

CATHOLIC COMMUNITY FOUNDATION
FINANCIAL REPORT
DECEMBER 31, 2015 and 2014

CATHOLIC COMMUNITY FOUNDATION

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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, 2015 and 2014, 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, 2015 and 2014, 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.

Cleveland, Ohio
April 13, 2016

CATHOLIC COMMUNITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 8,059,660	\$ 9,106,800
Custodial cash and cash equivalents	65,164	139,056
Investments (Note 3)	100,561,135	100,284,534
Custodial investments (Note 3)	18,138,957	18,913,154
Pledges and accounts receivable:		
Rooted in Faith pledges (Note 5)	23,273,602	42,626,315
Grants and pledges (Note 5)	629,341	349,564
The Catholic Charities Corporation of Cleveland (Note 10)	2,380	3,525
Furniture and equipment at cost, less accumulated depreciation of \$905,222 in 2015 and \$838,205 in 2014	106,564	173,252
Assets held for charitable gift annuity agreements	1,078,622	1,108,727
Other	<u>123,296</u>	<u>191,966</u>
 Total assets	 <u>\$ 152,038,721</u>	 <u>\$ 172,896,893</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable:		
Trade	\$ 38,138	\$ 13,882
Rooted in Faith distributions (Note 2)	4,105,669	5,553,287
Due to Diocese of Cleveland Finance Office (Note 10)	276,638	2,276,638
Beneficiaries of charitable gift annuity agreements	600,552	599,698
Accrued expenses	68,468	60,687
Funds held for others	<u>18,204,121</u>	<u>19,052,211</u>
Total liabilities	23,293,586	27,556,403
 <u>NET ASSETS</u>		
Unrestricted (Note 7)	7,626,037	7,271,787
Temporarily restricted (Note 8)	94,281,890	112,602,675
Permanently restricted (Note 9)	<u>26,837,208</u>	<u>25,466,028</u>
Total net assets	<u>128,745,135</u>	<u>145,340,490</u>
 Total liabilities and net assets	 <u>\$ 152,038,721</u>	 <u>\$ 172,896,893</u>

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

CATHOLIC COMMUNITY FOUNDATION

STATEMENT OF ACTIVITIES

Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015
REVENUE AND SUPPORT				
Fundraising, support and grants	\$ 14,667,801	\$ 2,282,302	\$ 111,240	\$ 17,061,343
Less funds raised for others:				
Annual appeal (Note 10)	(11,536,531)			(11,536,531)
Bequests and gifts	(2,362,564)			(2,362,564)
Net fundraising, support and grants	768,706	2,282,302	111,240	3,162,248
Interest and dividend income	150,054	1,994,074		2,144,128
Net realized gain on investments	185,267	2,456,692		2,641,959
Net unrealized loss on investments	(294,036)	(3,899,539)		(4,193,575)
Fundraising fee (Note 10)	1,985,000			1,985,000
Other support	1,176,022			1,176,022
Change in value of annuity agreements		9,321		9,321
Reclassification and transfers of net assets (Note 8)	(123,295)	4,919,168	1,259,940	6,055,813
Net assets released from restrictions	8,050,139	(8,050,139)		-
Total revenue and support	11,897,857	(288,121)	1,371,180	12,980,916
DISTRIBUTIONS AND EXPENSES				
Distributions	8,144,692			8,144,692
Operating expenses:				
Fundraising	1,966,588			1,966,588
Other operating	890,994			890,994
Administrative expenses	245,026			245,026
Investment management expenses	296,307			296,307
Total distributions and expenses	11,543,607			11,543,607
CHANGE IN NET ASSETS BEFORE CAMPAIGN ACTIVITY AND TRANSFERS				
Campaign activity (Note 2):				
Rooted in Faith - support		(386,378)		(386,378)
Rooted in Faith - change in allowance		(54,809)		(54,809)
Rooted in Faith - expenses	(281,016)			(281,016)
Rooted in Faith - distributions	(11,265,401)			(11,265,401)
Net assets released from restrictions	11,546,417	(11,546,417)		-
Reclassification from Rooted in Faith		(6,055,813)		(6,055,813)
Transfers from Diocesan entities		10,753		10,753
	-	(18,032,664)	-	(18,032,664)
CHANGE IN NET ASSETS	354,250	(18,320,785)	1,371,180	(16,595,355)
NET ASSETS – BEGINNING OF YEAR	7,271,787	112,602,675	25,466,028	145,340,490
NET ASSETS – END OF YEAR	\$ 7,626,037	\$ 94,281,890	\$ 26,837,208	\$ 128,745,135

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

CATHOLIC COMMUNITY FOUNDATION

STATEMENT OF ACTIVITIES

Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014
REVENUE AND SUPPORT				
Fundraising, support and grants	\$ 12,887,881	\$ 1,132,610	\$ 80,818	\$ 14,101,309
Less funds raised for others:				
Annual appeal (Note 10)	(10,922,646)			(10,922,646)
Bequests and gifts	(1,461,121)			(1,461,121)
Net fundraising, support and grants	504,114	1,132,610	80,818	1,717,542
Interest and dividend income	148,783	1,946,642		2,095,425
Net realized gain on investments	176,698	2,210,516		2,387,214
Net unrealized gain on investments	92,422	1,165,732		1,258,154
Fundraising fee (Note 10)	1,945,000			1,945,000
Other support	1,140,162			1,140,162
Change in value of annuity agreements		33,250		33,250
Reclassification and transfers of net assets (Note 8)	(12,808)	5,928,235	1,428,472	7,343,899
Net assets released from restrictions	7,670,890	(7,670,890)		-
Total revenue and support	11,665,261	4,746,095	1,509,290	17,920,646
DISTRIBUTIONS AND EXPENSES				
Distributions	8,057,270			8,057,270
Operating expenses:				
Fundraising	2,073,984			2,073,984
Other operating	855,727			855,727
Administrative expenses	243,671			243,671
Investment management expenses	294,870			294,870
Total distributions and expenses	11,525,522			11,525,522
CHANGE IN NET ASSETS BEFORE CAMPAIGN ACTIVITY AND TRANSFERS				
Campaign activity (Note 2):				
Rooted in Faith - support		202,295		202,295
Rooted in Faith - change in allowance		(1,073,256)		(1,073,256)
Rooted in Faith - expenses	(292,373)			(292,373)
Rooted in Faith - distributions	(14,185,405)			(14,185,405)
Net assets released from restrictions	14,477,778	(14,477,778)		-
Reclassification from Rooted in Faith		(7,343,899)		(7,343,899)
Transfers from Diocesan entities		261,733		261,733
	-	(22,430,905)	-	(22,430,905)
CHANGE IN NET ASSETS	139,739	(17,684,810)	1,509,290	(16,035,781)
NET ASSETS – BEGINNING OF YEAR	7,132,048	130,287,485	23,956,738	161,376,271
NET ASSETS – END OF YEAR	\$ 7,271,787	\$ 112,602,675	\$ 25,466,028	\$ 145,340,490

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

CATHOLIC COMMUNITY FOUNDATION

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (16,595,355)	\$ (16,035,781)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Net realized gain on investments	(2,641,959)	(2,387,214)
Net unrealized loss (gain) on investments	4,193,575	(1,258,154)
Depreciation	67,996	73,254
Loss on disposal of fixed assets	374	-
Contributions permanently restricted	(111,240)	(80,818)
Changes in operating assets and liabilities:		
Pledges and accounts receivable	19,074,081	24,466,421
Other assets	68,670	53,246
Accounts payable	(3,423,362)	(2,365,482)
Accrued expenses	7,781	3,706
Total adjustments	<u>17,235,916</u>	<u>18,504,959</u>
Net cash provided by operating activities	640,561	2,469,178
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	40,427,413	83,748,120
Purchase of investments	(42,255,630)	(87,102,662)
Purchase of furniture and equipment	(1,683)	(3,000)
Net cash used in investing activities	<u>(1,829,900)</u>	<u>(3,357,542)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments to beneficiaries of charitable gift annuities	(85,134)	(83,699)
Net change in value of annuity agreements	116,093	44,635
Contributions permanently restricted	<u>111,240</u>	<u>80,818</u>
Net cash provided by financing activities	<u>142,199</u>	<u>41,754</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(1,047,140)	(846,610)
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	<u>9,106,800</u>	<u>9,953,410</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 8,059,660</u>	<u>\$ 9,106,800</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. 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.
- H. 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.

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>2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Common stocks	\$ 68,597,444	\$ -	\$ 68,597,444
Corporate and international bonds	30,437,639	-	30,437,639
Government and muni bonds	12,139,399	-	12,139,399
Asset backed and agency bonds	-	3,551,776	3,551,776
Total	<u>\$ 111,174,482</u>	<u>\$ 3,551,776</u>	<u>\$ 114,726,258</u>

CATHOLIC COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fair Value of Financial Instruments (Continued)

<u>2014</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Common stocks	\$ 69,064,319	\$ -	\$ 69,064,319
Corporate and international bonds	28,761,170	-	28,761,170
Government and muni bonds	10,285,477	-	10,285,477
Asset backed and agency bonds	-	5,959,928	5,959,928
 Total	 <u>\$ 108,110,966</u>	 <u>\$ 5,959,928</u>	 <u>\$ 114,070,894</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 at their net asset value based on the market value of the underlying investments and are classified as Level 2.

- I. 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.
- J. 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.
- K. 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.

CATHOLIC COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

- L. 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.

- M. 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.

- N. Subsequent Events – The Foundation has evaluated subsequent events through April 13, 2016, which is the date the financial statements were available to be issued. There were no subsequent events requiring disclosure other than what has been disclosed within these notes.

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. The overall goal of the campaign was to raise approximately \$125,000,000. As of December 31, 2015, approximately \$170,000,000 has been raised, including revocable planned gifts, contingent gifts, and certain combined parish campaigns that total approximately \$17,000,000 and are not recognized in the financial statements per accounting standards.

Campaign pledges receivable at year end were \$23,273,602 (refer to Note 5). Distributions to date total \$67,225,337 of which \$4,105,669 is included in accounts payable. Distributions are calculated in accordance with the campaign's Case for Support which includes distributions for Strengthening our Parishes, Strengthening our Faith, Catholic Education, Those who Serve, and Charitable Works. Distributions begin six months after the completion of a parish's campaign. Distributions are based on actual cash collections, and are payable the month following the close of the quarter for which the distribution is calculated.

Campaign expenses to date total \$8,183,795.

CATHOLIC COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 3. Investments and Custodial Investments

Investments are comprised of the following at December 31:

	2015		2014	
	Fair Value	Cost	Fair Value	Cost
CASH HELD FOR INVESTMENT PURPOSES	\$ 3,973,834	\$ 3,973,834	\$ 5,126,794	\$ 5,126,794
INVESTMENTS				
Common stocks	68,597,444	59,632,894	69,064,319	55,295,548
Corporate and international bonds	30,437,639	31,068,860	28,761,170	29,238,389
Government and muni bonds	12,139,399	12,120,158	10,285,477	10,323,517
Asset backed securities and agency bonds	3,551,776	3,622,601	5,959,928	5,998,752
	<u>114,726,258</u>	<u>106,444,513</u>	<u>114,070,894</u>	<u>100,856,206</u>
	<u>\$ 118,700,092</u>	<u>\$ 110,418,347</u>	<u>\$ 119,197,688</u>	<u>\$ 105,983,000</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, 2015			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment investments, beginning of year	\$ 1,542,395	\$ 8,209,779	\$ 25,454,097	\$ 35,206,271
Investment return:				
Investment income	33,931	863,821	-	897,752
Net depreciation (realized and unrealized)	<u>(25,840)</u>	<u>(599,706)</u>	<u>-</u>	<u>(625,546)</u>
Total investment return	8,091	264,115	-	272,206
Contributions	436	-	1,382,862	1,383,298
Appropriation of endowment assets for distribution	<u>(4,716)</u>	<u>(1,905,352)</u>	<u>-</u>	<u>(1,910,068)</u>
Endowment investments, end of year	<u>\$ 1,546,206</u>	<u>\$ 6,568,542</u>	<u>\$ 26,836,959</u>	<u>\$ 34,951,707</u>

CATHOLIC COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 4. Endowment Funds (Continued)

	As of December 31, 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment investments, beginning of year	\$ 1,512,691	\$ 7,676,728	\$ 23,650,933	\$ 32,840,352
Investment return:				
Investment income	35,538	848,130	-	883,668
Net appreciation (realized and unrealized)	61,253	1,466,631	-	1,527,884
Total investment return	96,791	2,314,761	-	2,411,552
Contributions	12,940	-	1,803,164	1,816,104
Appropriation of endowment assets for distribution	(80,027)	(1,781,710)	-	(1,861,737)
Endowment investments, end of year	<u>\$ 1,542,395</u>	<u>\$ 8,209,779</u>	<u>\$ 25,454,097</u>	<u>\$ 35,206,271</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:

	Rooted in Faith	Other	Total 2015	2014
Amounts due in:				
Less than one year	\$ 29,095,346	\$ 370,784	\$ 29,466,130	\$ 32,685,308
One to five years	6,855,765	275,000	7,130,765	24,062,915
Less: allowance for uncollectible pledges	(12,322,779)	-	(12,322,779)	(12,267,970)
Total	23,628,332	645,784	24,274,116	44,480,253
Less: discount to present value at 5%	(354,730)	(16,443)	(371,173)	(1,504,374)
Present value of estimated future cash flows	<u>\$ 23,273,602</u>	<u>\$ 629,341</u>	<u>\$ 23,902,943</u>	<u>\$ 42,975,879</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 \$82,674 in 2015 and \$89,147 in 2014.

Note 7. Unrestricted Net Assets

Unrestricted net assets are designated as follows:

	<u>2015</u>	<u>2014</u>
Donor advised funds	\$ 4,332,791	\$ 4,652,795
Board designated funds	1,546,206	1,542,395
Other donor funds	1,366,990	755,483
Operating	273,486	147,862
Furniture and equipment	<u>106,564</u>	<u>173,252</u>
	<u>\$ 7,626,037</u>	<u>\$ 7,271,787</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:

	2015					
	January 1, 2015	Reclass/ Transfers	Investment Changes	Gift Revenue	Amounts Released	December 31, 2015
Health and Human Services	\$ 24,565,364	\$ (9,262)	\$ 230,731	\$ 45,000	\$ (1,691,630)	\$ 23,140,203
Catholic Community Foundation	3,236,911	(1,402)	(20,599)	1,523,329	(1,050,518)	3,687,721
Education	38,432,273	4,916,760	313,775	350,927	(4,776,686)	39,237,049
Parish Life and Development	1,042,377	23,825	14,408	250	(73,815)	1,007,045
Chancery	160,491	-	363	48,160	(135,416)	73,598
Clergy and Religious	<u>1,454,865</u>	<u>-</u>	<u>4,843</u>	<u>323,957</u>	<u>(322,074)</u>	<u>1,461,591</u>
Total all funds	<u>\$ 68,892,281</u>	<u>\$ 4,929,921</u>	<u>\$ 543,521</u>	<u>\$ 2,291,623</u>	<u>\$ (8,050,139)</u>	<u>\$ 68,607,207</u>
Rooted in Faith	<u>\$ 43,710,394</u>	<u>\$ (6,055,813)</u>	<u>\$ 7,706</u>	<u>\$ (441,187)</u>	<u>\$ (11,546,417)</u>	<u>\$ 25,674,683</u>

CATHOLIC COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 8. Temporarily Restricted Net Assets (Continued)

	2014					
	January 1, 2014	Reclass/ Transfers	Investment Changes	Gift Revenue	Amounts Released	December 31, 2014
Health and Human Services	\$ 24,014,489	\$ (8,080)	\$ 2,164,222	\$ -	\$ (1,605,267)	\$ 24,565,364
Catholic Community Foundation	3,130,799	2,671	199,265	243,457	(339,281)	3,236,911
Education	34,257,599	6,171,349	2,821,294	538,490	(5,356,459)	38,432,273
Parish Life and Development	903,019	24,028	130,978	28,000	(43,648)	1,042,377
Chancery	116,150	-	246	48,349	(4,254)	160,491
Clergy and Religious	1,458,820	-	10,462	307,564	(321,981)	1,454,865
Total all funds	<u>\$ 63,880,876</u>	<u>\$ 6,189,968</u>	<u>\$ 5,326,467</u>	<u>\$ 1,165,860</u>	<u>\$ (7,670,890)</u>	<u>\$ 68,892,281</u>
Rooted in Faith	<u>\$ 66,406,609</u>	<u>\$ (7,343,899)</u>	<u>\$ (3,577)</u>	<u>\$ (870,961)</u>	<u>\$ (14,477,778)</u>	<u>\$ 43,710,394</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>2015</u>	<u>2014</u>
Secretariat for:		
Health and Human Services	\$ 10,598,985	\$ 10,589,724
Catholic Community Foundation	1,218,070	1,184,479
Education	13,507,153	12,178,825
Parish Life and Development	1,417,500	1,417,500
Clergy and Religious	<u>95,500</u>	<u>95,500</u>
	<u>\$ 26,837,208</u>	<u>\$ 25,466,028</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 its annual appeal and other fundraising efforts. Accordingly, the Foundation has reported revenues of \$1,985,000 and \$1,945,000 in 2015 and 2014, respectively, in the accompanying statements of activities. A total of \$13,899,095 and \$12,383,767 was raised in 2015 and 2014, respectively, for the Corporation's annual appeal. The 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, 2015 and 2014, the Corporation owed the Foundation \$2,380 and \$3,525, respectively.

The Diocese of Cleveland Finance Office is providing temporary financing for the costs relating to the Rooted in Faith campaign. As of December 31, 2015 and 2014, \$276,638 and \$2,276,638, respectively, was due to the Finance Office for campaign costs. The Diocese of Cleveland Finance Office also pays the Foundation for administrative support that amounted to \$1,121,000 and \$1,089,307 at December 31, 2015 and 2014, respectively, and is included in other support in the statements of activities.