

**CATHOLIC COMMUNITY FOUNDATION
OF MINNESOTA**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

**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, 2016 and 2015, 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, 2016 and 2015, 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 29, 2016

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015**

	2016	2015
ASSETS		
Cash and Cash Equivalents	\$ 6,072,884	\$ 5,972,563
Receivables:		
Pledges (Note 3)	903,785	1,002,462
Interest and Fees	293,516	447,851
Prepays and Other Assets	157,633	145,707
Investments (Note 4)	260,156,045	264,323,525
Cash Surrender Value of Life Insurance (Note 8)	4,480,494	4,087,881
Beneficial Interest in Trust (Note 5)	477,480	436,506
Property and Equipment, Net	28,558	45,141
Total Assets	\$ 272,570,395	\$ 276,461,636
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 500,872	\$ 446,206
Grants Payable	695,000	647,500
Agency Funds	116,663,652	121,771,633
Beneficiary Endowments	28,622,135	28,415,016
Split-Interest Agreement Obligations (Note 7)	7,259,418	6,879,421
Total Liabilities	153,741,077	158,159,776
NET ASSETS		
Unrestricted	32,347,945	33,661,744
Temporarily Restricted (Note 10)	18,999,117	23,502,671
Permanently Restricted (Note 10)	67,482,256	61,137,445
Total Net Assets	118,829,318	118,301,860
Total Liabilities and Net Assets	\$ 272,570,395	\$ 276,461,636

See accompanying Notes to Financial Statements.

CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2016 AND 2015

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUE GAINS (LOSSES) AND OTHER SUPPORT				
Total Contributions	\$ 7,210,394	\$ 134,096	\$ 9,510,600	\$ 16,855,090
Less: Amounts Received for Beneficial Endowments	75,000	-	3,016,064	3,091,064
Net Contributions	<u>7,135,394</u>	<u>134,096</u>	<u>6,494,536</u>	<u>13,764,026</u>
Investment Loss, Net of Investment Expenses (Note 4)	(1,683,698)	(726,155)	-	(2,409,853)
Management Fee Income	935,594	-	-	935,594
Change in Value of Split-Interest Agreements, Net (Note 7)	(246,843)	(7,590)	(285,334)	(539,767)
Released from Restrictions	<u>3,686,826</u>	<u>(3,686,826)</u>	<u>-</u>	<u>-</u>
Net Revenue Gains (Losses) and Other Support	9,827,273	(4,286,475)	6,209,202	11,750,000
PROGRAM GRANTS				
Education	3,953,898	-	-	3,953,898
Parishes	1,898,465	-	-	1,898,465
Social Services	2,273,900	-	-	2,273,900
Other Religious and Seminaries	<u>1,813,305</u>	<u>-</u>	<u>-</u>	<u>1,813,305</u>
Total Grants	9,939,568	-	-	9,939,568
Less: Grants Made on Beneficial Endowments	<u>815,402</u>	<u>-</u>	<u>-</u>	<u>815,402</u>
Net Grants	9,124,166	-	-	9,124,166
OPERATING EXPENSES				
Management and General	881,703	-	-	881,703
Donor Relations and Development	899,481	-	-	899,481
Grant Services	<u>317,192</u>	<u>-</u>	<u>-</u>	<u>317,192</u>
Total Operating Expenses	2,098,376	-	-	2,098,376
Donor Reclassifications and Interfund Transfers (Note 10)	<u>81,470</u>	<u>(217,079)</u>	<u>135,609</u>	<u>-</u>
CHANGE IN NET ASSETS	(1,313,799)	(4,503,554)	6,344,811	527,458
Net Assets - Beginning of Year	<u>33,661,744</u>	<u>23,502,671</u>	<u>61,137,445</u>	<u>118,301,860</u>
NET ASSETS - END OF YEAR	<u>\$ 32,347,945</u>	<u>\$ 18,999,117</u>	<u>\$ 67,482,256</u>	<u>\$ 118,829,318</u>

See accompanying Notes to Financial Statements.

2015

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 8,838,982	\$ 1,155,602	\$ 4,205,552	\$ 14,200,136
40,325	-	1,947,143	1,987,468
<u>8,798,657</u>	<u>1,155,602</u>	<u>2,258,409</u>	<u>12,212,668</u>
(819,002)	(490,108)	-	(1,309,110)
953,609	-	-	953,609
(243,038)	(401,509)	190,392	(454,155)
<u>4,125,247</u>	<u>(4,125,247)</u>	<u>-</u>	<u>-</u>
12,815,473	(3,861,262)	2,448,801	11,403,012
3,591,597	-	-	3,591,597
1,871,800	-	-	1,871,800
2,323,786	-	-	2,323,786
<u>1,741,880</u>	<u>-</u>	<u>-</u>	<u>1,741,880</u>
9,529,063	-	-	9,529,063
<u>801,744</u>	<u>-</u>	<u>-</u>	<u>801,744</u>
8,727,319	-	-	8,727,319
790,123	-	-	790,123
781,127	-	-	781,127
<u>274,570</u>	<u>-</u>	<u>-</u>	<u>274,570</u>
1,845,820	-	-	1,845,820
<u>(2,340,095)</u>	<u>208,708</u>	<u>2,131,387</u>	<u>-</u>
(97,761)	(3,652,554)	4,580,188	829,873
<u>33,759,505</u>	<u>27,155,225</u>	<u>56,557,257</u>	<u>117,471,987</u>
<u>\$ 33,661,744</u>	<u>\$ 23,502,671</u>	<u>\$ 61,137,445</u>	<u>\$ 118,301,860</u>

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2016 AND 2015**

	2016				2015			
	Management and General	Donor Relations and Development	Grant Services	Total	Management and General	Donor Relations and Development	Grant Services	Total
OPERATING EXPENSES								
Salaries and Benefits	\$ 680,054	\$ 594,167	\$ 267,132	\$ 1,541,353	\$ 517,334	\$ 499,498	\$ 211,911	\$ 1,228,743
Professional Fees	87,336	22,043	3,032	112,411	163,641	21,195	18,000	202,836
Publications and Marketing	-	180,408	-	180,408	-	156,981	-	156,981
Depreciation	7,366	6,726	3,034	17,126	5,757	5,559	2,358	13,674
Office Supplies and Services	47,924	43,761	19,740	111,425	48,166	46,505	19,730	114,401
Occupancy	30,362	27,724	12,506	70,592	27,520	26,572	11,273	65,365
Miscellaneous	28,661	24,652	11,748	65,061	27,705	24,817	11,298	63,820
Total Operating Expenses	<u>\$ 881,703</u>	<u>\$ 899,481</u>	<u>\$ 317,192</u>	<u>\$ 2,098,376</u>	<u>\$ 790,123</u>	<u>\$ 781,127</u>	<u>\$ 274,570</u>	<u>\$ 1,845,820</u>

See accompanying Notes to Financial Statements.

CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 527,458	\$ 829,873
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	17,126	13,674
Change in Cash Surrender Value of Insurance Policies	(392,613)	(234,808)
Non-Cash Contributions	(4,830,644)	(6,869,258)
Net Realized and Unrealized Loss on Investments	3,534,591	2,314,677
Change in Value of Split Interest Agreements	539,767	454,155
Change in Assets and Liabilities:		
Pledges Receivable	98,677	(1,002,462)
Interest and Fees Receivable	154,335	(45,063)
Prepays and Other Assets	(11,926)	5,902
Beneficial Interest in Trust	(40,974)	53,529
Accounts Payable and Accrued Expenses	54,666	(199,773)
Grants Payable	47,500	647,500
Net Agency Activity	(4,832,496)	(5,041,031)
Net Beneficiary Endowed Activity	207,119	1,615,477
Net Cash Used by Operating Activities	(4,927,414)	(7,457,608)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale and Maturities of Investments	69,895,216	75,297,934
Purchase of Investments	(70,055,579)	(73,235,720)
Proceeds from Sales of Donated Financial Assets	4,808,644	6,660,758
Purchase of Fixed Assets	(543)	(11,946)
Net Cash Provided by Investing Activities	4,647,738	8,711,026
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (Decrease) in Annuity and Trust Agreement Obligations	942,315	(574,804)
Payments on Annuities and Trust Obligations	(562,318)	(424,831)
Net Cash Provided (Used) by Financing Activities	379,997	(999,635)
NET INCREASE IN CASH AND CASH EQUIVALENTS	100,321	253,783
Cash and Cash Equivalents - Beginning of Year	5,972,563	5,718,780
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 6,072,884	\$ 5,972,563
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITY		
Agency and Beneficiary Endowment Unrealized/Realized Losses, Net of Fees	\$ 4,219,008	\$ 2,389,154
Noncash Contributions	\$ 4,830,644	\$ 6,869,258
Interest Paid During the Year	\$ 1,328	\$ 1,324

See accompanying Notes to Financial Statements.

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 1 ORGANIZATION

Mission

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

Nature of Organization

The Foundation inspires Catholic philanthropy and invests, manages, and distributes charitable assets as guided by our donors and our Catholic identity. The foundation facilitates planned and current gifts to endowments and donor advised funds which financially support needs in our Catholic community. The Foundation fulfills its 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Foundation financial statements are presented in accordance with U.S. generally accepted accounting principles (GAAP).

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.

CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash equivalents include all highly liquid securities purchased with a maturity of three months or less, except for those managed as a part of the Foundation's long term and intermediate term 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.

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.

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 Interest in Trust

A single donor established and funded a charitable remainder 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.

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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 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.

Split Interest Agreements

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 change in value of split-interest agreements in the statements of activities.

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 released from restrictions.

CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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.

Members of the Foundation's Board of Directors contributed to the Foundation approximately \$1,737,000 and \$817,000 for the years ended June 30, 2016 and 2015, respectively.

Total contributions at June 30, 2016 and 2015, consists of 18% and 17% from one donor, respectively.

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 released from 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 donor relations and 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.

CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 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.

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.

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 29, 2016, the date the financial statements were available to be issued and believe no additional disclosures are required.

New Accounting Pronouncements

During the year ended June 30, 2016, the Foundation early adopted a provision of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-01, Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities. This provision eliminates the requirement for entities, other than public business entities, to disclose the fair values of financial instruments carried at amortized cost, as previously required by Accounting Standards Codification (ASC) 825-10-50. As such, the entity has omitted this disclosure for the years ended June 30, 2016 and 2015. The early adoption of this provision did not have an impact on the Foundation’s financial position or results of operations.

During the year ended June 30, 2016, the Foundation also early adopted a provision of FASB ASU 2015-07, Fair Value Measurements – Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). This provision eliminates the requirement for entities to report the fair value of investments held at a net asset value, as previously required by ASC 820. As such, the Foundation has updated this disclosure for the years ended June 30, 2016 and 2015. The early adoption of this provision did not have an impact on the Foundation’s financial position or results of operations.

NOTE 3 PLEDGES RECEIVABLE

The full pledge receivable balance at both June 30, 2016 and 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, 2016 and 2015. Expected collections of pledges receivable in future periods as of June 30 are as follows:

	<u>2016</u>	<u>2015</u>
Amounts Due within 1 Year	\$ 125,000	\$ 125,000
Amounts Due in 1-5 Years	625,000	625,000
Amounts Due After 5 Years	250,000	375,000
Less Unamortized Discount	<u>(96,215)</u>	<u>(122,538)</u>
Net Pledge Receivable	<u>\$ 903,785</u>	<u>\$ 1,002,462</u>

CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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>2016</u>	<u>2015</u>
U.S. Government Securities	\$ 11,647,310	\$ 11,137,418
Fixed Income Securities	32,778,187	28,816,598
Domestic and International Equities	155,888,126	152,857,798
Hedge Funds and Private Equity	46,676,289	49,631,539
Real Assets	5,245,105	3,948,736
Cash and Cash Equivalents	6,794,980	16,625,236
Mineral Rights	752,048	954,200
Stock in Privately Held Company	374,000	352,000
Total Investments	<u>\$ 260,156,045</u>	<u>\$ 264,323,525</u>

Individual investments and mutual funds that exceeded 5% of the Foundation's assets at year-end consist of ABS Investment Management of \$13,750,961 and \$15,048,623 at June 30, 2016 and 2015, respectively. ABS is a global long/short equity fund-of-funds manager that targets global equity market returns with less volatility over a full market cycle.

Investment income (loss) is as follows as of June 30:

	<u>2016</u>	<u>2015</u>
Interest and Dividend Income	\$ 1,545,957	\$ 1,377,503
Realized Gains (Losses)	(920,532)	5,459,445
Unrealized Losses	(2,614,059)	(7,774,122)
Investment Expenses	(421,219)	(371,936)
Total	<u>\$ (2,409,853)</u>	<u>\$ (1,309,110)</u>

CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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:

	2016			Total
	Level 1	Level 2	Level 3	
Investments and Assets at Fair Value:				
Beneficial Interest in Trust	\$ -	\$ -	\$ 477,480	\$ 477,480
U.S. Government Securities	\$ 5,398,456	\$ -	\$ -	\$ 5,398,456
Fixed Income Securities	3,444,615	-	-	3,444,615
Domestic and International Equities	152,753,596	-	-	152,753,596
Real Assets	326,126	-	-	326,126
Total Fair Value Investments	<u>\$ 161,922,793</u>	<u>\$ -</u>	<u>\$ -</u>	<u>161,922,793</u>
Investments Measured at Net Asset Value or its Equivalent				90,312,224
Stock in Privately Held Company				374,000
Cash and Equivalents				6,794,980
Mineral Rights				752,048
Total Investments				<u>\$ 260,156,045</u>
	2015			
	Level 1	Level 2	Level 3	Total
Investments and Assets at Fair Value:				
Beneficial Interest in Trust	\$ -	\$ -	\$ 436,506	\$ 436,506
U.S. Government Securities	\$ 4,829,554	\$ -	\$ -	\$ 4,829,554
Fixed Income Securities	3,213,608	-	-	3,213,608
Domestic and International Equities	149,485,661	-	-	149,485,661
Real Assets	243,348	-	-	243,348
Total Fair Value Investments	<u>\$ 157,772,171</u>	<u>\$ -</u>	<u>\$ -</u>	<u>157,772,171</u>
Investments Measured at Net Asset Value or its Equivalent				88,619,918
Stock in Privately Held Company				352,000
Cash and Equivalents				16,625,236
Mineral Rights				954,200
Total Investments				<u>\$ 264,323,525</u>

CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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:

Beneficial Interest in Trust:	2016	2015
Balances as of July 1	\$ 436,506	\$ 490,035
Change in Value	40,974	(53,529)
Balances as of June 30	<u>\$ 477,480</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.

Investments Measured at Net Asset Value by Major Category

The following table lists investment funds by major category:

	Net Asset Value 2016	Unfunded Commitments at June 30, 2016	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
U.S. Government Securities	\$ 6,248,854	\$ -	Monthly	30 Days
Fixed Income Securities	29,333,572	-	Daily - Weekly	1 Day to 10 Days
Domestic and International Equities	3,134,530	-	Daily	1 Day to 3 Days
Hedge Funds	45,700,352	-	Quarterly - Annually	45 Days to 95 Days
Private Equity	975,937	4,650,000	N/A**	N/A
Real Assets	4,918,979	9,181,000	N/A**	N/A
Total	<u>\$ 90,312,224</u>			

	Net Asset Value 2015	Unfunded Commitments at June 30, 2015	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
U.S. Government Securities	\$ 6,307,864	\$ -	Monthly	30 Days
Fixed Income Securities	25,602,990	-	Daily	1 Day to 3 Days
Domestic and International Equities	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	3,705,388	3,378,075	N/A **	N/A
Total	<u>\$ 88,619,918</u>			

** Funds have a lock-up period of 8-12 years and are returned to investors during that time at the discretion of the investment manager.

CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

Levels 2 and 3 Assets by Major Category

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.

Domestic and International Equities

Domestic and international equities are proprietary, institutional index funds comprised of publicly traded corporate stock. Investing in corporate stocks provides diversification, dividend income, and growth potential to the overall portfolio.

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.

CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

Levels 2 and 3 Assets by Major Category (Continued)

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, 2016 or 2015.

NOTE 7 SPLIT-INTEREST AGREEMENTS

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.

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 \$355,665 and \$459,357 was recognized in 2016 and 2015, respectively. The various deferred gift obligations have imputed interest rates between 5% and 10%. The change in value of split interest agreements consists of the following for the years ended June 30, 2016 and 2015:

	2016	2015
Investment Income	\$ 152,799	\$ 182,522
Net Realized and Unrealized Gains on		
Charitable Gift Annuities and Remainder Trusts	40,554	208,788
Amortization of Discount on Charitable Gift Annuities		
and Remainder Trusts and Actuarial Adjustment	(513,331)	(584,714)
Management, Custodial and Investment Fees	(219,789)	(260,751)
Total	<u>\$ (539,767)</u>	<u>\$ (454,155)</u>

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 8 LIFE INSURANCE

At June 30, 2016, the Foundation is owner and beneficiary of 43 life insurance policies with a total face value of approximately \$18,204,000 and cash surrender value of \$4,480,494. At June 30, 2015, the Foundation was owner and beneficiary of 41 life insurance policies with a total face value of approximately \$17,900,000 and cash surrender value of \$4,087,881.

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 three years. Future minimum lease payments required under the above-described leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 35,538
2018	31,770
2019	<u>16,122</u>
Total	<u><u>\$ 83,430</u></u>

Rent expense includes a proportionate share of the actual operating costs of the building as specified under terms of the lease agreement. Actual rent expense for the years ended June 30, 2016 and 2015 was \$70,592 and \$65,365, respectively.

NOTE 10 NET ASSETS

Net assets are classified based on donor-imposed restrictions. 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.

CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 10 NET ASSETS (CONTINUED)

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

	<u>2016</u>	<u>2015</u>
Growing in Faith Capital Campaign	\$ 9,371,309	\$ 10,225,745
Family of Faith Program	2,790,011	4,367,106
Seminary Program	3,004,879	3,642,522
Parish, School and Community Service	1,448,207	2,597,030
Legacy Fund Pledge (Time Restriction Only)	903,785	1,002,462
Endowed Donor Advised	907,507	1,086,783
Charitable Gift Annuities and Trusts	573,419	581,023
Total	<u>\$ 18,999,117</u>	<u>\$ 23,502,671</u>

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

	<u>2016</u>	<u>2015</u>
Parish, School and Community Service	\$ 24,911,885	\$ 19,788,840
Family of Faith Program	21,881,247	21,129,973
Endowed Donor Advised	12,130,101	11,686,898
Seminary Program	4,386,755	4,386,755
Charitable Gift Annuities and Trusts	4,172,268	4,144,979
Total	<u>\$ 67,482,256</u>	<u>\$ 61,137,445</u>

Reclassifications were made to June 30, 2016 net assets to properly reflect donor intent. The reclassification increased permanently restricted net assets by \$135,609, decreased temporarily restricted net assets by \$217,079 and increased unrestricted net assets by \$81,470.

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
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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, 2016 and 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, July 1, 2014	\$ 3,840,142	\$ 26,446,246	\$ 47,912,893	\$ 78,199,281
Earnings:				
Investment Expense	(14,022)	(180,815)	-	(194,837)
Realized and Unrealized Losses	(106,590)	(1,830,662)	-	(1,937,252)
Total Investment Returns	(120,612)	(2,011,477)	-	(2,132,089)
Donor Reclassifications and Interfund Transfers	137,861	(26,040)	3,863,530	3,975,351
Contributions	77,754	-	1,161,004	1,238,758
Appropriations for Expenditure	(51,102)	(3,103,622)	-	(3,154,724)
Reclass of Donor-Restricted Endowment Funds with Deficiencies	(635,496)	635,496	-	-
Endowment Net Assets, July 1, 2015	3,248,547	21,940,603	52,937,427	78,126,577
Earnings:				
Investment Expense	(10,768)	(134,760)	-	(145,528)
Realized and Unrealized Losses	(152,562)	(2,696,302)	-	(2,848,864)
Total Investment Returns	(163,330)	(2,831,062)	-	(2,994,392)
Donor Reclassifications and Interfund Transfers	40,561	(92,078)	144,134	92,617
Contributions	228,488	107,773	5,768,777	6,105,038
Appropriations for Expenditure	(81,557)	(2,774,636)	-	(2,856,193)
Reclass of Donor-Restricted Endowment Funds with Deficiencies	(1,162,430)	1,162,430	-	-
Endowment Net Assets, June 30, 2016	<u>\$ 2,110,279</u>	<u>\$ 17,513,030</u>	<u>\$ 58,850,338</u>	<u>\$ 78,473,647</u>

CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 11 ENDOWMENTS (CONTINUED)

Endowment funds by type are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Fund Net Assets by Type of Fund as of June 30, 2016:				
Donor Restricted Endowment Funds	\$ (2,157,749)	\$ 17,513,030	\$ 58,850,338	\$ 74,205,619
Board Restricted Endowment Funds	4,268,028	-	-	4,268,028
Total Endowment Funds	<u>\$ 2,110,279</u>	<u>\$ 17,513,030</u>	<u>\$ 58,850,338</u>	<u>\$ 78,473,647</u>
Endowment Fund Net Assets by Type of Fund as of June 30, 2015:				
Donor Restricted Endowment Funds	\$ (995,319)	\$ 21,940,603	\$ 52,937,427	\$ 73,882,711
Board Restricted Endowment Funds	4,243,866	-	-	4,243,866
Total Endowment Funds	<u>\$ 3,248,547</u>	<u>\$ 21,940,603</u>	<u>\$ 52,937,427</u>	<u>\$ 78,126,577</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 \$2,157,749 and \$995,319 as of June 30, 2016 and 2015, 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.

NOTE 12 LEGAL MATTERS

Catholic Community Foundation of Minnesota has been named in a claim related to a bankruptcy case. The bankruptcy court rejected the motion in its entirety. That decision is currently being appealed. If a direct claim is attempted, Catholic Community Foundation of Minnesota intends to vigorously defend itself.