

**CATHOLIC COMMUNITY FOUNDATION  
OF MINNESOTA**

**FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2015  
AND 2014 (CONSOLIDATED)**

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Catholic Community Foundation of Minnesota  
St. Paul, Minnesota

We have audited the accompanying financial statements of Catholic Community Foundation of Minnesota, which comprise the statements of financial position as of June 30, 2015 and 2014 (consolidated), and the related statements of activities, functional expenses, 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 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.

Board of Directors  
Catholic Community Foundation of Minnesota

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catholic Community Foundation of Minnesota as of June 30, 2015 and 2014 (consolidated), and the results of its operations 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**

Minneapolis, Minnesota  
September 30, 2015

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2015 AND 2014 (CONSOLIDATED)**

	2015	2014
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 5,972,563	\$ 5,718,780
Receivables:		
Pledges	1,002,462	-
Other	447,851	402,788
Prepaid Expenses	145,707	151,609
Investments	257,302,497	260,240,470
Assets Held in Charitable Remainder Trusts	7,021,028	9,355,602
Cash Surrender Value of Life Insurance (Note 8)	4,087,881	3,853,073
Beneficial Interest in Trust	436,506	490,035
Property and Equipment, Net	45,141	46,869
	\$ 276,461,636	\$ 280,259,226
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 446,206	\$ 645,979
Grants Payable	647,500	-
Agency Funds	121,771,633	127,462,664
Beneficiary Endowments	28,415,016	26,799,539
Charitable Gift Annuity and Charitable Remainder Trust Obligations	6,879,421	7,879,057
Total Liabilities	158,159,776	162,787,239
<b>NET ASSETS</b>		
Unrestricted	33,661,744	33,759,505
Temporarily Restricted (Note 10)	23,502,671	27,155,225
Permanently Restricted (Note 10)	61,137,445	56,557,257
Total Net Assets	118,301,860	117,471,987
	\$ 276,461,636	\$ 280,259,226

See accompanying Notes to Financial Statements.

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2015 AND 2014 (CONSOLIDATED)**

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>REVENUE (LOSSES), GAINS AND OTHER SUPPORT</b>				
Total Contributions	\$ 8,798,657	\$ 1,155,602	\$ 3,945,877	\$ 13,900,136
Less: Amounts Received for Beneficial Endowments	-	-	1,687,468	1,687,468
Net Contributions	<u>8,798,657</u>	<u>1,155,602</u>	<u>2,258,409</u>	<u>12,212,668</u>
Management Fees (Note 4)	953,609	-	-	953,609
Investment Income	301,430	705,055	-	1,006,485
Net Unrealized and Realized Gain (Loss) on Investments	(1,120,432)	(1,195,163)	-	(2,315,595)
Gain (Loss) on Split-Interest Agreements, Net (Note 7)	(243,038)	(401,509)	190,392	(454,155)
Release from Restrictions	<u>4,125,247</u>	<u>(4,125,247)</u>	<u>-</u>	<u>-</u>
Net Revenue Gains (Losses) and Other Support	12,815,473	(3,861,262)	2,448,801	11,403,012
<b>PROGRAM GRANTS</b>				
Education	3,591,597	-	-	3,591,597
Parishes	1,871,800	-	-	1,871,800
Social Services	2,323,786	-	-	2,323,786
Other Religious and Seminaries	<u>1,741,880</u>	<u>-</u>	<u>-</u>	<u>1,741,880</u>
Total Grants	9,529,063	-	-	9,529,063
Less: Grants Made on Beneficial Endowments	<u>801,744</u>	<u>-</u>	<u>-</u>	<u>801,744</u>
Net Grants	8,727,319	-	-	8,727,319
<b>OPERATING EXPENSES</b>				
Management and General	790,123	-	-	790,123
Donor Relations and Development	781,127	-	-	781,127
Grant Services	<u>274,570</u>	<u>-</u>	<u>-</u>	<u>274,570</u>
Total Operating Expenses	1,845,820	-	-	1,845,820
Donor Reclassifications and Interfund Transfers (Note 10)	<u>(2,340,095)</u>	<u>208,708</u>	<u>2,131,387</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	(97,761)	(3,652,554)	4,580,188	829,873
Net Assets - Beginning of Year	<u>33,759,505</u>	<u>27,155,225</u>	<u>56,557,257</u>	<u>117,471,987</u>
<b>ENDING NET ASSETS</b>	<u>\$ 33,661,744</u>	<u>\$ 23,502,671</u>	<u>\$ 61,137,445</u>	<u>\$ 118,301,860</u>

See accompanying Notes to Financial Statements.

2014

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 8,700,154	\$ -	\$ 6,682,619	\$ 15,382,773
-	-	874,962	874,962
<u>8,700,154</u>	<u>-</u>	<u>5,807,657</u>	<u>14,507,811</u>
724,337	-	-	724,337
551,193	566,951	-	1,118,144
5,741,624	8,791,770	-	14,533,394
56,888	65,851	397,270	520,009
<u>2,563,399</u>	<u>(2,563,399)</u>	<u>-</u>	<u>-</u>
18,337,595	6,861,173	6,204,927	31,403,695
2,343,258	-	-	2,343,258
1,582,385	-	-	1,582,385
1,871,592	-	-	1,871,592
<u>2,250,632</u>	<u>-</u>	<u>-</u>	<u>2,250,632</u>
8,047,867	-	-	8,047,867
<u>621,126</u>	<u>-</u>	<u>-</u>	<u>621,126</u>
7,426,741	-	-	7,426,741
686,208	-	-	686,208
833,222	-	-	833,222
242,553	-	-	242,553
<u>1,761,983</u>	<u>-</u>	<u>-</u>	<u>1,761,983</u>
<u>(2,738,645)</u>	<u>121,376</u>	<u>2,617,269</u>	<u>-</u>
6,410,226	6,982,549	8,822,196	22,214,971
<u>27,349,279</u>	<u>20,172,676</u>	<u>47,735,061</u>	<u>95,257,016</u>
<u>\$ 33,759,505</u>	<u>\$ 27,155,225</u>	<u>\$ 56,557,257</u>	<u>\$ 117,471,987</u>

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA  
STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED JUNE 30, 2015 AND 2014 (CONSOLIDATED)**

	2015				2014			
	Management and General	Donor Relations and Development	Grant Services	Total	Management and General	Donor Relations and Development	Grant Services	Total
<b>OPERATING EXPENSES</b>								
Salaries and Benefits	\$ 517,334	\$ 499,498	\$ 211,911	\$ 1,228,743	\$ 479,484	\$ 548,696	\$ 206,835	\$ 1,235,015
Professional Fees	163,641	21,195	18,000	202,836	113,164	32,199	-	145,363
Publications and Marketing	-	156,981	-	156,981	-	144,168	-	144,168
Depreciation	5,757	5,559	2,358	13,674	5,867	6,714	2,531	15,112
Office Supplies and Services	48,166	46,505	19,730	114,401	43,347	49,604	18,699	111,650
Occupancy	27,520	26,572	11,273	65,365	23,171	26,515	9,995	59,681
Miscellaneous	27,705	24,817	11,298	63,820	21,175	25,326	4,493	50,994
<b>Total Operating Expenses</b>	<b><u>\$ 790,123</u></b>	<b><u>\$ 781,127</u></b>	<b><u>\$ 274,570</u></b>	<b><u>\$ 1,845,820</u></b>	<b><u>\$ 686,208</u></b>	<b><u>\$ 833,222</u></b>	<b><u>\$ 242,553</u></b>	<b><u>\$ 1,761,983</u></b>

See accompanying Notes to Financial Statements.



**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2015 AND 2014 (CONSOLIDATED)**

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 829,873	\$ 22,214,971
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	13,674	15,112
Change in Cash Surrender Value of Insurance Policies	(234,808)	(568,012)
Non-Cash Contributions	(6,869,258)	(3,380,026)
Net Realized and Unrealized (Gain) Loss on Investments	2,315,595	(14,533,394)
(Gain) Loss in Value of Split Interest Agreements	454,155	(520,009)
Change in Assets and Liabilities:		
Pledges Receivable	(1,002,462)	-
Other Receivables	(45,063)	(62,015)
Prepays	5,902	(138,748)
Beneficial Interest in Trust	53,529	(26,745)
Accounts Payable and Accrued Expenses	(199,773)	51,120
Grants Payable	647,500	-
Net Agency Activity	(5,041,031)	28,538,009
Net Beneficiary Endowed Activity	1,615,477	6,073,816
Net Cash Provided (Used) by Operating Activities	(7,456,690)	37,664,079
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sale and Maturities of Investments	75,297,934	65,509,144
Purchase of Investments	(73,236,638)	(104,681,923)
Proceeds from Sales of Donated Financial Assets	6,660,758	1,806,883
Purchase of Fixed Assets	(11,946)	(45,008)
Net Cash Provided (Used) by Investing Activities	8,710,108	(37,410,904)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (Decrease) in Annuity and Trust Agreement Obligations	(574,804)	473,461
Payments on Annuities and Trust Obligations	(424,831)	(667,345)
Net Cash Used by Financing Activities	(999,635)	(193,884)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	253,783	59,291
Cash and Cash Equivalents - Beginning of Year	5,718,780	5,659,489
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 5,972,563	\$ 5,718,780
<b>SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITY</b>		
Agency and Beneficiary Endowment Unrealized/Realized Gains and (Losses), Net of Fees	\$ (2,389,154)	\$ 22,020,259
Noncash Contributions	\$ 6,869,258	\$ 3,380,026
Interest Paid During the Year	\$ 1,324	\$ 1,267

See accompanying Notes to Financial Statements.

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014 (CONSOLIDATED)**

**NOTE 1 ORGANIZATION**

**Nature of Organization**

The Catholic Community Foundation of Minnesota (the Foundation) supports financially, the spiritual, educational and social needs of our Catholic community. The Foundation fulfills this mission by:

1. Seeking endowment funds that support its mission.
2. Helping donors achieve their charitable and financial goals.
3. Helping parishes, schools, and Catholic organizations meet their long-term financial needs.
4. Providing responsible and effective financial management of charitable assets.
5. Distributing grants according to donor intent and needs in the community.

**Mission**

The Foundation accomplishes its mission through the following activities:

**Endowments**

The endowment funds are recorded as net assets on the statements of financial position.

The Family of Faith and Growing in Faith Endowments provide grants to Catholic schools, religious education, ministerial enrichment, and social outreach programs within our Minnesota Catholic community.

The Seminary Endowments provide tuition support for the spiritual and educational development of those in ministry and pursuing ministry as a vocation.

Parish and School Endowments provide tuition aid and program support for parishes and schools within our Minnesota Catholic community.

Community Service Endowments are established to provide support for other spiritual, educational, and social needs in the community.

**Beneficiary Endowments**

Beneficiary endowments are permanently restricted funds for which the contributing Catholic organization is also the sole beneficiary. Unlike other Agency Funds, the Foundation retains legal ownership of Beneficiary Endowments. In accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), the Foundation must account for the fair market value of these funds as both assets and liabilities on the statements of financial position.

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014 (CONSOLIDATED)**

**NOTE 1 ORGANIZATION (CONTINUED)**

**Mission (Continued)**

Donor Advised Funds

The Foundation offers funds whereby the donor has the privilege of recommending, and the Foundation has final authority of selecting, within the mission and the policies of the Foundation, the grant recipients. These funds may be established as either endowments or may be provisional funds.

Split Interest Agreements – Charitable Gift Annuities and Charitable Remainder Trusts

Charitable gift annuities and charitable remainder trusts are offered to donors wishing to make a deferred gift to the Family of Faith endowments, parish and school endowments, operating funds, or other charitable causes. Donors receive life income payments and the gift remainder is restricted for Foundation endowments or other charitable causes. Net earnings on charitable remainder trust investments in excess of the payments made to donors are also restricted for Foundation endowment programs or other charitable causes selected by the donor in the original gift instrument. Liabilities on charitable gift annuities and charitable remainder trusts are established based on the present value of payments to be made. These liabilities are recalculated annually, based on life expectancy assumptions, and the resulting revaluation amount is included in the gain (loss) on split-interest agreements in the statements of activities.

Agency Funds

The Foundation manages and invests funds as an agent for parishes, schools and service organizations within our Minnesota Catholic community. 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 Presentation**

The Foundation financial statements are presented in accordance with U.S. GAAP, as codified by the Financial Accounting Standards Board.

The 2014 financial statements are presented on a consolidated basis. On June 30, 2014, the net assets of the Arthur J. Popehn Family Foundation are included in unrestricted net assets of the Foundation. Intercompany transactions were eliminated in consolidation. Through May 18, 2015, the Foundation had control, through voting rights, of the Arthur J. Popehn Family Foundation, a supporting organization of the Foundation.

Effective May 18, 2015, in accordance with donor intention and Arthur J. Popehn Family Foundation board action, this supporting organization was dissolved. At that time, the net assets of \$1,667,221 were converted into a permanent endowment at the Foundation. At June 30, 2015, the Arthur J. Popehn Family Endowment is included in the permanently restricted net assets of the Foundation.

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014 (CONSOLIDATED)**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial Statement Presentation**

Net assets and revenues, gains and losses are classified based on donor imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted – Resources over which the board of directors has discretionary control. Designated amounts represent those revenues which the board has set aside for a particular purpose.

Temporarily Restricted – Those resources subject to donor imposed restrictions, which will be satisfied by actions of the Foundation or passage of time. Upon satisfaction of these restrictions, temporarily restricted net assets are reclassified to unrestricted in the statement of activities as released from restriction.

Permanently Restricted – Those resources subject to a donor imposed restriction that they be maintained permanently by the Foundation.

Certain fund agreements contain variance power language which allows the Foundation to redirect the use of funds to third parties other than those designated in the original agreements if the Foundation determines that the originally designated third parties are no longer in operation or are operating in a manner inconsistent with the teachings of the Catholic Church.

During the years ended June 30, 2015 and 2014, the Foundation reviewed all agreements for proper presentation of net assets as unrestricted, temporarily restricted, and permanently restricted.

**Cash and Cash Equivalents**

The Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents, except for those short-term investments included in its investment pools.

The Foundation maintains its cash accounts primarily at one financial institution. At times throughout the year, the Foundation's cash and cash equivalents balance may exceed amounts insured by the Federal Deposit Insurance Corporation and the Securities Investor Protection Corporation. Included in cash is a money market account totaling approximately \$5,239,000 and \$3,931,000 at June 30, 2015 and 2014, respectively.

Cash and cash equivalents included in investments on the statements of financial position of \$17,073,087 and \$9,373,392 as of June 30, 2015 and 2014, respectively, are not available for use in operations and are not considered cash for the purpose of presenting cash flows.

**Pledges Receivable**

Pledges are recorded at the present value of the amount expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the pledge is received.

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014 (CONSOLIDATED)**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments**

Investments are carried at either deposit value or fair value. Donated investments are initially recorded at estimated fair value at the date of donation. Realized and unrealized gains and losses are recognized in the period in which they occur. Realized and unrealized gains and losses for investments, other than agency obligations and beneficiary endowments, are recorded in the statements of activities. Investment income and gains and losses on agency obligations and beneficiary endowment investments are reported as a direct increase or decrease to the obligations on the statements of financial position. Investment income and gains and losses for charitable remainder trusts are recorded within the trust activity.

The Foundation invests most of the endowments and agency funds in four 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 relationship of the market value of each fund to the total market value of the pool as adjusted for additions to or distributions from those funds.

**Beneficial Interests in Charitable Remainder Trust**

A single donor established and funded a trust under which specified distributions are made to designated beneficiaries over the terms of their lives. Upon termination of the trust, the Foundation receives the remaining assets. Beneficial interests in charitable remainder trusts are recorded at the fair value of the trust assets net of the present value of the estimated future payments to be made under the specific terms of the trust. Changes in net assets of the trust are recorded as gains or (losses) in the statements of activities. Net assets and changes in the net assets are recorded as temporarily restricted.

**Grants Payable**

Grant commitments are accrued and recognized as expense when approved by the Foundation's Board of Directors. All grants payable are expected to be paid within the year.

The Foundation, whose mission is to support the needs of the Catholic Community, shares a minority of common directors or committee members with other Catholic schools, parishes, seminaries and other organizations. It is the Foundation's policy to have each board or committee member disclose any conflict of interest. In those instances, the board or committee members are prohibited from voting on grants to these organizations.

**Contributions**

Contributions, unconditional promises to give, and other assets are recognized at fair values and are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. All other donor-restricted contributions are reported as increases in temporary or permanently restricted net assets, depending on the nature of the restrictions. When these restrictions expire, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as Net Assets Released from Restrictions.

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014 (CONSOLIDATED)**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Contributions (Continued)**

The Foundation accepts gifts of life insurance whereby a donor designates the Foundation as a full or partial beneficiary of a life insurance policy or transfers all incidence of ownership in a policy to the Foundation. The majority of these gifts represent permanently restricted contributions for the Family of Faith Endowment.

**Investment Income**

The Foundation accounts for investment income recorded in the statements of activities, including gains and losses on investments, as unrestricted, temporarily restricted, or permanently restricted revenue depending on the existence and/or nature of any donor restrictions related to the original contribution. When the donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as satisfaction of donor restrictions.

**Functional Allocation of Expenses**

The cost of various Foundation operations has been summarized on a functional basis in the statements of activities. Accordingly, certain expenses have been allocated among benefitting departments. Donor Relations and Development costs as shown in the accompanying statements of activities represent the Foundation's cost of fund-raising activities.

**Income Taxes**

The Foundation is a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code and only unrelated business income is subject to federal and state income tax. The Foundation is a non-private foundation and contributions to the Foundation qualify as a charitable tax deduction by the contributor.

The Foundation follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the Foundation due to the implementation of this standard. The Foundation's tax returns are subject to review and examination by federal and state authorities.

**Accounting Estimates**

Management uses estimates and assumptions in preparing financial statements in accordance with U.S. GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenses. Actual results could vary from the estimates that were used.

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014 (CONSOLIDATED)**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value Measurements**

The Foundation follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the Foundation has categorized its investments, 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 are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

*Level 2* – Financial assets and liabilities are valued using inputs of quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data. Level 2 includes private collateralized mortgage obligations, municipal bonds, corporate debt securities, commodities futures and hedge funds.

*Level 3* – Financial assets and liabilities are valued using pricing inputs which are unobservable for the assets, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset. Level 3 includes private equity and real assets.

**Fair Value of Financial Instruments**

At June 30, 2015 and 2014, the carrying value of cash and cash equivalents, accounts payable, accrued expenses and grants payable approximates fair value due to the short-term nature of these investments. The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014 (CONSOLIDATED)**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value of Financial Instruments (Continued)**

***Investments*** – Investments, other than cash and cash equivalents and stock in privately held company, are carried at fair value. Publicly traded investments are valued at fair value based on quoted market prices. A substantial portion of the fair value measurements included within investments is provided to the Foundation by third parties and are not calculated by the Foundation. These valuations are based on the fair value based on quoted market prices, financial models of hypothetical transactions, or net asset value as determined by the fund manager. Some valuations may also be determined and approved by the managers or valuation committees of the funds in which the Foundation invests. The fair value assigned to a particular security by the fund management does not necessarily reflect the amount that would be realized. In addition, in light of the judgment involved in fair value decisions, there can be no assurance that a fair value assigned to a particular security by the fund management is accurate.

***Pledges Receivable*** – The fair value is determined as the present value of expected future cash flows using a discount rate and approximates fair value at year-end.

***Obligations for Agency Funds and Beneficiary Endowments*** – Carrying value, which approximates fair value, of obligations for agency funds and beneficiary endowments is based on the related fair values of investments discussed above and the beneficiaries' shares of the related investment assets.

***Obligations for Charitable Gift Annuities and Remainder Trusts*** – Carrying value, which approximates fair value, of obligations of charitable gift annuities and charitable remainder trusts is based on the life expectancies of the beneficiaries, mortality tables, and interest rates imputed at the inception date of the obligations (see Note 7).

**Concentration of Credit Risk**

The Foundation holds its investments in a variety of investment funds. In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the Foundation's investment holdings and the amounts reported on the statements of financial position.

**Reclassifications**

Certain reclassifications have been made to the prior year financial statements to conform with current year presentation. The reclassifications had no effect on the change in net assets or total net assets as previously reported.

**Subsequent Events**

The Foundation has evaluated events and transactions for potential recognition or disclosure in these financial statements through September 30, 2015, the date the financial statements were available to be issued and believe no additional disclosures are required.



**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA**  
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**NOTE 3 PLEDGES RECEIVABLE**

The full pledge receivable balance at June 30, 2015 is due from one donor and represents the present value of the amount expected to be collected using a 3% discount rate. An allowance for uncollectible pledges was deemed unwarranted at June 30, 2015. There were no outstanding pledges receivable as of at June 30, 2014. Expected collections of pledges receivable in future periods as of June 30, 2015 are as follows:

Amounts Due within 1 Year	\$ 125,000
Amounts Due in 1-5 Years	625,000
Amounts Due After 5 Years	375,000
Less Unamortized Discount	<u>(122,538)</u>
Net Pledge Receivable	<u><u>\$ 1,002,462</u></u>

**NOTE 4 INVESTMENTS**

Investment securities, which are managed and held in safekeeping by others, are recorded at fair market value. The majority of the investments are held in four investment pools. Agency funds, beneficiary endowments, and other endowments are invested in three of the investment pools, and charitable gift annuities are invested in a fourth pool. Charitable remainder trusts, certain agency funds and certain donor advised funds are separately invested.

Investments consist of the following at June 30:

	<u>2015</u>	<u>2014</u>
U.S. Government Securities	\$ 11,137,418	\$ 17,257,826
Fixed Income Securities	28,816,598	25,869,261
Corporate Stocks	152,857,798	170,871,312
Hedge Funds and Private Equity	49,631,539	37,875,179
Real Assets	<u>3,948,736</u>	<u>7,111,247</u>
Total Investment Securities	246,392,089	258,984,825
Add Amounts Not Included in Fair Value Footnote:		
Stock in Privately Held Company	352,000	143,500
Cash and Cash Equivalents	17,073,087	9,373,392
Mineral Rights	954,200	1,497,143
Less: Amounts Presented Separately on the Statement of Financial Position:		
Assets Held in Charitable Remainder Trust	(7,021,028)	(9,355,602)
Interest and Management Fee Receivable	<u>(447,851)</u>	<u>(402,788)</u>
Total Investments	<u><u>\$ 257,302,497</u></u>	<u><u>\$ 260,240,470</u></u>

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA**  
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**NOTE 4 INVESTMENTS (CONTINUED)**

Amounts invested for agency depository funds and for long-term purposes at June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Long-Term Agency Investments:		
Agency Funds	\$ 120,132,831	\$ 125,558,988
Charitable Gift Annuities	1,353,839	986,561
Charitable Remainder Trusts	284,963	917,115
Long-Term Owned Investments:		
Beneficiary Endowments	28,415,016	26,799,539
Charitable Gift Annuities	5,617,964	6,311,689
Charitable Remainder Trusts	6,736,065	8,438,487
Donor Advised Funds	27,145,395	24,602,221
Endowments and Other	80,732,463	81,821,246
Adjustments for Amounts Presented Separately on the Statement of Financial Position:		
Assets Held in Charitable Remainder Trust	(7,021,028)	(9,355,602)
Cash and Cash Equivalents	(5,972,563)	(5,718,780)
Interest and Management Fee Receivable	(122,448)	(120,994)
Total Investment Securities	<u>\$ 257,302,497</u>	<u>\$ 260,240,470</u>

At June 30, 2015, there were no individual investments or mutual funds that exceeded 5% of the Foundation's assets. At June 30, 2014, the individual investments and mutual funds that exceeded 5% of the Foundation's assets were the Artisan International Value Fund at \$29,366,006 and the Prudential Jennison Natural Resources Fund at \$14,209,272. Artisan International Value Fund pursues long-term capital growth by investing in undervalued, non-U.S. companies. The Prudential Jennison Natural Resources Fund invests in global natural resource equity securities with a focus on capital appreciation.

Investment income and net appreciation or depreciation in investments of agency depository funds and beneficiary endowments are recorded as additions or deductions to the agency deposit or beneficiary endowment liability. Investment income earned on the agency deposit and beneficiary endowment investments was \$1,951,689 and \$1,604,452 for the years ended June 30, 2015 and 2014, respectively.

The Foundation charges the various agency programs a quarterly management fee as reimbursement for certain administrative and investment costs. These fees are charged to the programs based on market value of their investments. Total management fees charged on all agency funds were \$953,609 and \$724,337 for the years ended June 30, 2015 and 2014, respectively.

Management fees charged on owned assets, other than trusts and annuities, were \$1,213,800 and \$1,253,408 as of June 30, 2015 and 2014, respectively. These fees have been eliminated from the revenue and expense in the statements of activities.

Investment fees other than management fees charged on all funds were \$991,977 and \$907,479 for the years ended June 30, 2015 and 2014, respectively.

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA**  
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**NOTE 5 FAIR VALUE MEASUREMENTS**

The Foundation uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Foundation values all other assets and liabilities refer to Note 2 – Summary of Significant Accounting Policies.

Assets measured at fair value on a recurring basis as of June 30:

	2015			
	Level 1	Level 2	Level 3	Total
Investments and Assets:				
U.S. Government Securities	\$ 4,829,554	\$ 6,307,864	\$ -	\$ 11,137,418
Fixed Income Securities	3,213,608	25,602,990	-	28,816,598
Corporate Stocks	149,485,661	3,372,137	-	152,857,798
Hedge Funds and Private Equity	-	48,751,013	880,526	49,631,539
Real Assets	243,348	-	3,705,388	3,948,736
Total Fair Value Investments	<u>157,772,171</u>	<u>84,034,004</u>	<u>4,585,914</u>	<u>246,392,089</u>
Beneficial Interest in Trust	-	-	436,506	436,506
Total	<u>\$ 157,772,171</u>	<u>\$ 84,034,004</u>	<u>\$ 5,022,420</u>	<u>\$ 246,828,595</u>
	2014			
	Level 1	Level 2	Level 3	Total
Investments and Assets:				
U.S. Government Securities	\$ 7,366,653	\$ 9,891,173	\$ -	\$ 17,257,826
Fixed Income Securities	3,266,453	22,602,808	-	25,869,261
Corporate Stocks	168,877,817	1,993,495	-	170,871,312
Hedge Funds and Private Equity	-	37,010,818	864,361	37,875,179
Real Assets	359,675	3,313,793	3,437,779	7,111,247
Total Fair Value Investments	<u>179,870,598</u>	<u>74,812,087</u>	<u>4,302,140</u>	<u>258,984,825</u>
Beneficial Interest in Trust	-	-	490,035	490,035
Total	<u>\$ 179,870,598</u>	<u>\$ 74,812,087</u>	<u>\$ 4,792,175</u>	<u>\$ 259,474,860</u>

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA  
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**NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)**

**Level 3 Assets**

The following table provides a summary of changes in fair value of the Foundation's Level 3 financial assets for the years ended June 30:

	<u>Private Equity</u>	<u>Real Assets</u>	<u>Beneficial Interest in Trust</u>
Balances as of July 1, 2013 (Consolidated)	\$ 9,130,439	\$ 3,722,692	\$ 463,290
Net Investment Income, Gains and Losses	577,216	414,421	-
Sales of Investments	(8,299,040)	(1,504,374)	-
Purchases of Investments	20,000	805,040	-
Transfers	(564,254)	-	-
Change in Value	-	-	26,745
Balances as of June 30, 2014 (Consolidated)	864,361	3,437,779	490,035
Net Investment Income, Gains and Losses	(18,603)	538,528	-
Sales of Investments	(93,744)	(459,588)	-
Purchases of Investments	128,512	188,669	-
Change in Value	-	-	(53,529)
Balances as of June 30, 2015	<u>\$ 880,526</u>	<u>\$ 3,705,388</u>	<u>\$ 436,506</u>

The Foundation invests primarily in investment funds, limited partnerships, or non-U.S. corporations referred to collectively for this purpose as investment funds. Investment funds are presented in the accompanying financial statements at fair value as determined under FASB Accounting Standards Codification ASC 820, Fair Value Measurements and Disclosures. In situations where the investment fund does not have a readily determinable fair value and meets other eligibility criteria, the Foundation measures fair value based on net asset value per share or its equivalent.

**Levels 2 and 3 Assets by Major Category**

The following table lists Levels 2 and 3 investment funds by major category:

	<u>Net Asset Value 2015</u>	<u>Unfunded Commitments at June 30, 2015</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
U.S. Government Securities	\$ 6,307,864	\$ -	Monthly	30 Days
Fixed Income Securities	25,602,990	-	Daily	1 Day to 3 Days
Corporate Stocks	3,372,137	-	Daily	1 Day to 3 Days
Hedge Funds	48,751,013	-	Quarterly - Annually	45 Days to 95 Days
Private Equity	880,526	10,000	N/A	N/A
Real Assets	33,585	1,915,315	N/A **	N/A
Real Assets - Private Real Estate	3,671,803	1,462,760	N/A **	N/A

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**NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)**

**Levels 2 and 3 Assets by Major Category (Continued)**

	Net Asset Value 2014	Unfunded Commitments at June 30, 2014	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
U.S. Government Securities	\$ 9,891,173	\$ -	Daily - Monthly	1 Day to 30 Days
Fixed Income Securities	22,602,808	-	Daily - Weekly	1 Day to 3 Days
Corporate Stocks	1,993,495	-	Daily	1 Day to 3 Days
Hedge Funds	37,010,818	-	Quarterly - Annually	45 Days to 100 Days
Private Equity	864,361	120,000	N/A	N/A
Real Assets	3,313,793	-	Monthly	5 Days
Real Assets - Private Real Estate	3,437,779	2,148,900	N/A **	N/A

\*\* Funds have a lock-up period of 8-10 years and are returned to investors during that time at the discretion of the investment manager.

Subsequent to year-end, commitments were made to fund long-term investments in real estate for \$4,000,000 and private equity for \$5,000,000.

***U.S. Government Securities***

U.S. Government Securities include investments in U.S. Agency mortgage securities and collateralized mortgage obligations. This fund is structured as an institutional mutual fund and liquidity is provided only through the investment manager. Investing in U.S. Government securities provides diversification, interest income, low risk and stability to the overall portfolio.

***Fixed Income Securities***

Fixed income securities includes 3 funds with the following strategies: 1) global bonds with the highest real yield, managing currency to protect and increase return, rotating among countries and controlling risk by purchasing undervalued securities, 2) focus on security selection, sector rotation, and yield curve positioning, while diversifying with respect to risk exposure, and 3) high current income with a secondary objective of capital growth, investing in income-producing securities that may include below-investment-grade bonds. The fair value calculation of these funds is based primarily on quoted or comparable market prices.

***Corporate Stocks***

Corporate stocks are proprietary, institutional index funds comprised of publicly traded domestic and international equity securities. Investing in corporate stocks provides diversification, dividend income, and growth potential to the overall portfolio.

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA  
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**NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)**

**Levels 2 and 3 Assets by Major Category (Continued)**

***Hedge Funds***

Hedge fund objectives are to achieve consistent positive returns with reduced risk. Strategies include: 1) trading styles/strategies which are not dependent upon a rising equity market, while attempting to reduce risk and volatility, 2) employing a multi-manager approach to equity investment, and 3) use of traditional global, long-short investing strategies, often with a fundamental bottom-up investment style across both developed and emerging markets. The unobservable inputs used to determine fair value in this category has been estimated using the net asset value per share of the investments.

***Private Equity***

Private Capital (fund of private capital funds) includes investments in small private equity secondary purchases. The category also includes a distressed investing strategy (fund of hedge funds) that seeks capital appreciation by investing in companies or assets suffering financial or operational distress. The unobservable inputs used to determine fair value has been estimated based on the capital account balances reported by underlying partnerships subject to the private capital fund of funds management review and judgment.

***Real Assets***

These funds consist of a diversified portfolio of commercial property and energy investments. The unobservable inputs used to determine fair value may include but are not limited to discounted cash flows, comparable asset analyses, third-party pricing services and appraisals and bona fide offers.

**NOTE 6 LINE OF CREDIT**

The Foundation has available for operating needs, a line of credit with US Bank, secured by investments held in its custodial account, which allows it to borrow up to \$500,000 with interest accruing at LIBOR plus 2.1%. The line was not drawn upon for operating needs during the course of the fiscal year, and there was no balance outstanding at either June 30, 2015 or 2014.

**NOTE 7 SPLIT-INTEREST AGREEMENTS – CHARITABLE GIFT ANNUITY AND CHARITABLE REMAINDER TRUST OBLIGATIONS**

The Foundation has entered into various charitable gift annuities and charitable remainder trust agreements with its donors. The Foundation is obligated to make payments to the annuitants and trust recipients 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. The Foundation's policy directs 100% of the asset value of annuities to be invested in a separate pool.

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA  
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**NOTE 7 SPLIT INTEREST AGREEMENTS – CHARITABLE ANNUITY AND CHARITABLE  
REMAINDER TRUST OBLIGATIONS (CONTINUED)**

Assets received are recorded at fair value on the date the agreement or trust 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.

Contribution revenue on split-interest agreements of \$459,357 and \$149,884 was recognized in 2015 and 2014, respectively. The various deferred gift obligations have imputed interest rates between 5% and 10%. The gain (loss) in value of split interest agreements consists of the following for the years ended June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Investment Income	\$ 182,522	\$ 220,842
Net Realized and Unrealized Gains on Charitable Gift Annuities and Remainder Trusts	208,788	1,630,524
Amortization of Discount on Charitable Gift Annuities and Remainder Trusts and Actuarial Adjustment	(558,099)	(577,053)
Management, Custodial and Investment Fees	(260,751)	(271,959)
Actuarial Adjustment	(26,615)	(482,345)
Totals	<u>\$ (454,155)</u>	<u>\$ 520,009</u>

**NOTE 8 LIFE INSURANCE**

The Foundation is owner and beneficiary of 41 life insurance policies with a total face value of approximately \$17,900,000 at both June 30, 2015 and 2014. Cash surrender values at June 30, 2015 and 2014 totaled \$4,087,881 and \$3,853,073, respectively.

**NOTE 9 LEASES**

The Foundation is committed under long-term operating leases for the rental of office space and office equipment. The terms of the leases range from one to five years. Future minimum lease payments required under the above-described leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 38,088
2017	35,538
2018	31,770
2019	16,122
Total	<u>\$ 121,518</u>

Rent expense and utilities for the years ended June 30, 2015 and 2014 was \$65,365 and \$59,681, respectively.

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA  
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**NOTE 10 NET ASSETS**

Permanently restricted net assets are limited by donor-imposed stipulations to invest the principal in perpetuity and to expend the income for program activities. Temporarily restricted net assets are limited by time and donor restrictions to support certain program activities and include the undistributed income from and net appreciation on the restricted endowment accounts. Unrestricted net assets have no donor-imposed restrictions.

Permanently restricted net assets represent endowment funds established for the following purposes at June 30:

	Permanently Restricted	
	2015	2014
Parish, School and Community Service	\$ 25,735,888	\$ 22,909,917
Family of Faith Program	21,330,099	20,861,952
Donor Advised Endowment	5,539,724	3,628,007
Seminary Program	4,386,755	4,386,755
Charitable Gift Annuities and Trusts	4,144,979	4,770,626
Total	\$ 61,137,445	\$ 56,557,257

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

	Temporarily Restricted	
	2015	2014
Growing in Faith Capital Campaign (Catholic Education)	\$ 10,225,745	\$ 11,346,156
Family of Faith Program	4,440,756	6,138,351
Seminary Program	3,642,522	4,189,554
Parish, School and Community Service	2,656,744	3,735,612
Legacy Fund (Restricted for Time)	1,002,462	-
Donor Advised Endowment	953,419	1,025,907
Charitable Gift Annuities and Trusts	581,023	719,645
Total	\$ 23,502,671	\$ 27,155,225

Unrestricted net assets, subject to the ultimate discretion of the Foundation's directors amounted to \$33,661,744 and \$33,759,505 for the years ended June 30, 2015 and 2014, respectively.

Reclassifications were made to June 30, 2015 net assets to properly reflect donor intent. The reclassification increased permanently restricted net assets by \$2,131,387, increased temporarily restricted net assets by \$208,708 and decreased unrestricted net assets by \$2,340,095.



**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA**  
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**NOTE 11 ENDOWMENTS**

The Foundation's endowment funds consist of various individual funds established for a variety of purposes. Its endowments include both donor restricted endowment funds and funds designated by the board of directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment asset activity for the years ended June 30, 2015 and 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, July 1, 2013	\$ 6,695,700	\$ 18,100,943	\$ 39,121,461	\$ 63,918,104
Earnings:				
Investment Expense	(32,591)	(198,559)	-	(231,150)
Realized and Unrealized Gains	1,117,384	10,424,947	-	11,542,331
Total Investment Returns	1,084,793	10,226,388	-	11,311,181
Donor Reclassifications and Interfund Transfers	(3,443,920)	169,319	3,190,266	(84,335)
Contributions	188,406	-	5,601,166	5,789,572
Appropriations for Expenditure	(156,787)	(1,787,222)	-	(1,944,009)
Reclass of Donor-Restricted Endowment Funds with Deficiencies	263,182	(263,182)	-	-
Endowment Net Assets, July 1, 2014 (Consolidated)	4,631,374	26,446,246	47,912,893	78,990,513
Earnings:				
Investment Expense	(14,022)	(181,308)	-	(195,330)
Realized and Unrealized Losses	(106,590)	(1,808,972)	-	(1,915,562)
Total Investment Returns	(120,612)	(1,990,280)	-	(2,110,892)
Donor Reclassifications and Interfund Transfers	102,621	(145,669)	3,863,530	3,820,482
Contributions	80,404	-	1,161,004	1,241,408
Appropriations for Expenditure	(238,102)	(3,077,964)	-	(3,316,066)
Reclass of Donor-Restricted Endowment Funds with Deficiencies	(635,496)	635,496	-	-
Endowment Net Assets, June 30, 2015	<u>\$ 3,820,189</u>	<u>\$ 21,867,829</u>	<u>\$ 52,937,427</u>	<u>\$ 78,625,445</u>

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA  
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**NOTE 11 ENDOWMENTS (CONTINUED)**

Endowment funds by type are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Fund Net Assets by Type of Fund as of June 30, 2015:				
Donor Restricted Endowment Funds	\$ (995,319)	\$ 21,867,829	\$ 52,937,427	\$ 73,809,937
Board Restricted Endowment Funds	4,815,508	-	-	4,815,508
Total Endowment Funds	<u>\$ 3,820,189</u>	<u>\$ 21,867,829</u>	<u>\$ 52,937,427</u>	<u>\$ 78,625,445</u>
Endowment Fund Net Assets by Type of Fund as of June 30, 2014 (Consolidated):				
Donor Restricted Endowment Funds	\$ (359,823)	\$ 26,446,246	\$ 47,912,893	\$ 73,999,316
Board Restricted Endowment Funds	4,991,197	-	-	4,991,197
Total Endowment Funds	<u>\$ 4,631,374</u>	<u>\$ 26,446,246</u>	<u>\$ 47,912,893</u>	<u>\$ 78,990,513</u>

**Spending Policy**

The Foundation has adopted investment and spending policies for endowments that are designed to ensure sustainability of the assets in perpetuity while providing reasonable stability and predictability of distributions for beneficiaries. Annually, the board of directors, after giving consideration to economic conditions, anticipated inflation or deflation, and the expected total return on investments, determines a spending rate to be applied to a rolling 20 quarter average balance of each endowment fund. The currently approved spending rate of 4% balances the need to preserve assets with the ability to meet the mission of the non-profits receiving the annual distribution.

**Funds with Deficiencies**

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 UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$995,319 and \$359,823 as of June 30, 2015 and 2014, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the board of directors.