

CATHOLIC COMMUNITY FOUNDATION
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

**CATHOLIC COMMUNITY FOUNDATION
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YEARS ENDED JUNE 30, 2017 AND 2016**

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INDEPENDENT AUDITORS' REPORT

Very Rev. Msgr. Mark Richard Lane, Diocesan Administrator
Catholic Community Foundation
Richmond, Virginia

We have audited the accompanying financial statements of Catholic Community Foundation (the Foundation), which comprise the statements of financial position as of June 30, 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 audits 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 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 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.

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

Very Rev. Msgr. Mark Richard Lane, Diocesan Administrator
Catholic Community Foundation

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catholic Community Foundation as of June 30, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
September 21, 2017

**CATHOLIC COMMUNITY FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016**

| | 2017 | 2016 |
|---|----------------|----------------|
| ASSETS | | |
| ASSETS | | |
| Cash | \$ 189,117 | \$ 1,585 |
| Receivable from Catholic Diocese of Richmond | 5,293,753 | 7,389,894 |
| Net Pledges Receivable | 29,274 | - |
| Charitable Gift Annuity Investments | 1,158,474 | 1,044,684 |
| Investments | 128,284,396 | 98,148,904 |
| Total Assets | \$ 134,955,014 | \$ 106,585,067 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts Payable | \$ 151,439 | \$ 1,600 |
| Due to McMahon Parater Scholarship Foundation | 170,597 | - |
| Agency Funds | 75,281,780 | 64,765,903 |
| Charitable Gift Annuity Obligation | 784,092 | 754,983 |
| Total Liabilities | 76,387,908 | 65,522,486 |
| NET ASSETS | | |
| Unrestricted | 37,679 | 37,694 |
| Temporarily Restricted | 41,933,560 | 32,079,530 |
| Permanently Restricted | 16,595,867 | 8,945,357 |
| Total Net Assets | 58,567,106 | 41,062,581 |
| Total Liabilities and Net Assets | \$ 134,955,014 | \$ 106,585,067 |

See accompanying Notes to Financial Statements.

**CATHOLIC COMMUNITY FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2017 AND 2016**

| | 2017 | | | | 2016 | | | |
|--|------------------|------------------------|------------------------|----------------------|------------------|------------------------|------------------------|----------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| REVENUES | | | | | | | | |
| Contributions | \$ - | \$ 1,870,119 | \$ 90,552 | \$ 1,960,671 | \$ - | \$ 1,611,809 | \$ 4,941,496 | \$ 6,553,305 |
| Fee for General Support | 141,835 | - | - | 141,835 | 106,011 | - | - | 106,011 |
| Net Investment Income | - | 755,582 | - | 755,582 | - | 887,843 | - | 887,843 |
| Net Unrealized/Realized Gain / (Loss) on Investments | - | 3,367,394 | - | 3,367,394 | - | (133,423) | - | (133,423) |
| Change in Value - Split Interest Agreement | - | (29,678) | - | (29,678) | - | 5,484 | - | 5,484 |
| Reclass of Endowments with Deficiencies | - | - | - | - | 208 | (208) | - | - |
| Release from Restrictions | 45,712 | (45,712) | - | - | 45,712 | (45,712) | - | - |
| Total Revenues | 187,547 | 5,917,705 | 90,552 | 6,195,804 | 151,931 | 2,325,793 | 4,941,496 | 7,419,220 |
| ADMINISTRATIVE EXPENSES | | | | | | | | |
| Administrative Expenses | 187,562 | - | - | 187,562 | 114,029 | - | - | 114,029 |
| Total Expenses | 187,562 | - | - | 187,562 | 114,029 | - | - | 114,029 |
| CHANGE IN NET ASSETS FROM OPERATIONS | (15) | 5,917,705 | 90,552 | 6,008,242 | 37,902 | 2,325,793 | 4,941,496 | 7,305,191 |
| Transfer in from McMahon Parater Scholarship Foundation | - | 3,936,325 | 7,559,958 | 11,496,283 | - | - | - | - |
| TOTAL CHANGE IN NET ASSETS | (15) | 9,854,030 | 7,650,510 | 17,504,525 | 37,902 | 2,325,793 | 4,941,496 | 7,305,191 |
| Net Assets - Beginning of Year | 37,694 | 32,079,530 | 8,945,357 | 41,062,581 | (208) | 29,753,737 | 4,003,861 | 33,757,390 |
| NET ASSETS - END OF YEAR | \$ 37,679 | \$ 41,933,560 | \$ 16,595,867 | \$ 58,567,106 | \$ 37,694 | \$ 32,079,530 | \$ 8,945,357 | \$ 41,062,581 |

See accompanying Notes to Financial Statements.

**CATHOLIC COMMUNITY FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016**

| | 2017 | 2016 |
|--|---------------|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Assets | \$ 17,504,525 | \$ 7,305,191 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: | | |
| Net Unrealized (Gain) Loss on Investments | (3,367,394) | 133,423 |
| Change in Value - Split Interest Agreement | 29,678 | (5,484) |
| (Increase) Decrease in Assets: | | |
| Receivable from Catholic Diocese of Richmond | 2,096,141 | (3,398,533) |
| Pledge Receivable | (29,274) | - |
| Increase (Decrease) in Liabilities: | | |
| Accounts Payable | 149,839 | (228) |
| Payable to McMahon Parater Scholarship Foundation | 170,597 | - |
| Agency Funds | 10,515,877 | 4,363,765 |
| Net Cash Provided by Operating Activities | 27,069,989 | 8,398,134 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Payments on Charitable Gift Annuity Obligations | (569) | (571) |
| Purchase of Investments | (31,368,768) | (143,385,622) |
| Proceeds from Sale of Investments | 4,486,880 | 134,988,144 |
| Net Cash Used by Investing Activities | (26,882,457) | (8,398,049) |
| INCREASE IN CASH AND CASH EQUIVALENTS | 187,532 | 85 |
| Cash and Cash Equivalents - Beginning of Year | 1,585 | 1,500 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 189,117 | \$ 1,585 |

See accompanying Notes to Financial Statements.

**CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 1 ORGANIZATION

The Catholic Community Foundation of the Catholic Diocese of Richmond (the Foundation) was established as of September 23, 2014, to build a dynamic force of Catholic philanthropy in the Catholic Diocese of Richmond (the Diocese) that enables donors to make a significant impact in the lives of others by helping to perpetuate the work of its parishes, schools and ministries. By contributing major endowment gifts, bequests, charitable gift annuities, trusts, and/or other legacy gifts through the Foundation, donors build long-term financial stability for the Catholic causes they hold dear while making a profound impact on the future generations of the Church.

The Foundation is a corporation sole. The Bishop of the Catholic Diocese of Richmond, Virginia, or his successor in office, is the sole member of the corporation. The affairs of the Foundation are managed by a board of directors appointed by the sole member of the corporation subject to the powers reserved exclusively for the sole member.

The Foundation accomplishes its mission through the following activities:

Endowments

Endowment funds are recorded as net assets on the statements of financial position. Endowments originate from donor contributions and from the Living Our Mission Campaign (the Campaign).

The Living Our Mission Campaign is currently being administered by the Administrative Offices of the Diocese to raise funds to benefit the Diocese. Many of the case elements included in the Living Our Mission Campaign are for the benefit of the Foundation.

On June 1, 2017, endowments were transferred from the McMahon Parater Foundation for Education to the Catholic Community Foundation. These endowments were established to provide financial assistance to Catholic Schools within the confines of the Catholic Diocese of Richmond. The sources of revenue related to these endowments are contributions from individual donors as well as from the Living Our Mission Campaign.

Charitable Gift Annuities

Charitable gift annuities are offered to donors wishing to make a deferred gift to the Foundation for the benefit of the Diocese or its affiliates. Donors receive life income payments and the gift remainders are restricted for Foundation endowments or other charitable causes. Net earnings on charitable gift annuities in excess of the payments made to donors are restricted for Foundation endowment programs or other charitable causes selected by the donor in the original gift instrument.

**CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 1 ORGANIZATION (CONTINUED)

Agency Funds

The Foundation manages and invests funds as an agent for the Administrative Offices of the Diocese, parishes, schools, and other affiliated entities within the Diocese. Deposits and withdrawals are made at the direction of the respective organization. Either party may cancel an agency agreement at any time.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting. As such, revenues are recognized when earned and expenses are recognized when the underlying obligations are incurred.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent asset and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Income Tax Status

The Foundation is exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and has been classified by the Internal Revenue Service as other than a private foundation under Section 509(a)(3).

The Foundation believes it has appropriate support for any tax positions taken, and therefore, does not have any uncertain income tax positions that are material to the financial statements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Pledges Receivable

Unconditional promises to give are recorded as receivables and revenue when received and allowances are provided for amounts estimated to be uncollectible.

**CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are composed of debt and equity securities. Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Realized and unrealized gains and losses for investments, other than agency obligations, are reflected in the statement of activities. Investment income and gains and losses on agency obligations are reported as a direct increase or decrease to the obligations on the statement of financial position. Investment income and gains and losses for charitable gift annuities are recorded within the trust activity.

The Foundation invests its endowments, agency funds, and charitable gift annuities in six investment pools managed by various investment managers exclusively for the Foundation. Investment income and realized and unrealized gains and losses from investments within the investment pools as well as investment costs are allocated monthly to the individual funds based on the calculated net asset value of the total market value of the pool as adjusted for additions to or distributions from those funds.

Fair Value Measurements

The Foundation accounts for investments, including agency funds and charitable gift annuity investments, at their fair value.

Fair Value Hierarchy

The Foundation has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Financial assets and liabilities recorded on the statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Foundation has the ability to access.

**CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Hierarchy (Continued)

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

- quoted prices for similar assets or liabilities in active markets;
- pricing models whose inputs are observable for substantially the full term of the asset or liability; and
- pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

Net Assets

For financial statement purposes, net assets consist of the following:

Unrestricted Net Assets – Net assets that are those currently available at the discretion of the Foundation for use in operations and those resources invested in property or equipment.

Temporarily Restricted Net Assets – Net assets that are stipulated by donors for specific operating purposes or for the acquisition of property or equipment. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted revenue whose restrictions are met in the same year is reflected as unrestricted revenue.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation, the income from which is expendable in accordance with the conditions of each specific donation.

**CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time 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 restrictions.

Contributions received in the current year that are donor restricted are reported as increases in unrestricted net assets if the restrictions also expire (when a stipulated time restriction ends or purpose restriction is accomplished) within the current year.

Uniform Prudent Management of Institutional Funds Act

During 2008, the Commonwealth of Virginia enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). In August 2008, an accounting standard was passed which provides guidance on the classification of endowment fund net assets for states that have enacted versions of UPMIFA. Under UPMIFA all unappropriated endowment fund assets are considered restricted.

Reclassifications

Certain reclassifications have been made to the June 30, 2016 financial statements to conform with the June 30, 2017 presentation. These reclassifications have no effect on net assets previously reported.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through September 21, 2017, the date the financial statements were available for issuance.

NOTE 3 CONCENTRATION OF CREDIT AND MARKET RISK

The Foundation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation also invests in a variety of investments. These investments are exposed to various risks, such as fluctuations in market value and credit risk. It is at least reasonably possible that changes in risk in the near term could materially affect investment balances and the amounts reported in the financial statements.

**CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 4 INVESTMENTS

Investments are stated at their readily determinable fair value and are summarized as follows as of June 30:

| | 2017 | | 2016 | |
|---|-----------------------|-----------------------|----------------------|----------------------|
| | Cost | Fair Value | Cost | Fair Value |
| Money Market | \$ 12,301,683 | \$ 12,301,683 | \$ 5,222,680 | \$ 5,222,680 |
| U.S. Government Obligations | 16,576,548 | 16,376,387 | 14,563,515 | 14,710,320 |
| Corporate Obligations | 12,976,046 | 12,961,746 | 7,150,515 | 7,365,201 |
| Common Stocks | 65,533,003 | 82,123,925 | 57,726,382 | 67,317,063 |
| Mutual Funds - Equity | 5,248,536 | 5,480,953 | 4,500,000 | 4,578,324 |
| Mutual Funds - Fixed Income | 197,858 | 198,176 | - | - |
| Total Investment Securities | 112,833,674 | 129,442,870 | 89,163,092 | 99,193,588 |
| Less Amounts Presented Separately on the Statements of Financial Position: | | | | |
| Charitable Gift Annuity Investments | 1,058,086 | 1,158,474 | 1,040,625 | 1,044,684 |
| Total Investments | <u>\$ 111,775,588</u> | <u>\$ 128,284,396</u> | <u>\$ 88,122,467</u> | <u>\$ 98,148,904</u> |

The following tables present the balances of assets and liabilities measured at fair value on a recurring basis as of June 30, 2017 and 2016 by level within the fair value hierarchy:

| | 2017 | | | |
|-----------------------------|-----------------------|-------------|-------------|-----------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Money Market | \$ 12,301,683 | \$ - | \$ - | \$ 12,301,683 |
| U.S. Government Obligations | 16,376,387 | - | - | 16,376,387 |
| Corporate Obligations | 12,961,746 | - | - | 12,961,746 |
| Common Stocks | 82,123,925 | - | - | 82,123,925 |
| Mutual Funds - Equity | 5,480,953 | - | - | 5,480,953 |
| Mutual Funds - Fixed Income | 198,176 | - | - | 198,176 |
| Total | <u>\$ 129,442,870</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 129,442,870</u> |

| | 2016 | | | |
|-----------------------------|----------------------|-------------|-------------|----------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Money Market | \$ 5,222,680 | \$ - | \$ - | \$ 5,222,680 |
| U.S. Government Obligations | 14,710,320 | - | - | 14,710,320 |
| Corporate Obligations | 7,365,201 | - | - | 7,365,201 |
| Common Stocks | 67,317,063 | - | - | 67,317,063 |
| Mutual Funds - Equity | 4,578,324 | - | - | 4,578,324 |
| Total | <u>\$ 99,193,588</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 99,193,588</u> |

The Foundation has evaluated the various types of investment funds in its investment portfolio to determine an appropriate fair value hierarchy level based on trading activity and the observability of market inputs.

**CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 4 INVESTMENTS (CONTINUED)

Total net investment earnings for the year ended June 30, 2017 consists of the following:

| Catholic Community Foundation | 2017 | 2016 |
|--|---------------|--------------|
| Net Investment Income | \$ 755,582 | \$ 887,843 |
| Net Unrealized/Realized Gain (Loss) on Investments | 3,367,394 | (133,423) |
| | 4,122,976 | 754,420 |
| Agency Funds | | |
| Investment earnings allocated to Agency funds | 7,206,419 | 1,279,283 |
| Total net Investment Earnings - Catholic Community Foundation and Agency funds | \$ 11,329,395 | \$ 2,033,703 |

Investment management expenses, which have been netted within Investment Income and Funds held for other Diocesan entities, totaled \$362,052 and \$341,034 for the years ended June 30, 2017 and 2016, respectively.

NOTE 5 PLEDGES RECEIVABLE

The receivable from the Administrative Offices of the Catholic Diocese of Richmond is related to pledges receivable from the Living Our Mission Campaign. The amount of the receivable was calculated based on pledges received by the Diocese for the Living Our Mission Campaign, net of allowance and discount. The Diocese allocated the net pledges received as of year-end to the various cases included in the Campaign. The net pledges allocated to the cases that benefit the Foundation are \$5,293,753 and \$7,352,185 as of June 30, 2017 and 2016, respectively. The remaining receivable from the Catholic Diocese of Richmond relates to reimbursement for expenses that were not incurred.

The pledges receivable will be paid to the Foundation as cash is collected by the Diocese. There is no set schedule for payments at this time as the Diocese must distribute the parishes' share and administrative expenses prior to making distributions to the cases. Additionally, the Diocese has discretion as to which order the cases of the Campaign will be funded.

Additional pledges receivable from individual donors to the Foundation consist of the following as of June 30, 2017:

| | |
|-------------------------------------|-----------|
| Receivable in Less than One Year | \$ 10,000 |
| Receivable in One to Five Years | 20,000 |
| | 30,000 |
| Less: Discount on Net Present Value | 726 |
| Pledges Receivable | \$ 29,274 |

**CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 6 CHARITABLE GIFT ANNUITY OBLIGATIONS

The Foundation has entered into two charitable gift annuities with its donors. The Foundation is obligated to make payments to the annuitants for the remainder of their lives. The contributed funds for charitable gift annuities immediately become part of the general assets and liabilities of the Foundation.

Assets received are recorded at fair value on the date the agreement is recognized, and a liability is recorded equal to the present value of the estimated future obligations based on mortality rates derived from ordinary life annuity tables.

No contribution revenue on charitable gift annuity agreements was recognized in 2017 or 2016. The two deferred gift obligations have imputed interest rates between 5.4% and 5.7%, respectively. The change in the charitable gift annuity liabilities consist of the following for the years ended June 30:

| | <u>2017</u> | <u>2016</u> |
|--------------------------------------|-------------------|-------------------|
| Beginning gift annuity liabilities | \$ 754,983 | \$ 761,038 |
| Net actuarial changes in liabilities | 29,678 | (5,484) |
| Payments to beneficiaries | (569) | (571) |
| Ending gift annuity liabilities | <u>\$ 784,092</u> | <u>\$ 754,983</u> |

**CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 7 RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30:

| | 2017 | 2016 |
|--|---------------|---------------|
| Harlan Seymour Charitable Gift Annuity for the benefit of St. Michael Catholic Church | \$ 369,925 | \$ 285,736 |
| Fr. Benoit Charitable Gift Annuity for the benefit of the Diocese | 4,457 | 3,965 |
| Marian Manor Rental Assistance Fund | 6,562,666 | 5,672,554 |
| Our Lady of Peace Rental Assistance Fund | 6,998,247 | 6,095,740 |
| Our Lady of Hope Rental Assistance Fund | 5,053,576 | 4,324,033 |
| Our Lady of Perpetual Help Rental Assistance Fund | 4,004,165 | 3,261,162 |
| St. Mary's Woods Rental Assistance Fund | 8,460,640 | 7,300,874 |
| Our Lady of the Valley Rental Assistance Fund | 6,252,964 | 5,124,401 |
| LOM - Seminarian Education and Advanced Education Endowment | 61,028 | 2,765 |
| LOM - Youth, Young Adult and Campus Ministry Endowment | 44,196 | 2,090 |
| LOM - Social Ministry Outreach and Mission Parish Endowment | 54,238 | 2,735 |
| Coghlan Scholarship Fund | 41,464 | 2,795 |
| LOM - CCF Tuition Assistance | 12,063 | 680 |
| MPFE: Catholic School Tuition Assistance | 3,947,302 | - |
| MPFE: Catholic School Teacher Development | 33,225 | - |
| MPFE: Catholic School Academic Innovations | 33,225 | - |
| James F. Kauffmann Endowment Fund for Seminarians | 179 | - |
| Total | \$ 41,933,560 | \$ 32,079,530 |

Permanently restricted net assets are available for the following purposes at June 30:

| | 2017 | 2016 |
|---|---------------|--------------|
| LOM - Seminarian Education and Advanced Education Endowment | \$ 2,963,850 | \$ 3,041,852 |
| LOM - Youth, Young Adult and Campus Ministry Endowment | 3,111,883 | 3,036,853 |
| LOM - Social Ministry Outreach and Mission Parish Endowment | 2,497,463 | 2,433,480 |
| LOM - CCF Tuition Assistance | 100,000 | 100,000 |
| MPFE: Catholic School Tuition Assistance | 7,316,121 | - |
| MPFE: Catholic School Teacher Development | 127,025 | - |
| MPFE: Catholic School Academic Innovations | 127,025 | - |
| James F. Kauffmann Endowment Fund for Seminarians | 2,500 | - |
| Coghlan Scholarship Fund | 350,000 | 333,172 |
| Total | \$ 16,595,867 | \$ 8,945,357 |

NOTE 8 ENDOWMENTS

The Foundation endowments consist of various funds established for the purpose that the principal is to be held indefinitely and income from which is expendable to fund as many sponsorships as possible. As required by GAAP, net assets associated with endowment funds, including funds (if any) designated by the Foundation to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 8 ENDOWMENTS (CONTINUED)

The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (the Act) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of the gift donated to the permanent endowment, (b) the original value of subsequent gifts (if any) to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the Act.

In accordance with the Act, the Foundation considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. The investment policies of the Foundation

Changes in endowment net assets for the year ended June 30, 2017 and 2016 are as follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|--------------|---------------------------|---------------------------|---------------|
| Endowment Net Assets, June 30, 2015 | \$ (208) | \$ - | \$ 4,003,861 | \$ 4,003,653 |
| Investment Return: | | | | |
| Investment Income | - | 9,766 | - | 9,766 |
| Net Appreciation | - | 1,507 | - | 1,507 |
| Endowment Funds with Deficiencies | 208 | (208) | - | - |
| Total Return | 208 | 11,065 | - | 11,273 |
| Contributions | - | - | 4,941,496 | 4,941,496 |
| Appropriation of Endowment Assets for Expenditure | - | - | - | - |
| Endowment Net Assets, June 30, 2016 | - | 11,065 | 8,945,357 | 8,956,422 |
| Investment Return: | | | | |
| Investment Income | - | 63,599 | - | 63,599 |
| Net Appreciation | - | 216,680 | - | 216,680 |
| Total Return | - | 280,279 | - | 280,279 |
| Contributions | - | - | 90,552 | 90,552 |
| Transfer in from McMahon Parater Foundation | - | 3,936,325 | 7,559,958 | 11,496,283 |
| Appropriation of Endowment Assets for Expenditure | - | (749) | - | (749) |
| Endowment Net Assets, June 30, 2017 | \$ - | \$ 4,226,920 | \$ 16,595,867 | \$ 20,822,787 |

**CATHOLIC COMMUNITY FOUNDATION
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NOTE 8 ENDOWMENTS (CONTINUED)

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or the Act requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. No funds have a deficiency as of June 30, 2017 and 2016.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for sponsorship supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity. Under this policy, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a balanced investment portfolio comprised of 72.5% equities, 21.5% fixed incomes, 5% alternatives, and 1% cash, while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 6% – 7% annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objective within prudent risk constraints.

The Foundation has adopted a policy of appropriating for distribution each year, a percent the Foundation deems prudent, of its endowment fund's fair value through the fiscal year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 3% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

**CATHOLIC COMMUNITY FOUNDATION
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NOTE 9 RELATED PARTY TRANSACTIONS

During the years ended June 30, 2017 and 2016, the Foundation had a receivable from the Administrative Offices of the Catholic Diocese of Richmond of \$5,293,753 and \$7,389,894, respectively (see Note 5).

The Administrative Offices of the Catholic Diocese of Richmond has a receivable from the Foundation in the amount of \$151,439 and \$1,600 for the years ended June 30, 2017 and 2016, respectively.

As of June 30, 2017, the McMahon Parater Scholarship Foundation has a receivable from the Foundation in the amount of \$170,597.

During the years ended June 30, 2017 and 2016, the Foundation incurred management fee expenses of \$187,562 and \$114,029. This fee is charged by the Administrative Offices of the Catholic Diocese of Richmond.