

INDEPENDENT AUDITORS' REPORT

To the Most Reverend Bishop Jerome E. ListECKi
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, 2005 and 2004, 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, 2005 and 2004, 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.

Hawkins, Ash, Baptie & Company, LLP

La Crosse, Wisconsin
August 16, 2005

**DIOCESE OF LA CROSSE
ADMINISTRATION OFFICES
STATEMENT OF FINANCIAL POSITION**

<u>ASSETS</u>	JUNE 30,	
	2005	2004
Cash	\$ 451,356	\$ 251,304
Accounts receivables, less \$455,000 and \$411,000 allowance for doubtful accounts in 2005 and 2004, respectively	11,536,144	9,692,035
Accrued interest receivable	249,864	234,993
Prepaid expenses	589,624	578,272
Notes receivable, less \$444,029 and \$440,785 allowance for doubtful receivables in 2005 and 2004, respectively	19,163,381	18,116,935
Investments	9,001,765	12,805,474
Property and equipment	9,208,095	9,055,511
Restricted investments	4,073,475	3,805,410
TOTAL ASSETS	\$ 54,273,704	\$ 54,539,934
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable and accrued expenses	\$ 822,522	\$ 585,559
Deferred revenue	523,800	494,890
Reserve for self-insurance	600,000	600,000
Deposits payable	23,555,937	23,972,732
Pledges payable - current portion	24,000	4,608
Collections for transmittal	531,676	458,908
TOTAL LIABILITIES	26,057,935	26,116,697
 COMMITMENTS AND CONTINGENCIES		
Pledges payable	123,889	149,003
 NET ASSETS		
Unrestricted		
Undesignated	90,139	205,215
Designated - specific purpose	19,981,207	20,783,516
TOTAL UNRESTRICTED	20,071,346	20,578,301
Temporarily restricted	4,128,077	4,069,927
Permanently restricted	3,892,457	3,626,006
TOTAL NET ASSETS	28,091,880	28,274,234
TOTAL LIABILITIES AND NET ASSETS	\$ 54,273,704	\$ 54,539,934

The accompanying notes are an integral part of these financial statements

**STATEMENT OF ACTIVITIES
ADMINISTRATION OFFICES
STATEMENT OF ACTIVITIES**

	YEAR ENDED JUNE 30, 2005			
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
SUPPORT AND REVENUE				
Contributions and bequests	\$ 467,181	\$ 4,110,500	\$ 200,000	\$ 4,777,681
Investment and endowment income	1,039,626	-	66,451	1,106,077
Services and other income	2,980,972	-	-	2,980,972
Quotas	876,344	-	-	876,344
Insurance and retirement income	7,895,247	-	-	7,895,247
Net assets released from restrictions	4,052,350	(4,052,350)	-	-
TOTAL SUPPORT AND REVENUE	17,311,720	58,150	266,451	17,636,321
EXPENSES				
Program Services				
Pastoral and administration	2,942,176	-	-	2,942,176
Interest	573,270	-	-	573,270
Religious and personnel development	1,071,663	-	-	1,071,663
Education	665,110	-	-	665,110
Charity and social justice	1,775,321	-	-	1,775,321
Investment fees	30,634	-	-	30,634
Insurance and retirement expense	8,996,119	-	-	8,996,119
TOTAL PROGRAM SERVICES	16,054,293	-	-	16,054,293
Supporting Services				
Administration	1,322,045	-	-	1,322,045
Fundraising	460,344	-	-	460,344
TOTAL EXPENSES	17,836,682	-	-	17,836,682
NET SUPPORT IN (DEFICIT) EXCESS OF EXPENSES	(524,962)	58,150	266,451	(200,361)
OTHER GAINS AND LOSSES				
Net realized and unrealized gain on investments	4,810	-	-	4,810
Gain on disposal of assets	20,376	-	-	20,376
TOTAL OTHER GAINS	25,186	-	-	25,186
CHANGE IN NET ASSETS	(499,776)	58,150	266,451	(175,175)
NET ASSETS AT BEGINNING OF YEAR	20,578,301	4,069,927	3,626,006	28,274,234
Change in value of split-interest agreement	(7,179)	-	-	(7,179)
NET ASSETS AT END OF YEAR	\$ 20,071,346	\$ 4,128,077	\$ 3,892,457	\$ 28,091,880

The accompanying notes are an integral part of these financials

YEAR ENDED JUNE 30, 2004

UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
\$ 1,226,860	\$ 4,069,927	\$ 118,000	\$ 5,414,787
815,172	-	109,699	924,871
3,082,744	-	-	3,082,744
821,895	-	-	821,895
7,636,383	-	-	7,636,383
4,000,000	(4,000,000)	-	-
<u>17,583,054</u>	<u>69,927</u>	<u>227,699</u>	<u>17,880,680</u>
4,126,494	-	-	4,126,494
262,878	-	-	262,878
1,123,285	-	-	1,123,285
714,689	-	-	714,689
1,765,089	-	-	1,765,089
41,153	-	-	41,153
7,872,611	-	-	7,872,611
<u>15,906,199</u>	<u>-</u>	<u>-</u>	<u>15,906,199</u>
1,397,998	-	-	1,397,998
443,114	-	-	443,114
<u>17,747,311</u>	<u>-</u>	<u>-</u>	<u>17,747,311</u>
<u>(164,257)</u>	<u>69,927</u>	<u>227,699</u>	<u>133,369</u>
549,971	-	-	549,971
2,801	-	-	2,801
<u>552,772</u>	<u>-</u>	<u>-</u>	<u>552,772</u>
388,515	69,927	227,699	686,141
20,189,786	4,000,000	3,398,307	27,588,093
-	-	-	-
<u>\$ 20,578,301</u>	<u>\$ 4,069,927</u>	<u>\$ 3,626,006</u>	<u>\$ 28,274,234</u>

**DIOCESE OF LA CROSSE
ADMINISTRATION OFFICES
STATEMENTS OF CASH FLOWS**

	YEAR ENDED	
	JUNE 30,	
	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (175,175)	\$ 686,141
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Change in value of split-interest agreement liability	(7,179)	--
Net realized and unrealized (gains) on investments	(4,810)	(549,971)
Provision for losses on receivables	47,244	63,243
Gain on disposal of assets	(20,376)	(2,801)
Changes in assets and liabilities		
(Increase) decrease in assets		
Accounts receivable	(1,888,109)	(2,369,362)
Accrued interest receivable	(14,871)	18,636
Prepaid expenses	(11,352)	(23,259)
Notes receivable	(1,049,690)	(2,570,703)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	236,963	(105,309)
Deferred revenue	28,910	3,260
Reserve for self-insurance	--	250,000
Deposits payable	(416,795)	739,225
Pledges payable	(5,722)	153,611
Collections for transmittal	72,768	168,814
Contributions restricted for investment in endowment	<u>(200,000)</u>	<u>(118,000)</u>
NET CASH (USED IN) OPERATING ACTIVITIES	<u>(3,408,194)</u>	<u>(3,656,475)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of real estate	53,690	273,012
Acquisition of property and equipment	(185,898)	(286,708)
Purchases of investment securities	(9,499,700)	(9,607,305)
Proceeds on sales of investment securities	<u>13,040,154</u>	<u>12,725,437</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>3,408,246</u>	<u>3,104,436</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Collection of contributions restricted for investment in endowment	<u>200,000</u>	<u>118,000</u>
NET INCREASE (DECREASE) IN CASH	200,052	(434,039)
CASH AT BEGINNING OF YEAR	<u>251,304</u>	<u>685,343</u>
CASH AT END OF YEAR	<u>\$ 451,356</u>	<u>\$ 251,304</u>
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</u>		
Cash paid during the year for interest on the deposit and loan fund	<u>\$ 573,270</u>	<u>\$ 262,878</u>

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

DIOCESE OF LA CROSSE
ADMINISTRATION OFFICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004

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.

DIOCESE OF LA CROSSE
ADMINISTRATION OFFICES
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2005 AND 2004

NOTE 1 - Nature of Organization and Significant Accounting Policies - Continued

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 transmittal.

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.

DIOCESE OF LA CROSSE
ADMINISTRATION OFFICES
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2005 AND 2004

NOTE 1 - Nature of Organization and Significant Accounting Policies - Continued

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.

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, 2005 and 2004, uninsured cash balances totaled \$544,363 and \$78,882, respectively.

DIOCESE OF LA CROSSE
ADMINISTRATION OFFICES
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2005 AND 2004

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 2.77 percent and 1.65 percent at June 30, 2005 and 2004, respectively. The balance consists of the following:

	JUNE 30,			
	2005		2004	
Notes receivable - Diocesan entities				
Floating market	\$ 19,540,174		\$ 18,490,484	
Less allowance	<u>405,000</u>	\$ 19,135,174	<u>405,000</u>	\$ 18,085,484
 Notes receivable - Individuals		<u>28,207</u>		<u>31,451</u>
		<u>\$ 19,163,381</u>		<u>\$ 18,116,935</u>

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, 2005, are composed of the following:

	MARKET	COST	UNREALIZED APPRECIATION (DEPRECIATION)
Cash and equivalents	\$ 5,380,655	\$ 5,380,655	\$ --
Fixed income	4,123,409	4,040,320	83,089
Equities	<u>3,571,176</u>	<u>3,117,276</u>	453,900
SUBTOTAL	13,075,240	12,538,251	<u>\$ 536,989</u>
Less restricted investments	<u>4,073,475</u>	<u>3,908,942</u>	
TOTAL	<u>\$ 9,001,765</u>	<u>\$ 8,629,309</u>	

**DIOCESE OF LA CROSSE
ADMINISTRATION OFFICES**
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2005 AND 2004

NOTE 4 - Investments - Continued

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

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

The following schedule summarizes investment returns for the years ended:

	<u>JUNE 30,</u>	
	<u>2005</u>	<u>2004</u>
Investment income	\$ 463,149	\$ 468,592
Investment fees	(46,689)	(58,470)
Net realized and unrealized gains	<u>4,810</u>	<u>549,971</u>
TOTAL INVESTMENT RETURN	<u>\$ 421,270</u>	<u>\$ 960,093</u>

NOTE 5 - Property and Equipment

Property and equipment consist of the following:

	<u>JUNE 30,</u>	
	<u>2005</u>	<u>2004</u>
Land held for expansion	\$ 488,129	\$ 488,129
Land and buildings	8,198,613	8,041,715
Equipment	55,148	55,148
Office furniture and fixtures	326,605	326,605
Vehicles	<u>139,600</u>	<u>143,914</u>
TOTAL	<u>\$ 9,208,095</u>	<u>\$ 9,055,511</u>

**DIOCESE OF LA CROSSE
ADMINISTRATION OFFICES**
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2005 AND 2004

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, 2005 or June 30, 2004.

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:

	JUNE 30,	
	2005	2004
Floating rate (2.02 percent and .090 percent at June 30, 2005 and 2004, respectively)	\$ 26,974,347	\$ 27,471,722
Non-interest bearing (overdrafts)	(861,475)	(991,129)
10 percent	105,066	105,066
12 percent	14,562	13,855
SUBTOTAL	26,232,500	26,599,514
Less interagency deposits	2,676,563	2,626,782
TOTAL	\$ 23,555,937	\$ 23,972,732

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 10 years.

Unconditional promises to give consist of the following:

	JUNE 30,	
	2005	2004
Payable in less than one year	\$ 24,000	\$ 14,000
Payable in one to five years	83,000	57,000
Payable in more than five years	60,000	130,000
Total unconditional promises to give	167,000	201,000
Less: unamortized discount	19,111	47,389
TOTAL	\$ 147,889	\$ 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.

DIOCESE OF LA CROSSE
ADMINISTRATION OFFICES
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2005 AND 2004

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. The remaining balance on these bonds at December 31, 2004 was \$3,455,000.

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. The remaining balance on these bonds at December 31, 2004 was \$1,685,000.

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, 2005 and 2004, were \$76,856 and \$72,199, 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, 2004 and 2003 were \$1,430,000 and \$1,476,000, respectively. The Administration Offices collect and remit these monies from the Diocesan entities.

**DIOCESE OF LA CROSSE
ADMINISTRATION OFFICES**
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2005 AND 2004

NOTE 10 - Retirement Plan - Continued

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:

	<u>DECEMBER 31,</u>	
	<u>2004</u>	<u>2003</u>
Actuarial Present Value of Vested Accumulated Plan Benefits	<u>\$ 26,221,208</u>	<u>\$ 23,573,052</u>
Actuarial Present Value of Nonvested Accumulated Plan Benefits	<u>\$ 929,285</u>	<u>\$ 882,487</u>
Plan Net Assets Available for Benefits	<u>\$ 24,768,996</u>	<u>\$ 22,625,658</u>
Excess of Assets/(Unfunded) Actuarial Present Value of Accumulated Plan Benefits	<u>\$ (2,381,497)</u>	<u>\$ (1,829,881)</u>
Rate of Return Used in Determining Actuarial Benefits	<u>7.0%</u>	<u>7.0%</u>
Benefits Paid	<u>\$ 834,738</u>	<u>\$ 762,432</u>

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 one lay individual whose provisions have been increased to a maximum of \$300,000.

NOTE 12 - Split Interest Agreements

The Charitable Gift Annuity Fund is a Diocesan program that was started in 2003 to receive contributions under charitable gift annuities. The Diocese has segregated these assets as separate and distinct funds, independent from other funds and not to be applied toward payment of any obligations of the Diocese or any other purpose other than annuity benefits specified in the agreements. In addition, this portfolio of assets meets all requirements concerning permissible investments and mandated reserves required by law. The Diocese agrees to pay a stated return to the beneficiaries as long as they live, at which time the remaining assets will be distributed according to the donor's requests.

At June 30, 2005 and 2004, the total assets held under split-interest agreements were \$227,278 and \$225,664, respectively at fair value. Split-interest agreement liabilities are reported at the present value of the estimated future cash flows using discount rate assumptions established upon recognition of the liabilities and are included as part of collections for transmittal.

**DIOCESE OF LA CROSSE
ADMINISTRATION OFFICES**
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2005 AND 2004

NOTE 13 - Temporary and Permanent Restrictions

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

	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>
Purpose restricted		
Building renovation	\$ 102,577	\$ --
Education	--	3,892,457
Hmong funeral book	25,500	--
Time restricted		
Diocesan Appeal	4,000,000	--
TOTAL, JUNE 30, 2005	<u>\$ 4,128,077</u>	<u>\$ 3,892,457</u>
Purpose restricted		
Building renovation	\$ 69,927	\$ --
Education	--	3,626,006
Time restricted		
Diocesan Appeal	4,000,000	--
TOTAL, JUNE 30, 2004	<u>\$ 4,069,927</u>	<u>\$ 3,626,006</u>

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 \$677,482 and \$505,783 in 2005 and 2004, respectively.

NOTE 14 - Board Designations

The Board has designated operating funds to fund the following:

	<u>JUNE 30,</u>	
	<u>2005</u>	<u>2004</u>
Quasi endowment activities	\$ 2,216,800	\$ 2,216,800
Insurance programs	2,043,590	3,058,213
Investment/loan activities	9,170,964	9,168,880
Property and equipment	6,549,853	6,339,623
	<u>\$ 19,981,207</u>	<u>\$ 20,783,516</u>