the balance due the Offices from quotas and insurance billings billed to the various Diocesan organizations and billings for services rendered by the various offices. Management has determined an allowance for uncollectible balances. The Diocese of La Crosse owns the underlying assets for all related parishes, school systems, and related charitable organizations. Management considers the remaining balance fully collectible.

Donated Assets - Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

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.

Collections for Transmittal - The Diocese of La Crosse Administration Offices receives certain funds for the benefit of others. These custodial accounts are reflected in the financial statements as collections for transmittals.

Restricted and Unrestricted Support and Revenue - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is when a stipulated time or purpose is satisfied), net assets are reclassified in the statement of activities as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

Contributed Services - The Offices receive a substantial amount of services donated by its members in carrying out the Church's ministry. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under

SFAS No. 116, Accounting for Contributions Received and Contributions Made.

Services of members of the clergy and religious orders have been recognized only to the extent of actual compensation paid. No computation is made for the difference between the compensation paid to these employees and the comparable compensation which would be paid to lay personnel.

Deferred Revenue - The Offices record as deferred revenue amounts billed in advance for subscriptions to the Diocesan newspaper and for insurance premiums. Deferred revenue is recognized ratably over the period(s) of service.

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

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Tax Status - The Diocese of La Crosse is organized as a 501(c)(3) corporation and is exempt from federal and state income taxes.

Reclassifications - Certain items in the June 30, 2003, statements have been reclassified to conform to current year classifications. Such reclassifications had no effect on previously reported net assets.

NOTE 2 - Concentration of Credit Risk

The Organization maintains its cash balances in two financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. At June 30, 2004 and 2003, uninsured cash balances totaled \$78,882 and \$386,338, respectively.

NOTE 3 - Notes Receivable

Notes receivable consist of notes due from individuals, parishes, and school systems.

Notes receivable - individuals consist primarily of non-interest, demand notes from priests and individuals studying for the priesthood. After ordination to the priesthood, one-tenth of the note is forgiven each year of service.

The remaining notes receivable balance consists of demand notes from Diocesan entities at various interest rates. The Offices adjust the interest rate quarterly to .75 percent above the 90-day Treasury bill rate as published in the Wall Street Journal. This rate was 1.65 percent and 2.16 percent at June 30, 2004 and 2003, respectively. The balance consists of the following:

	June 30, 2004		June 30, 2003	
Notes receivable Diocesan entities				
Floating market	\$18,490,484		\$15,919,781	
Less allowance	405,000	\$18,085,484	405,000	\$15,514,781
Notes receivable - Individuals				
	\$67,236		\$67,236	
Less allowance	35,785	31,451	32,542	34,694
		\$18,116,935		\$15,549,475

NOTE 4 - Investments

Investments consist of marketable securities and are presented in the financial statements in the aggregate at fair market value.

Investments at June 30, 2004, are composed of the following:

	MARKET	COST	UNREALIZED APPRECIATION (DEPRECIATION)
Cash and equivalents	\$5,257,541	\$5,257,541	\$ --
Fixed income	3,425,580	3,452,860	(27,280)
Equities	7,927,763	6,387,236	1,540,527
SUBTOTAL	\$16,610,884	\$15,097,637	\$1,513,247
Less restricted investments	3,805,410	3,654,536	
TOTAL	\$12,805,474	\$11,443,101	

Investments at June 30, 2003, are composed of the following:

	MARKET	COST	UNREALIZED APPRECIATION (DEPRECIATION)
Cash and equivalents	\$5,455,387	\$5,455,387	\$ --
Fixed income	6,322,666	5,908,888	413,778
Equities	7,400,992	5,035,698	2,365,294
SUBTOTAL	\$19,179,045	\$16,399,973	\$2,779,072
Less restricted investments	3,471,245	3,281,143	
TOTAL	\$15,707,800	\$13,118,830	

The following schedule summarizes investment returns for the years ended:

	June 30, 2004	June 30, 2003
Investment income	\$468,592	\$743,766
Investment fees	(58,470)	(86,002)
Realized gains	1,815,794	2,285,667
Unrealized (losses)	(1,265,823)	(2,668,865)
TOTAL INVESTMENT RETURN	\$960,093	\$274,566

NOTE 5 - Property and Equipment

Property and equipment consist of the following:

	2004	JUNE 30,	2003
Land held for expansion	\$488,129		\$488,129
Building	8,041,715		8,029,063
Equipment	55,148		55,148
Office furniture and fixtures	326,605		326,605
Vehicles	143,914		140,069
TOTAL	\$9,055,511		\$9,039,014

NOTE 6 - Line of Credit

The organization has an agreement for a line of credit of \$500,000 with M & I Bank which provides for working capital. Borrowings bear interest at the Bank's prime rate and are unsecured. There were no borrowings outstanding against this line of credit at June 30, 2004 or June 30, 2003.

NOTE 7 - Deposits Payable

This amount represents monies received from Diocesan entities for investment in a cooperative investment program. Generally, interest is determined quarterly based on the 90-day Treasury bill rate (floating rate). Other funds on deposit bear interest as reported below:

	2004	JUNE 30,	2003
Floating rate (.90 percent and 1.41 percent at June 30, 2004 and 2003, respectively)	\$27,471,722		\$26,936,815
Non-interest bearing (overdrafts)	(991,129)		(1,201,391)
10 percent	105,066		105,066
12 percent	13,855		14,185
SUBTOTAL	\$26,599,514		\$25,854,675
Less interagency deposits	2,626,782		2,621,168
TOTAL	\$23,972,732		\$23,233,507

NOTE 8 - Pledges Payable**Unconditional**

All unconditional promises to give at year-end are pledges made by the Diocesan Bishop to others and are payable over the next 20 years.

Unconditional promises to give consist of the following:

	2004	JUNE 30,	2003
Payable in less than one year	\$14,000		\$ --
Payable in one to five years	57,000		--
Payable in more than five years	130,000		--
Total unconditional promises to give	\$201,000		\$ --
Less: unamortized discount	47,389		--
TOTAL	\$153,611		\$ --

Unconditional promises to give due to more than one year are reflected at the present value of estimated future cash flows using a discount rate of 3 percent.

NOTE 9 - Commitments

On December 23, 1997, the Diocese of La Crosse guaranteed, subject to certain conditions, payment of \$3,740,000 of 30-year Tax-Exempt Revenue Bonds issued by the Housing Authority of Wisconsin Residential Care Apartment Revenue Bonds and the City of La Crosse. The Diocese of La Crosse will guarantee, pursuant to the Guaranty, payment of the Bonds until the Annual Net Revenues Available for Debt Service of the Project for two consecutive fiscal years equal or exceed 125 percent of the Principal and Interest Requirements on Outstanding Bonds. Catholic Residential Services, Inc., used the proceeds from this issuance to acquire, construct, and equip 45 units of Residential Care Apartments located adjacent to St. Joseph's Rehabilitation Center in La Crosse, Wisconsin, and to provide for a debt service reserve fund as security for repayment of the Series 1997 Bonds.

On October 1, 1993, the Diocese of La Crosse guaranteed \$2,820,000 of 20-year Health Care Facility Refunding Revenue Bonds issued by the City of Wausau, Wisconsin. Catholic Residential Services, Inc., used the proceeds from this issuance to retire the \$2,500,000, outstanding City of Wausau, Wisconsin Industrial Development Authority, Tax Exempt Revenue Bonds issued June 1, 1984, to pay an early redemption premium and to provide for a debt service reserve fund as security for repayment of the Series 1993 Bonds.

NOTE 10 - Retirement Plan

The Diocese of La Crosse sponsors a retirement plan covering all full-time, lay employees of the Diocese of La Crosse - Administration offices and Diocesan entities. This plan is administered by Marshall and Isley Trust Company. The Finance Office acts as a third party administrator for organizations affiliated with the Diocese of La Crosse. The noncontributory funded pension plan provides defined benefits to substantially all full-time employees. Amount charged to pension costs for the administration offices and contributed to the plan for years ended June 30, 2004 and 2003, were \$72,199 and \$67,867, respectively. This plan is not required to conform to ERISA.

All lay employees who have reached the age of 21, were employed prior to age 55, have completed 12 months of service and worked 1,000 hours are eligible to participate in the plan. The

various Diocesan entities pay the cost of the Retirement Plan, as determined by the plan's actuary. Assets are held in trust by Marshall & Isley Trust Company in Milwaukee.

Benefits are based on years of service and employee's compensation during the highest average five years' earnings during his or her career prior to retirement or termination. The maximum pension benefit is \$1,200 per month effective January 1, 1998. Contributions are made annually to fund the plan. Contributions for the plan year ended December 31, 2003 and 2002 were \$1,476,000 and \$1,152,000, respectively. The Administration Offices collect and remit these monies from the Diocesan entities.

Although the plan is not required to comply with ERISA, an actuarial valuation report is prepared annually for the plan. The following information is available as of the plan year ended:

	DECEMBER 31,	
	2003	2002
Actuarial Present Value of Vested Accumulated Plan Benefits	\$23,573,052	\$21,480,160
Actuarial Present Value of Nonvested Accumulated Plan Benefits	\$882,487	\$782,018
Plan Net Assets Available for Benefits	\$22,625,658	\$18,830,426
Excess of Assets/(Unfunded) Actuarial Present Value of Accumulated Plan Benefits	\$(1,829,881)	\$(3,431,760)
Rate of Return Used in Determining Actuarial Benefits	7.0%	7.0%
Benefits Paid	\$762,432	\$682,226

NOTE 11 - Contingent Liabilities

Self-Insurance - The Diocese of La Crosse is a member of the Catholic Umbrella Pool II, a self-insurance fund which provides excess liability coverage for its membership. Participating Dioceses share in the operating income and expenses of the pool based on their contributions to the fund for each fiscal year. Participants are responsible for claims and claim expenses incurred during years in which they are active in the Pool. In the event total paid and reserved claims exceed the assets of the Pool, participants will be responsible for additional contributions as defined in the participation agreements and pursuant to such policy established by the Executive Committee. Self-insured stop loss provisions include a maximum of \$100,000 and \$50,000 per individual for lay and priest groups, respectively, with the exception of two lay individuals whose provisions have been increased to a maximum of \$400,000.

NOTE 12 - Prior Period Adjustment

The collections for transmittal was restated to properly exclude the cumulative excess of pension cost charges to the parishes over required disbursements to the plan. This restatement of the deposit and loan fund resulted in an increase of \$400,190 to the 2003 beginning net assets and an increase to the 2003 change in net assets of \$91,093.

NOTE 13 - Temporary and Permanent Restrictions

The restricted purpose of the temporarily and permanently restricted assets are as follows:

	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED
Purpose restricted		
Building renovation	\$69,927	\$ --
Education	--	3,626,006
Time restricted		
Diocesan Annual Appeal	4,000,000	--
TOTAL, JUNE 30, 2004	\$4,069,927	\$ 3,626,006
Purpose restricted		
Education	\$ --	\$ 3,398,307
Time restricted		
Diocesan Annual Appeal	4,000,000	--
TOTAL, JUNE 30, 2003	\$4,000,000	\$3,398,307

The Bishop's Annual Appeal (currently the Diocesan Annual Appeal) began in fiscal year 1998. Contributions received are recorded in the current fiscal year. These funds are intended to support expenditures of the subsequent fiscal year. Each parish entity solicits its members. Each parish is given a target amount to be raised for this Appeal. Individual parishes raising amounts in excess of their target are rebated the excess amounts as they are collected by the Diocese. Total funds collected are reported net of parish rebates. These rebates totaled \$505,783 and \$513,804 in 2004 and 2003, respectively.

NOTE 14 - Board Designations

The Board has designated operating funds to fund the following:

	2004	JUNE 30,	2003
Quasi endowment activities	\$2,216,800		\$2,216,800
Insurance programs	3,058,213		3,214,147
Investment/loan activities	9,168,880		8,424,835
Property and equipment	6,339,623		5,848,170
TOTAL	\$20,783,516		\$19,703,952

NOTE 15 - Related Parties

One member of the Finance Council is also a member of the Board of Directors for a family of funds at a financial institution where the Organization invests funds.