



**Financial Statements**  
**December 31, 2013**



**Gardner | Provenzano**  
**Thomas & Luplow**

CERTIFIED PUBLIC ACCOUNTANTS

## Table of Contents

	<u>Page Number</u>
Independent Auditor's Report	
Statement of Financial Position	1
Statement of Activities	2
Statements of Cash Flows	3
Notes to Financial Statements	4
Supplementary Financial Data	11
Schedule of Endowed Funds	12



# Gardner | Provenzano Thomas & Luplow

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner  
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## INDEPENDENT AUDITOR'S REPORT

May 9, 2014

To the Board of Trustees  
Catholic Community Foundation of Mid-Michigan  
Saginaw, Michigan

We have audited the accompanying financial statements of the Catholic Community Foundation of Mid-Michigan (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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.

To the Board of Trustees  
Catholic Community Foundation of Mid-Michigan  
May 9, 2014  
Page Two

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Catholic Community Foundation of Mid-Michigan as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited the Catholic Community Foundation of Mid-Michigan's 2012 financial statements, and our report dated July 23, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Endowed Funds listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The Schedule of Endowed Funds has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on it.

*Gardner, Provenzano, Thomas & Inslow*

Certified Public Accountants

CATHOLIC COMMUNITY FOUNDATION OF MID-MICHIGAN  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2013  
(With Comparative Totals at December 31, 2012)

<u>Assets</u>	Unrestricted	Temporarily Restricted	Permanently Restricted	<u>Totals</u> (Memorandum Only)	
				2013	2012
Current Assets					
Cash	\$ 295,580	\$ 603,809	\$ -	\$ 899,389	\$ 379,168
Accounts receivable	20			20	-
Accrued income	-	129,976	-	129,976	42,881
Prepaid expenses	835	-	-	835	942
Promises to give - current	-	76,276	-	76,276	156,745
Total current assets	<u>296,435</u>	<u>810,061</u>	<u>-</u>	<u>1,106,496</u>	<u>579,736</u>
Long-term assets					
Cash equivalents - investments	-	347,319	-	347,319	445,144
Investments	-	4,701,414	16,787,927	21,489,341	18,542,644
Promises to give - net of current	-	1,080,710	-	1,080,710	1,016,473
Total long-term assets	<u>-</u>	<u>6,129,443</u>	<u>16,787,927</u>	<u>22,917,370</u>	<u>20,004,261</u>
Total assets	<u>\$ 296,435</u>	<u>\$ 6,939,504</u>	<u>\$ 16,787,927</u>	<u>\$ 24,023,866</u>	<u>\$ 20,583,997</u>
<u>Liabilities and Net Assets</u>					
Current liabilities					
Accounts payable	\$ 136,079	\$ -	\$ -	\$ 136,079	\$ 855,028
Annuity obligations, current portion	-	-	71,800	71,800	74,450
Total current liabilities	<u>136,079</u>	<u>-</u>	<u>71,800</u>	<u>207,879</u>	<u>929,478</u>
Long-term liabilities					
Annuity obligations, less current portion	-	-	99,179	99,179	141,805
Note payable	576,143	-	-	576,143	-
Total long-term liabilities	<u>576,143</u>	<u>-</u>	<u>99,179</u>	<u>675,322</u>	<u>141,805</u>
Total liabilities	<u>712,222</u>	<u>-</u>	<u>170,979</u>	<u>883,201</u>	<u>1,071,283</u>
Net assets (deficit)	<u>(415,787)</u>	<u>6,939,504</u>	<u>16,616,948</u>	<u>23,140,665</u>	<u>19,512,714</u>
Total liabilities and net assets	<u>\$ 296,435</u>	<u>\$ 6,939,504</u>	<u>\$ 16,787,927</u>	<u>\$ 24,023,866</u>	<u>\$ 20,583,997</u>

See accompanying notes to financial statements.

CATHOLIC COMMUNITY FOUNDATION OF MID-MICHIGAN  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(With Comparative Totals for the Year Ended December 31, 2012)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013	Totals (Memorandum Only) 2012
Revenues, gains, and other support					
Contributions	\$ 131,480	\$ 164,818	\$ 1,596,964	\$ 1,893,262	\$ 1,147,969
Investment income	-	1,315,208	-	1,315,208	855,439
Unrealized gain (loss) on investments	-	1,707,332	-	1,707,332	1,259,803
Change in value of split-interest agreement	-	-	33,272	33,272	30,853
Other income	230	-	-	230	480
Total revenues, gains, and other support	<u>131,710</u>	<u>3,187,358</u>	<u>1,630,236</u>	<u>\$ 4,949,304</u>	<u>3,294,544</u>
Net assets released from restrictions					
Restrictions satisfied by payments	1,172,905	(1,172,905)	-	-	-
Charitable gift annuity endowed	-	(21,685)	21,685	-	-
Total released from restriction	<u>1,172,905</u>	<u>(1,194,590)</u>	<u>21,685</u>	<u>-</u>	<u>-</u>
Expenses					
Program services	920,428	-	-	920,428	820,262
Program donations	400,925	-	-	400,925	390,088
Support services	1,321,353	-	-	1,321,353	1,210,350
Management and general	(16,738)	1,992,768	1,651,921	3,627,951	2,084,194
Total expenses	<u>(399,049)</u>	<u>4,946,736</u>	<u>14,965,027</u>	<u>19,512,714</u>	<u>17,428,520</u>
Change in net assets					
Net assets (deficit) at the beginning of the year	\$ (415,787)	\$ 6,939,504	\$ 16,616,948	\$ 23,140,665	\$ 19,512,714
Net assets (deficit) at the end of the year	<u>920,428</u>	<u>1,992,768</u>	<u>1,651,921</u>	<u>3,627,951</u>	<u>2,084,194</u>

See accompanying notes to financial statements.

CATHOLIC COMMUNITY FOUNDATION OF MID-MICHIGAN  
 STATEMENTS OF CASH FLOWS  
 FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 3,627,951	\$ 2,084,193
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Unrealized (gain) loss on investments	(1,707,332)	(1,259,803)
Change in value of split interest agreement	(33,272)	(30,853)
Changes in operating assets and liabilities which provided (used) cash		
Accrued income	(87,095)	8,950
Accounts receivable	(20)	-
Promises to give	16,232	145,851
Prepaid expenses	107	(942)
Accounts payable	<u>(718,949)</u>	<u>247,480</u>
Net cash provided (used) by operating activities	<u>1,097,622</u>	<u>1,194,876</u>
 Cash flows from investing activities		
Purchase of investments	<u>(1,179,569)</u>	<u>(637,926)</u>
Net cash provided (used) by investing activities	<u>(1,179,569)</u>	<u>(637,926)</u>
 Cash flows from financing activities		
Note payable	576,143	-
Payments on annuity obligation	<u>(71,800)</u>	<u>(74,450)</u>
Net cash provided (used) by financing activities	<u>504,343</u>	<u>(74,450)</u>
 Net increase (decrease) in cash and cash equivalents	422,396	482,500
Cash and cash equivalents at the beginning of the year	<u>824,312</u>	<u>341,812</u>
Cash and cash equivalents at the end of the year	<u>\$ 1,246,708</u>	<u>\$ 824,312</u>

See accompanying notes to financial statements.

CATHOLIC COMMUNITY FOUNDATION OF MID-MICHIGAN  
NOTES TO FINANCIAL STATEMENTS

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NOTE 1--Significant Accounting Policies

Nature of Organization

The Catholic Community Foundation of Mid-Michigan (Foundation) is a non-profit organization whose mission is to develop and manage funds to secure and further God's work in mid-Michigan communities. The Foundation is guided by Gospel values and the teachings of the Catholic Church. The Foundation's revenue is derived from contributions from individuals and organizations.

Method of Accounting

The financial statements of the Foundation have been prepared utilizing the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statements of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Foundation has temporarily and permanently restricted net assets at December 31, 2013 and 2012.

Restricted and Unrestricted Revenue

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and nature of any donor restrictions.

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Permanently restricted net assets include the principal amount accepted by the Foundation with the donor's stipulation that the principal be maintained in perpetuity.

The income from the investment of these resources is expended for general or restricted purposes as specified by the donor.



CATHOLIC COMMUNITY FOUNDATION OF MID-MICHIGAN  
NOTES TO FINANCIAL STATEMENTS

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NOTE 1--Significant Accounting Policies (continued)

Estimates

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

Investments

Investments in cash equivalents, debentures, and marketable equity securities with readily determinable fair values are stated at fair market value as determined by the custodian (PNC Bank). Unrealized gains and losses are included in the statement of activities. Realized and unrealized gains and losses from investments along with income generated from the investments are allocated to the individual endowments based on the ratio of the individual endowment balance to the investment pool as a whole. Gains, losses, and investment income are recorded as unrestricted or restricted in accordance with the wishes of the donor.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Foundation has no cash equivalents outside of its investments.

Annuity Obligations

Charitable gift annuities are recognized in the period the contract is executed. Assets are recorded at fair value and an annuity obligation is recorded at the fair value of the life expected future cash flows.

Disbursement Policy

Income available for spending is determined by a total return system using a 12-quarter rolling average system. The amount available to spend is based on four percent of the endowed funds average market value.

Income Taxes

The Foundation is a non-profit organization which is exempt from federal income taxes under 501 (c)(3) of the Internal Revenue Code and is exempt from similar state and local taxes.

Allocated Expenses

Operating expenses have been allocated between program and supporting services expenses based on actual expenses incurred.

CATHOLIC COMMUNITY FOUNDATION OF MID-MICHIGAN  
NOTES TO FINANCIAL STATEMENTS

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NOTE 1--Significant Accounting Policies (continued)

Variance

Federal regulations require that the governing body of a community foundation "must have the power ... to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to specified organization if in the sole judgment of the governing body... such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served."

Date of Management's Review

Subsequent events were evaluated through May 9, 2014, which is the date the financial statements were available to be issued.

NOTE 2--Investments

The Foundation's investments are in trust with PNC Bank. Specific investment transactions are directed by various investment managers in conformance with the Foundation's investment guidelines. Investments are made solely in the interest of the participants and beneficiaries of the Foundation and for the exclusive purpose of providing benefits accrued there under and defraying the reasonable expenses of administration. The Foundation's investments are diversified to minimize the risk of large losses and investment in securities that conflict with the official moral and social teachings of the Roman Catholic Church are prohibited. The return objectives of the investments are to meet or exceed cumulative annual total return over a five-year moving average of a balanced market index comprised of 55% S&P 1500, 10% MSCI EAFE, and 35% Lehman Brothers Intermediate Government Credit Bond Index. The Foundation allocates 65% of its funds to equity investments and 35% of its funds to fixed investments.

When it is possible to do so without invading investment principal, disbursements are on a semi-annual basis at the discretion of the Board of Trustees. The Foundation's policy is to make the semi-annual disbursements based on the most recent twelve quarters fair market value rolling average asset values. During 2013 and 2012, the disbursements were made based on two percent of the market value of the applicable endowed funds on June 30<sup>th</sup> and December 31<sup>st</sup> of the current fiscal year. Management has determined that the difference of calculating the disbursements on market value versus the twelve quarter fair market value rolling average is not significant to the financial statements.

CATHOLIC COMMUNITY FOUNDATION OF MID-MICHIGAN  
 NOTES TO FINANCIAL STATEMENTS

NOTE 2--Investments (continued)

The following table summarizes the market value (carrying value) of the Foundation's investments at December 31, 2013 and 2012.

	<u>2013</u>	<u>2012</u>
Cash equivalents	\$ 347,319	\$ 445,144
Corporate stock	12,641,318	11,505,175
U.S. Government obligations	1,384,867	393,022
U.S Government Agency obligations	594,605	475,992
Corporate obligations	6,868,551	6,168,455
	<u>\$ 21,836,660</u>	<u>\$ 18,987,788</u>

NOTE 3--Promises to Give

The Foundation held the Legacy of Faith Campaign during fiscal 2010 and 2011. The Campaign was conducted in order to raise funds for large construction projects at Nouvel Catholic Central High School and Bay City All Saints High School. The campaign promises to give are recorded as temporarily restricted net assets at December 31, 2013 and 2012.

Pledges receivable at December 31, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Total promises to give	\$ 1,337,170	\$ 1,342,141
Less discount to present value	(180,184)	(168,923)
Net pledges receivable	<u>\$ 1,156,986</u>	<u>\$ 1,173,218</u>
Amount due in less than year	\$ 76,276	\$ 156,745
Amount due in one to five years	707,999	694,233
Amount due in more than five years	552,895	491,163
	<u>\$ 1,337,170</u>	<u>\$ 1,342,141</u>

Promises to give that will be collected after December 31, 2014 are discounted at 3% at December 31, 2013.

NOTE 4--Concentrations of Credit Risk

The Foundation invests temporary cash at a federally chartered credit union located in Saginaw, Michigan. Deposits are insured up to \$250,000 by the National Credit Union Administration. The Foundation had uninsured cash balances of \$538,093 at December 31, 2013. The carrying value of those deposits was \$899,389 at December 31, 2013.

The Foundation also maintains cash and equivalents in a variety of financial instruments within its investment portfolio. The Foundation has a socially responsible investment policy to provide long-term growth of principal and income without undue exposure to risk. Assets are diversified and monitored on an on-going basis.

CATHOLIC COMMUNITY FOUNDATION OF MID-MICHIGAN  
 NOTES TO FINANCIAL STATEMENTS

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NOTE 5--Charitable Gift Annuities

The Foundation has been named beneficiary of two charitable gift annuities. The assets are recognized at their fair value. The donors will receive a specified amount of income annually. Upon their death, the balance of the assets will be distributed to the Foundation. The fair value of those assets at December 31, 2013 and 2012 was \$642,820 and \$661,994, respectively.

NOTE 6--Investment Expenses and Fees

The Foundation incurred \$64,834 and \$64,774 in professional investment management fees during the years ended December 31, 2013 and 2012, respectively.

Administrative fees are based on the market value of the individual funds that comprise the investment pool. Funds are charged as follows:

Fund market value Over	But not over	Administrative fee	+	% on excess	Of the amount over
\$ -	\$ 250,000	\$ -		1.65%	\$ -
\$ 250,001	\$ 1,000,000	\$ 4,125		1.20%	\$ 250,000
\$ 1,000,001	-----	\$ 13,125		0.90%	\$ 1,000,000

The administrative fee is considered to be released from restriction and is used to pay for the purchased administrative services of the Foundation. This fee includes, but is not limited to, accounting, auditing, attorney fees, human resources, Executive Director services, community relations and marketing, fund raising services, Bishop's services, and other office and supplies expenses. The fee is calculated on a monthly basis based on the current month's beginning balance of each individual endowed fund. The amounts for the years ended December 31, 2013 and 2012 are summarized below:

	2013	2012
Administrative fees charged	<u>\$ 325,482</u>	<u>\$ 281,493</u>

NOTE 7--Services and Materials Agreement

The Foundation entered into an agreement with the Catholic Diocese of Saginaw (Diocese) dated July 1, 2012 (Agreement.) Under the terms of the Agreement, the Diocese acts as an independent contractor and service advisor by providing: professional services, office equipment and materials, office space, telephone and postal services to the Foundation. The Diocese charged the Foundation \$223,181 during the calendar year ending December 31, 2013 and \$236,448 during the calendar year ending December 31, 2012. The current Agreement expires June 30, 2014.

CATHOLIC COMMUNITY FOUNDATION OF MID-MICHIGAN  
 NOTES TO FINANCIAL STATEMENTS

NOTE 8--Fair Value Measurements

The following tables represent information about the Foundation's assets measured at fair value on a recurring basis at December 31, 2013, and 2012 and the valuation techniques used at the Foundation to determine fair value.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Foundation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in the entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Disclosures concerning assets measured at fair value on a recurring basis are as follows:

Fair Value Measurements at  
Reporting Date Using:

	Quoted prices In active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
<u>December 31, 2013</u>				
Cash Equivalents	\$ 347,319	\$ -	\$ -	\$ 347,319
Corporate stock	12,636,012	-	5,306	12,641,318
U.S. Government obligations	1,384,867	-	-	1,384,867
U.S. Government Agency obligations	-	594,605	-	594,605
Corporate obligations	2,812,787	4,055,764	-	6,868,551
Totals	<u>\$ 17,180,985</u>	<u>\$ 4,650,369</u>	<u>\$ 5,306</u>	<u>\$ 21,836,660</u>

CATHOLIC COMMUNITY FOUNDATION OF MID-MICHIGAN  
 NOTES TO FINANCIAL STATEMENTS

NOTE 8--Fair Value (continued)

Fair Value Measurements at  
 Reporting Date Using:

	Quoted prices In active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
<u>December 31, 2012</u>				
Cash Equivalents	\$ 445,144	\$ -	\$ -	\$ 445,144
Corporate stock	11,505,175	-	-	11,505,175
U.S. Government obligations	393,022	-	-	393,022
U.S. Government Agency obligations	-	475,992	-	475,992
Corporate obligations	1,896,505	4,164,819	107,131	6,168,455
Totals	<u>\$ 14,239,846</u>	<u>\$ 4,640,811</u>	<u>\$ 107,131</u>	<u>\$ 18,987,788</u>

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

NOTE 9--Reclassification

Beginning net asset amounts have been reclassified as illustrated below:

	12/31/12 as previously reported	Reclassification	12/31/2012 as reclassified
<u>Net assets</u>			
Unrestricted (deficit)	\$ (407,812)	\$ 8,763	\$ (399,049)
Temporarily restricted (deficit)	5,377,590	(430,854)	4,946,736
Permanently restricted	14,542,936	422,091	14,965,027
	<u>\$ 19,512,714</u>	<u>\$ -</u>	<u>\$ 19,512,714</u>

NOTE 10--Note Payable

During the year ended December 31, 2013, the Foundation entered into a loan agreement with the Catholic Diocese of Saginaw for unpaid service agreements for the period of December 2009 through December 2011. The balance of this loan is \$576,143 at December 31, 2013. The note charges .25% interest on the unpaid balance and the interest is required to be paid annually. Principal payments may be made at any time without penalty and any unpaid amounts are required to be paid in full via a balloon payment on February 1, 2018. The terms of the note also require that the Foundation pay the current service agreement amounts to the Diocese as they come due.

## **SUPPLEMENTARY FINANCIAL DATA**

CATHOLIC COMMUNITY FOUNDATION OF MID-MICHIGAN  
 SCHEDULE OF ENDOWED FUNDS  
 DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Parish funds	\$ 2,515,158	\$ 1,315,413
Catholic school funds	11,998,772	10,827,420
Catholic education and scholarship funds	1,642,048	1,539,672
Operational funds (deficit)	(325,160)	(403,388)
Miscellaneous funds	70,254	137,268
Assistance to the poor funds	1,183,383	776,078
Priest and Religious retirement funds	316,414	289,605
Seminarians funds	2,958,021	2,599,350
Catholic agencies funds	59,156	54,183
Donor advised funds	2,079,798	1,715,119
Charitable gift annuities	<u>642,821</u>	<u>661,994</u>
Total net assets	<u>\$ 23,140,665</u>	<u>\$ 19,512,714</u>

See independent auditor's report on supplementary financial information.