

CATHOLIC COMMUNITY FOUNDATION
FINANCIAL REPORT
DECEMBER 31, 2017 and 2016

CATHOLIC COMMUNITY FOUNDATION

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS	1
FINANCIAL STATEMENTS	
Statements of financial position	2
Statements of activities	3-4
Statements of cash flows	5
Notes to financial statements	6-15



Independent Auditors' Report

To the Board of Directors
Catholic Community Foundation

We have audited the accompanying financial statements of Catholic Community Foundation (the "Foundation") (a nonprofit organization), which comprise the statements of financial position as of December 31, 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 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.

Auditors' 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 auditors consider 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 the Foundation as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Maloney + Novotny LLC

Cleveland, Ohio
April 12, 2018

CATHOLIC COMMUNITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 5,202,679	\$ 7,097,284
Custodial cash and cash equivalents	347,215	400,642
Investments (Note 3)	117,207,653	106,952,181
Custodial investments (Note 3)	29,168,222	21,771,153
Pledges and accounts receivable:		
Rooted in Faith pledges (Note 5)	2,068,995	9,330,942
Grants and pledges (Note 5)	154,771	545,718
The Catholic Charities Corporation of Cleveland (Note 10)	7,383	647
Due from Diocese of Cleveland Finance Office (Note 10)	4,607	-
Furniture and equipment at cost, less accumulated depreciation of \$996,852 in 2017 and \$960,792 in 2016	11,218	47,278
Assets held for charitable gift annuity agreements	1,266,350	1,115,126
Other	<u>206,460</u>	<u>179,381</u>
 Total assets	 <u>\$ 155,645,553</u>	 <u>\$ 147,440,352</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable:		
Trade	\$ 222,644	\$ 126,439
Rooted in Faith distributions (Note 2)	735,048	2,413,741
Beneficiaries of charitable gift annuity agreements	540,567	543,399
Accrued expenses	85,178	95,052
#weGiveCatholic liability	142,902	337,761
Funds held for others	<u>29,372,535</u>	<u>21,834,034</u>
Total liabilities	31,098,874	25,350,426
 <u>NET ASSETS</u>		
Unrestricted (Note 7)	8,523,174	8,034,260
Temporarily restricted (Note 8)	85,736,306	86,053,214
Permanently restricted (Note 9)	<u>30,287,199</u>	<u>28,002,452</u>
Total net assets	<u>124,546,679</u>	<u>122,089,926</u>
 Total liabilities and net assets	 <u>\$ 155,645,553</u>	 <u>\$ 147,440,352</u>

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

CATHOLIC COMMUNITY FOUNDATION

STATEMENT OF ACTIVITIES

Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017
REVENUE AND SUPPORT				
Fundraising, support and grants	\$ 14,634,870	\$ 2,919,217	\$ 1,742,391	\$ 19,296,478
Less funds raised for others (Note 10):				
Annual appeal	(13,539,683)			(13,539,683)
Bequests and gifts	(730,634)	313,721		(416,913)
Net fundraising, support and grants	364,553	3,232,938	1,742,391	5,339,882
Interest and dividend income	160,533	2,045,813		2,206,346
Net realized gain on investments	300,440	4,024,652		4,325,092
Net unrealized gain on investments	594,208	7,724,464		8,318,672
Fundraising fee (Note 10)	2,193,500			2,193,500
Other support	928,332			928,332
Net change in value of annuity agreements	2,379	126,300		128,679
Reclassification and transfers of net assets (Note 8)	(66,846)	1,797,630	542,356	2,273,140
Net assets released from restrictions	12,056,741	(12,056,741)		-
Total revenue and support	16,533,840	6,895,056	2,284,747	25,713,643
DISTRIBUTIONS AND EXPENSES				
Distributions	12,574,986			12,574,986
Operating expenses:				
Fundraising	1,996,292			1,996,292
Other operating	935,441			935,441
Administrative expenses	221,740			221,740
Investment management expenses	316,467			316,467
Total distributions and expenses	16,044,926			16,044,926
CHANGE IN NET ASSETS BEFORE CAMPAIGN ACTIVITY AND TRANSFERS	488,914	6,895,056	2,284,747	9,668,717
Campaign activity (Note 2):				
Rooted in Faith - support		(862,914)		(862,914)
Rooted in Faith - change in allowance		(988,587)		(988,587)
Rooted in Faith - expenses	(162,341)			(162,341)
Rooted in Faith - distributions	(3,464,543)			(3,464,543)
Net assets released from restrictions	3,626,884	(3,626,884)		-
Reclassification from Rooted in Faith		(2,273,140)		(2,273,140)
Transfers from Diocesan entities		539,561		539,561
	-	(7,211,964)	-	(7,211,964)
CHANGE IN NET ASSETS	488,914	(316,908)	2,284,747	2,456,753
NET ASSETS – BEGINNING OF YEAR	8,034,260	86,053,214	28,002,452	122,089,926
NET ASSETS – END OF YEAR	\$ 8,523,174	\$ 85,736,306	\$ 30,287,199	\$124,546,679

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

CATHOLIC COMMUNITY FOUNDATION

STATEMENT OF ACTIVITIES

Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016
REVENUE AND SUPPORT				
Fundraising, support and grants	\$ 14,604,516	\$ 1,303,188	\$ 94,271	\$ 16,001,975
Less funds raised for others (Note 10):				
Annual appeal	(12,511,895)			(12,511,895)
Bequests and gifts	(1,509,136)	39,991		(1,469,145)
Net fundraising, support and grants	583,485	1,343,179	94,271	2,020,935
Interest and dividend income	148,451	2,026,908		2,175,359
Net realized gain on investments	28,863	466,950		495,813
Net unrealized gain on investments	305,184	4,271,210		4,576,394
Fundraising fee (Note 10)	2,140,000			2,140,000
Other support	921,136			921,136
Net change in value of annuity agreements	(436)	46,763		46,327
Reclassification and transfers of net assets (Note 8)	(122,384)	4,143,288	1,070,973	5,091,877
Net assets released from restrictions	5,713,347	(5,713,347)		-
Total revenue and support	9,717,646	6,584,951	1,165,244	17,467,841
DISTRIBUTIONS AND EXPENSES				
Distributions	5,896,468			5,896,468
Operating expenses:				
Fundraising	1,986,820			1,986,820
Other operating	893,648			893,648
Administrative expenses	234,932			234,932
Investment management expenses	297,555			297,555
Total distributions and expenses	9,309,423			9,309,423
CHANGE IN NET ASSETS BEFORE CAMPAIGN ACTIVITY AND TRANSFERS				
Activity	408,223	6,584,951	1,165,244	8,158,418
Campaign activity (Note 2):				
Rooted in Faith - support		(948,448)		(948,448)
Rooted in Faith - change in allowance		152,084		152,084
Rooted in Faith - expenses	(243,255)			(243,255)
Rooted in Faith - distributions	(8,691,481)			(8,691,481)
Net assets released from restrictions	8,934,736	(8,934,736)		-
Reclassification from Rooted in Faith		(5,091,877)		(5,091,877)
Transfers from Diocesan entities		9,350		9,350
	-	(14,813,627)	-	(14,813,627)
CHANGE IN NET ASSETS	408,223	(8,228,676)	1,165,244	(6,655,209)
NET ASSETS – BEGINNING OF YEAR	7,626,037	94,281,890	26,837,208	128,745,135
NET ASSETS – END OF YEAR	\$ 8,034,260	\$ 86,053,214	\$ 28,002,452	\$122,089,926

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

CATHOLIC COMMUNITY FOUNDATION

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,456,753	\$ (6,655,209)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Net realized gain on investments	(4,325,092)	(495,813)
Net unrealized gain on investments	(8,318,672)	(4,576,394)
Change in value of annuity agreements	(120,620)	(90,603)
Depreciation	36,060	62,351
Contributions permanently restricted	(1,742,391)	(94,271)
Changes in operating assets and liabilities:		
Pledges and accounts receivable	7,641,551	14,028,016
Other assets	(27,079)	(56,085)
Accounts payable	(1,582,488)	(1,880,265)
Accrued expenses	(9,874)	26,584
Total adjustments	<u>(8,448,605)</u>	<u>6,923,520</u>
Net cash (used) provided by operating activities	(5,991,852)	268,311
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	53,649,820	51,983,921
Purchase of investments	(51,261,528)	(53,302,760)
Purchase of furniture and equipment	-	(3,065)
Net cash provided (used) in investing activities	<u>2,388,292</u>	<u>(1,321,904)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments to beneficiaries of charitable gift annuities	(83,916)	(103,054)
Proceeds from beneficiaries of charitable gift annuities	50,480	100,000
Contributions permanently restricted	<u>1,742,391</u>	<u>94,271</u>
Net cash provided by financing activities	<u>1,708,955</u>	<u>91,217</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(1,894,605)	(962,376)
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	<u>7,097,284</u>	<u>8,059,660</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 5,202,679</u>	<u>\$ 7,097,284</u>

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

CATHOLIC COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

- A. **Organization** – The Catholic Community Foundation (the "Foundation"), formerly known as The Catholic Diocese of Cleveland Foundation, was created and incorporated on January 1, 2000 to centralize and enhance fundraising and fund management for the Roman Catholic Diocese of Cleveland (the "Diocese"). The Foundation receives unrestricted contributions, certain restricted contributions, bequests, and special gifts and it allocates funds to the various operating secretariats of the Diocese.
- B. **Accounting Method** – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Foundation has reported information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Temporarily restricted net assets result from timing differences between the receipt of funds and the incurrence of the related expenses. Contributions for which donors have imposed restrictions which limit the use of donated assets and unconditional promises to give with payments due in future periods are reported as restricted support. When such donor imposed restrictions are met, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.

Permanently restricted net assets represent funds which are subject to the restriction of the donors that the principal be invested in perpetuity and only the income be utilized.

- C. **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 revenues and expenses during the reporting period. Actual results could differ from those estimates.
- D. **Cash and Cash Equivalents** – Cash and cash equivalents include all cash on hand and cash in checking, savings, and money market accounts with an original maturity of three months or less.
- E. **Investments** – Marketable securities are carried at fair value based on quoted market prices with realized and unrealized gains and losses reported in the statements of activities. Realized gains or losses on the sale of investments are determined on the specific identification method. Investment income or loss on permanently restricted net assets, including unrealized and realized gains or losses, is reported as changes in the unrestricted or temporarily restricted net assets category unless otherwise designated by donor restrictions.

CATHOLIC COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

- F. Charitable Annuity Agreements – The Foundation, as trustee, holds assets from donors under charitable remainder trust agreements that designate the Foundation as a significant charitable beneficiary. The terms of the agreements require that the trust pay from the assets of the trust an annuity to the annuitant, the donor, or specified beneficiary, for the remainder of the designated individual's life or specified term. Upon the death of the individual or the expiration of the term, the Foundation may use the remaining assets as specified in the trust agreement. The Foundation reports the assets held by these trusts at fair value in the statements of financial position as assets held in trust under charitable gift annuity agreements. The Foundation also records a liability for the actuarial present value of the future annuity payments. The discount rates used to compute the liability range from 4.1% to 8.8%.
- G. #weGiveCatholic – In 2017 and 2016, the Catholic Community Foundation conducted its annual Giving Tuesday online fundraising effort called #weGiveCatholic in which 175 and 157 Catholic agencies participated, respectively. Gifts made to #weGiveCatholic are deposited to a special purpose bank account with the proceeds subsequently distributed to each of the participating agencies. The related liability represents undistributed funds at December 31, 2017 and 2016.
- H. Funds Held for Others – The Foundation's custodial cash and investments are funds that are held for various entities that are affiliated with the Catholic Diocese of Cleveland. The Foundation pools the balances for these entities with its investments so it can receive a higher rate of return. Income and losses attributable to the funds are not included in the accompanying statements of activities but are recorded as adjustments to the liability.
- I. Fair Value of Financial Instruments – The carrying values of cash and equivalents, accounts receivable, and accounts payable are reasonable estimates of fair value due to the short-term nature of these financial instruments.

The Foundation estimates the fair value of financial instruments using available market information and other generally accepted valuation methodologies. Fair value is defined as the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction in accordance with accounting principles generally accepted in the United States of America. These standards establish a three level hierarchy that prioritizes the inputs and defines valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described below:

Level 1 – Uses quoted market prices in active markets for identical assets and liabilities.

Level 2 – Uses observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3 – Uses unobservable inputs in which little or no market data exists.

CATHOLIC COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

I. Fair Value of Financial Instruments (Continued)

The following tables set forth by level the Foundation's assets that are accounted for at a fair value on a recurring basis as of December 31:

<u>2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Common stocks	\$ 87,833,407	\$ -	\$ 87,833,407
Corporate and international bonds	34,682,953	-	34,682,953
Government and muni bonds	14,124,810	-	14,124,810
Asset backed and agency bonds	-	3,912,985	3,912,985
Total	<u>\$ 136,641,170</u>	<u>\$ 3,912,985</u>	<u>\$ 140,554,155</u>
<u>2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Common stocks	\$ 76,206,384	\$ -	\$ 76,206,384
Corporate and international bonds	31,454,185	-	31,454,185
Government and muni bonds	13,078,733	-	13,078,733
Asset backed and agency bonds	-	4,230,412	4,230,412
Total	<u>\$ 120,739,302</u>	<u>\$ 4,230,412</u>	<u>\$ 124,969,714</u>

Common stocks – Common stocks consist of marketable equity securities of domestic and international corporations in a variety of industries that are valued based on quoted prices in active markets and are classified as Level 1.

Corporate and international bonds – These bonds consist of investments in U.S. and foreign corporations and are valued based on quoted prices in active markets. These are classified as Level 1.

Government and muni bonds – Government and muni bonds consist of investments in U.S. Treasuries and government related securities that are valued based on quoted prices in active markets. These are classified as Level 1.

Asset backed securities and agency bonds – These securities are valued based on the market value of the underlying investments and related interest rates; values that, while observable in the market are subject to adjustment due to pricing considerations for the specific instruments and are classified as Level 2.

- J. Contributions – Contributions received, including unconditional promises to give, are recognized as revenues in the period received at their fair values. All contributions are considered to be available for unrestricted use unless specifically restricted by the outside donor. Funds set aside by the Board of the Foundation or by the Bishop of Cleveland, to be used at their discretion, and funds that are donor advised are included in unrestricted net assets.

CATHOLIC COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

- K. Distributions – Budgeted payments are disbursed to the various operating secretariats of the Diocese for allocation to agencies and institutions. Periodically, additional special allocations are approved and disbursed to other agencies and institutions.
- L. Depreciation – Depreciation is provided for on a straight-line method over the estimated useful lives of ten years for furniture and equipment and five years for computer and office equipment.
- M. Income Taxes – The Foundation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code. The Foundation believes that there is appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements.

The Foundation's federal information and tax return are subject to examination by the IRS, generally for three years after they were filed.

- N. Concentration of Credit Risk – The Foundation places its cash and cash equivalents with financial institutions. Deposits with financial institutions may exceed Federal Depository Insurance Corporation insurance limits of \$250,000 per financial institution.

The Foundation holds investment securities which are exposed to various risks including interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Foundation's investment account balances and the amounts reported in the statements of financial position.

- O. Subsequent Events – The Foundation has evaluated subsequent events through April 12, 2018, which is the date the financial statements were available to be issued. There were no subsequent events requiring disclosure.

Note 2. Rooted in Faith - Forward in Hope Campaign

The Foundation initiated the Rooted in Faith - Forward in Hope campaign in 2010 to provide a solid base for meeting urgent needs and investing in the long-term development of diocesan ministries. As of December 31, 2017, approximately \$170,000,000 has been pledged, including revocable planned gifts, contingent gifts, and combined parish campaigns that are not recognized in the financial statements under generally accepted accounting principles.

Campaign pledges receivable at year end were \$2,068,995 (refer to Note 5). Due to the overall success of the campaign including combined parish campaigns, a cumulative total of approximately \$147,500,000 has been received by the Foundation and parishes for the campaign's Case for Support which includes distributions for Strengthening Our Parishes, Strengthening Our Faith, Catholic Education, Those Who Serve, and Charitable Works as well as the campaign costs. Distributions payable at December 31, 2017 were \$735,048 and are included in accounts payable.

CATHOLIC COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 3. Investments and Custodial Investments

Investments are comprised of the following at December 31:

	2017		2016	
	Fair Value	Cost	Fair Value	Cost
CASH HELD FOR INVESTMENT PURPOSES	\$ 5,821,720	\$ 5,821,720	\$ 3,753,620	\$ 3,753,620
INVESTMENTS				
Common stocks	87,833,407	63,233,112	76,206,384	61,724,995
Corporate and international bonds	34,682,953	35,123,288	31,454,185	31,979,843
Government and muni bonds	14,124,810	14,198,910	13,078,733	13,227,489
Asset backed securities and agency bonds	3,912,985	3,944,917	4,230,412	4,305,462
	<u>140,554,155</u>	<u>116,500,227</u>	<u>124,969,714</u>	<u>111,237,789</u>
	<u>\$ 146,375,875</u>	<u>\$ 122,321,947</u>	<u>\$ 128,723,334</u>	<u>\$ 114,991,409</u>

Note 4. Endowment Funds

The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

The Foundation places great importance on risk reduction through asset allocation and style diversification. Investment results are measured using a rolling three to five year period or a market cycle. The following are the investment performance objectives, in order of importance, for the portfolio:

- To generate a real annual compound rate of return, inclusive of interest income, dividends, and net capital appreciation over the measurement period, at least equal to the sum of the annual payout percentage provided for in the distribution policy plus inflation (for example 5% distribution policy + inflation + investment management cost).
- To obtain a total return on the portfolio, net of all investment related fees, that exceeds the total return of the policy benchmark.
- Performance will be evaluated versus achievement of distribution policy and comparisons to a similar set of investments.

The goals of the strategic asset allocation policy are to establish a long-term asset allocation plan for the Foundation's portfolio that is consistent with objectives and guidelines contained in this policy and carried out in an efficient manner. To that end, this policy establishes an acceptable range, defined to be any percentage above a minimum and below a maximum percentage of the portfolio allocated to a particular asset class, and a target percentage, defined to be the percentage goal for the investment of the portfolio in that asset class.

CATHOLIC COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 4. Endowment Funds (Continued)

Market value fluctuations and operational needs may cause variations from the strategic asset allocation policy ranges stated in this policy. To ensure allocations are consistent with the allocation policy, rebalancing the portfolio is done quarterly using the quarter end portfolio values. The Foundation does not deem it acceptable to time the market with tactical allocation shifts. The intention of this policy is to avoid short-term judgments that introduce significant unplanned risk.

Distributions from endowment funds are spent in compliance with the donor's restrictions applicable to the funds being distributed. Annual distributions from endowment funds are limited to not more than 5% of the average weighted market value of investable assets of the past three years in the permanently restricted fund.

The following tables represent the activity of the endowment funds, which are comprised of donor restricted contributions and unrestricted board designated funds:

	As of December 31, 2017			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment investments, beginning of year	\$ 1,650,228	\$ 8,058,056	\$ 28,002,254	\$ 37,710,538
Investment return:				
Investment income	35,500	920,162	-	955,662
Net appreciation (realized and unrealized)	<u>202,470</u>	<u>5,282,106</u>	<u>-</u>	<u>5,484,576</u>
Total investment return	237,970	6,202,268	-	6,440,238
Contributions	2,530	-	2,282,996	2,285,526
Appropriation of endowment assets for distribution	<u>(5,083)</u>	<u>(1,668,489)</u>	<u>-</u>	<u>(1,673,572)</u>
Endowment investments, end of year	<u>\$ 1,885,645</u>	<u>\$ 12,591,835</u>	<u>\$ 30,285,250</u>	<u>\$ 44,762,730</u>

CATHOLIC COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 4. Endowment Funds (Continued)

	As of December 31, 2016			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment investments, beginning of year	\$ 1,546,206	\$ 6,568,542	\$ 26,836,959	\$ 34,951,707
Investment return:				
Investment income	33,316	872,924	-	906,240
Net appreciation (realized and unrealized)	<u>74,849</u>	<u>2,025,456</u>	<u>-</u>	<u>2,100,305</u>
Total investment return	108,165	2,898,380	-	3,006,545
Contributions	441	-	1,165,295	1,165,736
Appropriation of endowment assets for distribution	<u>(4,584)</u>	<u>(1,408,866)</u>	<u>-</u>	<u>(1,413,450)</u>
Endowment investments, end of year	<u>\$ 1,650,228</u>	<u>\$ 8,058,056</u>	<u>\$ 28,002,254</u>	<u>\$ 37,710,538</u>

Note 5. Grants and Pledges Receivable

Grants and pledges receivable are unconditional promises to give to the Foundation under multi-year commitments. An allowance for uncollectible receivables has been established. Grants and pledges receivable are comprised of the following at December 31:

	<u>Rooted in Faith</u>	<u>Other</u>	<u>Total 2017</u>	<u>2016</u>
Amounts due in:				
Less than one year	\$ 2,920,183	\$ 95,989	\$ 3,016,172	\$ 15,156,437
One to five years	-	63,830	63,830	769,906
Less: allowance for uncollectible pledges	<u>(851,188)</u>	<u>-</u>	<u>(851,188)</u>	<u>(6,011,887)</u>
Total	2,068,995	159,819	2,228,814	9,914,456
Less: discount to present value at 5%	<u>-</u>	<u>(5,048)</u>	<u>(5,048)</u>	<u>(37,796)</u>
Present value of estimated future cash flows	<u>\$ 2,068,995</u>	<u>\$ 154,771</u>	<u>\$ 2,223,766</u>	<u>\$ 9,876,660</u>

CATHOLIC COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 6. Pension Plan

The Foundation participates in a multiple employer section 401(a) and 403(b) defined contribution pension plan, which covers substantially all non-hourly employees. Pension expense was \$81,740 in 2017 and \$88,721 in 2016.

Note 7. Unrestricted Net Assets

Unrestricted net assets are designated as follows:

	<u>2017</u>	<u>2016</u>
Donor advised funds	\$ 4,705,901	\$ 4,282,164
Board designated funds	1,885,645	1,650,228
Other donor funds	1,634,323	1,774,777
Operating	286,087	279,813
Furniture and equipment	<u>11,218</u>	<u>47,278</u>
	<u>\$ 8,523,174</u>	<u>\$ 8,034,260</u>

Donor advised funds are unrestricted donations or bequests received by the Foundation, over which the donor has reserved the right to periodically submit recommendations regarding distribution.

Board designated funds are distributed only upon specific Board approval and are typically invested for the long term.

Note 8. Temporarily Restricted Net Assets

Temporarily restricted net assets available and released are as follows:

	2017					
	<u>January 1, 2017</u>	<u>Reclass/ Transfers</u>	<u>Investment Changes</u>	<u>Gift Revenue</u>	<u>Amounts Released</u>	<u>December 31, 2017</u>
Health and Human Services	\$ 23,802,532	\$ (8,957)	\$ 4,463,779	\$ -	\$ (6,052,361)	\$ 22,204,993
Catholic Community Foundation	3,774,481	(440)	737,176	1,811,638	(1,498,181)	4,824,674
Education	44,891,751	2,332,838	8,337,866	990,866	(4,118,897)	52,434,424
Parish Life and Development	1,119,717	13,750	338,488	-	(64,707)	1,407,248
Chancery	67,963	-	344	75	-	68,382
Clergy and Religious	<u>1,542,740</u>	<u>-</u>	<u>38,583</u>	<u>430,359</u>	<u>(322,595)</u>	<u>1,689,087</u>
Total all funds	<u>\$ 75,199,184</u>	<u>\$ 2,337,191</u>	<u>\$ 13,916,236</u>	<u>\$ 3,232,938</u>	<u>\$(12,056,741)</u>	<u>\$ 82,628,808</u>
Rooted in Faith	<u>\$ 10,854,030</u>	<u>\$ (2,273,140)</u>	<u>\$ 4,993</u>	<u>\$ (1,851,501)</u>	<u>\$ (3,626,884)</u>	<u>\$ 3,107,498</u>

CATHOLIC COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 8. Temporarily Restricted Net Assets (Continued)

	2016					
	January 1, 2016	Reclass/ Transfers	Investment Changes	Gift Revenue	Amounts Released	December 31, 2016
Health and Human Services	\$ 23,140,203	\$ (9,033)	\$ 2,428,525	\$ -	\$ (1,757,163)	\$ 23,802,532
Catholic Community Foundation	3,687,721	(441)	300,805	341,399	(555,003)	3,774,481
Education	39,237,049	4,139,287	3,901,629	613,821	(3,000,035)	44,891,751
Parish Life and Development	1,007,045	22,825	158,439	(13)	(68,579)	1,119,717
Chancery	73,598	-	155	3,157	(8,947)	67,963
Clergy and Religious	1,461,591	-	19,955	384,814	(323,620)	1,542,740
Total all funds	<u>\$ 68,607,207</u>	<u>\$ 4,152,638</u>	<u>\$ 6,809,508</u>	<u>\$ 1,343,178</u>	<u>\$ (5,713,347)</u>	<u>\$ 75,199,184</u>
Rooted in Faith	<u>\$ 25,674,683</u>	<u>\$ (5,091,877)</u>	<u>\$ 2,324</u>	<u>\$ (796,364)</u>	<u>\$ (8,934,736)</u>	<u>\$ 10,854,030</u>

The amounts reclassified represent the donor's change or release of restrictions of certain funds.

Note 9. Permanently Restricted Net Assets

Permanently restricted net assets are restricted by donors to be held in perpetuity with the related income expendable to support the restricted purpose. Permanently restricted net assets are as follows at December 31:

	<u>2017</u>	<u>2016</u>
Secretariat for:		
Health and Human Services	\$ 10,616,976	\$ 10,608,018
Catholic Community Foundation	3,017,400	1,274,050
Education	15,139,623	14,607,184
Parish Life and Development	1,417,500	1,417,500
Clergy and Religious	<u>95,700</u>	<u>95,700</u>
	<u>\$ 30,287,199</u>	<u>\$ 28,002,452</u>

Note 10. Related Party Transactions

The Foundation has an agreement with The Catholic Charities Corporation of Cleveland, Ohio (the "Corporation") to provide operational support for the Corporation's annual appeal and other fundraising efforts. Accordingly, the Foundation has reported fundraising fee revenues of \$2,193,500 and \$2,140,000 in 2017 and 2016, respectively, in the accompanying statements of activities. A total of \$14,270,317 and \$14,021,031 was raised in 2017 and 2016, respectively, for the Corporation's annual appeal. These amounts have been presented as funds raised for others.

CATHOLIC COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 10. Related Party Transactions (Continued)

As of December 31, 2017 and 2016, the Corporation owed the Foundation \$7,383 and \$647, respectively.

The Diocese of Cleveland Finance Office pays the Foundation for administrative support that amounted to \$874,000 for each of the years ended December 31, 2017 and 2016, and is included in other support in the statements of activities.