

CATHOLIC COMMUNITY FOUNDATION
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

**CATHOLIC COMMUNITY FOUNDATION
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2018 AND 2017**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS	6

INDEPENDENT AUDITORS' REPORT

The Most Reverend Barry C. Knestout
Bishop of the Catholic Diocese of Richmond
Catholic Community Foundation
Richmond, Virginia

We have audited the accompanying financial statements of the Catholic Community Foundation (the Foundation), which comprise the statements of financial position as of June 30, 2018 and 2017, 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.

The Most Reverend Barry C. Knestout
Bishop of the Catholic Diocese of Richmond
Catholic Community Foundation

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Catholic Community Foundation as of June 30, 2018 and 2017, 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
March 21, 2019

**CATHOLIC COMMUNITY FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017**

	2018	2017
ASSETS		
ASSETS		
Cash	\$ 37,649	\$ 189,117
Receivable from Catholic Diocese of Richmond	3,584,408	5,293,753
Net Pledges Receivable	-	29,274
Charitable Gift Annuity Investments	1,330,538	1,158,474
Investments	148,070,407	128,284,396
Total Assets	\$ 153,023,002	\$ 134,955,014
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ -	\$ 151,439
Due to McMahon Parater Scholarship Foundation	-	170,597
Agency Funds	87,151,390	75,281,780
Charitable Gift Annuity Obligation	847,506	784,092
Total Liabilities	87,998,896	76,387,908
NET ASSETS		
Unrestricted	38,210	37,679
Temporarily Restricted	48,014,975	41,933,560
Permanently Restricted	16,970,921	16,595,867
Total Net Assets	65,024,106	58,567,106
Total Liabilities and Net Assets	\$ 153,023,002	\$ 134,955,014

See accompanying Notes to Financial Statements.

**CATHOLIC COMMUNITY FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2018 AND 2017**

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES								
Contributions	\$ 652	\$ 1,799,536	\$ 375,054	\$ 2,175,242	\$ -	\$ 1,870,119	\$ 90,552	\$ 1,960,671
Contributions - Charitable Gift Annuities	-	37,101	-	37,101	-	-	-	-
Fee for General Support	201,232	-	-	201,232	141,835	-	-	141,835
Net Investment Income	3	1,231,332	-	1,231,335	-	755,582	-	755,582
Net Unrealized/Realized Gain (Loss) on Investments	6	3,468,490	-	3,468,496	-	3,367,394	-	3,367,394
Change in Value - Split Interest Agreement	-	(25,017)	-	(25,017)	-	(29,678)	-	(29,678)
Release from Restrictions	430,027	(430,027)	-	-	45,712	(45,712)	-	-
Total Revenues	631,920	6,081,415	375,054	7,088,389	187,547	5,917,705	90,552	6,195,804
ADMINISTRATIVE EXPENSES								
Administrative Expenses	309,181	-	-	309,181	187,562	-	-	187,562
Program Expenses	322,208	-	-	322,208	-	-	-	-
Total Expenses	631,389	-	-	631,389	187,562	-	-	187,562
CHANGE IN NET ASSETS FROM OPERATIONS	531	6,081,415	375,054	6,457,000	(15)	5,917,705	90,552	6,008,242
Transfer in from McMahon Parater Scholarship Foundation	-	-	-	-	-	3,936,325	7,559,958	11,496,283
TOTAL CHANGE IN NET ASSETS	531	6,081,415	375,054	6,457,000	(15)	9,854,030	7,650,510	17,504,525
Net Assets - Beginning of Year	37,679	41,933,560	16,595,867	58,567,106	37,694	32,079,530	8,945,357	41,062,581
NET ASSETS - END OF YEAR	\$ 38,210	\$ 48,014,975	\$ 16,970,921	\$ 65,024,106	\$ 37,679	\$ 41,933,560	\$ 16,595,867	\$ 58,567,106

See accompanying Notes to Financial Statements.

**CATHOLIC COMMUNITY FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 6,457,000	\$ 17,504,525
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Net Unrealized and Realized Gain on Investments	(3,468,496)	(3,367,394)
Change in Value - Split Interest Agreement	25,017	29,678
(Increase) Decrease in Assets:		
Receivable from Catholic Diocese of Richmond	1,709,345	2,096,141
Pledge Receivable	29,274	(29,274)
Increase (Decrease) in Liabilities:		
Accounts Payable	(151,439)	149,839
Payable to McMahon Parater Scholarship Foundation	(170,597)	170,597
Agency Funds	11,869,610	10,515,877
Net Cash Provided by Operating Activities	16,299,714	27,069,989
 CASH FLOWS FROM INVESTING ACTIVITIES		
Payments on Charitable Gift Annuity Obligations	(4,501)	(569)
Purchase of Investments	(19,615,505)	(31,368,768)
Proceeds from Sale of Investments	3,125,926	4,486,880
Net Cash Used by Investing Activities	(16,494,080)	(26,882,457)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Additions to Charitable Gift Annuity Obligations	42,898	-
Net Cash Provided by Financing Activities	42,898	-
 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(151,468)	187,532
Cash and Cash Equivalents - Beginning of Year	189,117	1,585
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 37,649	\$ 189,117

See accompanying Notes to Financial Statements.

**CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

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, 2018 AND 2017**

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, 2018 AND 2017**

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's investments for endowments, agency funds, and charitable gift annuities are managed by various investment managers exclusively for the Foundation. Investment income and realized and unrealized gains and losses from investments 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 investment 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, 2018 AND 2017**

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 currently available at the discretion of the Foundation for use in operations.

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 are 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, 2018 AND 2017**

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.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through March 21, 2019, 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, 2018 AND 2017**

NOTE 4 INVESTMENTS

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

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Money Market	\$ 12,513,809	\$ 12,513,809	\$ 12,301,683	\$ 12,301,683
U.S. Government Obligations	17,874,238	17,437,767	16,576,548	16,376,387
Corporate Obligations	11,421,530	10,960,515	12,976,046	12,961,746
Common Stocks	81,044,281	102,667,909	65,533,003	82,123,925
Preferred Securities	21,895	19,414	-	-
Mutual Funds - Equity	5,144,966	5,801,531	5,248,536	5,480,953
Mutual Funds - Fixed Income	-	-	197,858	198,176
Total Investment Securities	128,020,719	149,400,945	112,833,674	129,442,870
Less Amounts Presented Separately on the Statements of Financial Position:				
Charitable Gift Annuity Investments	1,155,175	1,330,538	1,058,086	1,158,474
Total Investments	<u>\$ 126,865,544</u>	<u>\$ 148,070,407</u>	<u>\$ 111,775,588</u>	<u>\$ 128,284,396</u>

The following tables present the balances of assets and liabilities measured at fair value on a recurring basis as of June 30, 2018 and 2017 by level within the fair value hierarchy:

	2018			
	Level 1	Level 2	Level 3	Total
Money Market	\$ 12,513,809	\$ -	\$ -	\$ 12,513,809
U.S. Government Obligations	17,437,767	-	-	17,437,767
Corporate Obligations	10,960,515	-	-	10,960,515
Common Stocks	102,667,909	-	-	102,667,909
Preferred Securities	19,414	-	-	19,414
Mutual Funds - Equity	5,801,531	-	-	5,801,531
Total	<u>\$ 149,400,945</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 149,400,945</u>

	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>

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, 2018 AND 2017**

NOTE 4 INVESTMENTS (CONTINUED)

Total net investment earnings for the years ended June 30, 2018 and 2017 consists of the following:

	<u>2018</u>	<u>2017</u>
Catholic Community Foundation		
Net Investment Income	\$ 1,231,335	\$ 755,582
Net Unrealized/Realized Gain (Loss) on Investments	<u>3,468,496</u>	<u>3,367,394</u>
	4,699,831	4,122,976
Agency Funds		
Investment Earnings Allocated to Agency Funds	<u>6,411,878</u>	<u>7,206,419</u>
Total Net Investment Earnings - Catholic Community Foundation and Agency funds	<u>\$ 11,111,709</u>	<u>\$ 11,329,395</u>

Investment management expenses, which have been netted within Investment Income and Funds held for other Diocesan entities, totaled \$425,830 and \$362,052 for the years ended June 30, 2018 and 2017, 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 \$3,584,408 and \$5,293,753 as of June 30, 2018 and 2017, 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 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.

NOTE 6 CHARITABLE GIFT ANNUITY OBLIGATIONS

The Foundation has entered into six 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.

**CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 6 CHARITABLE GIFT ANNUITY OBLIGATIONS (CONTINUED)

Contribution revenue on charitable gift annuity agreements totaled \$37,101 and \$-0- for the years ended June 30, 2018 and 2017, respectively. The six deferred gift obligations have imputed interest rates between 4.6% and 7.5%, respectively. The change in the charitable gift annuity liabilities consist of the following for the years ended June 30:

	2018	2017
Beginning gift annuity liabilities	\$ 784,092	\$ 754,983
Contributions	42,898	-
Net actuarial changes in liabilities	25,017	29,678
Payments to beneficiaries	(4,501)	(569)
Ending gift annuity liabilities	<u>\$ 847,506</u>	<u>\$ 784,092</u>

NOTE 7 RESTRICTED NET ASSETS

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

	2018	2017
Harlan Seymour Charitable Gift Annuity for the benefit of St. Michael Catholic Church	\$ 437,587	\$ 369,925
Fr. Benoit Charitable Gift Annuity for the benefit of the Diocese	4,969	4,457
Marian Manor Rental Assistance Fund	7,325,135	6,562,666
Our Lady of Peace Rental Assistance Fund	7,695,812	6,998,247
Our Lady of Hope Rental Assistance Fund	5,587,859	5,053,576
Our Lady of Perpetual Help Rental Assistance Fund	4,712,859	4,004,165
St. Mary's Woods Rental Assistance Fund	9,532,846	8,460,640
Our Lady of the Valley Rental Assistance Fund	7,373,254	6,252,964
LOM - Seminarian Education and Advanced Education Endowment	187,936	61,028
LOM - Youth, Young Adult and Campus Ministry Endowment	163,450	44,196
LOM - Social Ministry Outreach and Mission Parish Endowment	160,537	54,238
E & E Scholarship Endowment for St. Joseph Catholic School	67,707	41,464
LOM - CCF Tuition Assistance	21,317	12,063
MPFE: Catholic School Tuition Assistance	4,598,989	3,947,302
MPFE: Catholic School Teacher Development	45,988	33,225
MPFE: Catholic School Academic Innovations	45,988	33,225
Steve Huppert Charitable Gift Annuity for the Benefit of Holy Spirit Church, Christiansburg	5,143	-
Bernard and Nancy Goehring Charitable Gift Annuity for the Benefit of St. Francis of Assisi Church, Rocky Mount	27,251	-
Christine McGrath Charitable Gift Annuity for the Benefit of Music Ministry with the Office of Worship, Pastoral Center	4,004	-
Sal LaPaglia Charitable Gift Annuity for the benefit of St. Joseph Church, Richmond	4,078	-
JBH Fund for Tuition Assistance	9,353	-
Bishop DiLorenzo Memorial Fund for Priests	465	-
James F. Kauffmann Endowment Fund for Seminarians	2,448	179
Total	<u>\$ 48,014,975</u>	<u>\$ 41,933,560</u>

**CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 7 RESTRICTED NET ASSETS (CONTINUED)

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

	2018	2017
LOM - Seminarian Education and Advanced Education Endowment	\$ 2,976,716	\$ 2,963,850
LOM - Youth, Young Adult and Campus Ministry Endowment	3,108,428	3,111,883
LOM - Social Ministry Outreach and Mission Parish Endowment	2,501,115	2,497,463
LOM - CCF Tuition Assistance	100,000	100,000
MPFE: Catholic School Tuition Assistance	7,304,980	7,316,121
MPFE: Catholic School Teacher Development	127,025	127,025
MPFE: Catholic School Academic Innovations	127,025	127,025
James F. Kauffmann Endowment Fund for Seminarians	80,754	2,500
E & E Scholarship Endowment for St. Joseph Catholic School	377,897	350,000
JBH Fund for Tuition Assistance	106,996	-
Bishop DiLorenzo Memorial Fund for Priests	159,985	-
Total	<u>\$ 16,970,921</u>	<u>\$ 16,595,867</u>

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.

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.

**CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 8 ENDOWMENTS (CONTINUED)

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 years ended June 30, 2018 and 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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
Investment Return:				
Investment Income	-	254,762	-	254,762
Net Appreciation	-	787,559	-	787,559
Total Return	-	1,042,321	-	1,042,321
Contributions	-	-	375,054	375,054
Appropriation of Endowment Assets for Expenditure	-	(177,195)	-	(177,195)
Endowment Net Assets, June 30, 2018	\$ -	\$ 5,092,046	\$ 16,970,921	\$ 22,062,967

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, 2018 and 2017.

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.

**CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 8 ENDOWMENTS (CONTINUED)

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.

NOTE 9 RELATED PARTY TRANSACTIONS

During the years ended June 30, 2018 and 2017, the Foundation had a receivable from the Administrative Offices of the Catholic Diocese of Richmond of \$3,584,408 and \$5,293,753, respectively (see Note 5).

The Administrative Offices of the Catholic Diocese of Richmond has a receivable from the Foundation in the amount of \$-0- and \$151,439 for the years ended June 30, 2018 and 2017, respectively.

As of June 30, 2018 and 2017, the McMahon Parater Scholarship Foundation has a receivable from the Foundation in the amount of \$-0- and \$170,597, respectively.

During the years ended June 30, 2018 and 2017, the Foundation incurred management fee expenses of \$309,181 and \$187,562. This fee is charged by the Administrative Offices of the Catholic Diocese of Richmond.

During the year ended June 30, 2018, the Foundation contributed \$211,652 to the McMahon Parater Scholarship Foundation.