

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

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

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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, 2018 and 2017, 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 4, 2018

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

	2018	2017
ASSETS		
Cash and Cash Equivalents	\$ 9,905,619	\$ 7,932,006
Pledges and Bequest Receivable	3,072,728	802,149
Interest and Fees Receivable	447,315	377,838
Prepays and Other Assets	204,604	201,148
Investments (Note 3)	340,324,720	301,164,482
Cash Surrender Value of Life Insurance (Note 6)	3,668,878	3,593,239
Beneficial Interest in Trusts (Note 4)	681,297	4,261,615
Property and Equipment, Net	2,651	13,256
Total Assets	\$ 358,307,812	\$ 318,345,733
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 694,232	\$ 569,258
Grants Payable	609,500	615,500
Agency Funds	142,691,106	131,225,177
Beneficiary Endowments	41,027,780	35,818,861
Split-Interest Agreement Obligations	6,476,012	6,641,806
Total Liabilities	191,498,630	174,870,602
NET ASSETS		
Unrestricted	48,194,669	38,063,282
Temporarily Restricted (Note 7)	28,627,975	24,578,692
Permanently Restricted (Note 7)	89,986,538	80,833,157
Total Net Assets	166,809,182	143,475,131
Total Liabilities and Net Assets	\$ 358,307,812	\$ 318,345,733

See accompanying Notes to Financial Statements.

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

	2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUE GAINS (LOSSES) AND OTHER SUPPORT				
Total Contributions	\$ 16,724,096	\$ 20,314	\$ 12,004,126	\$ 28,748,536
Less: Amounts Received for Beneficial Endowments	235,000	-	2,925,152	3,160,152
Net Contributions	16,489,096	20,314	9,078,974	25,588,384
Investment Income, Net of Investment Expenses (Note 3)	3,235,358	8,764,765	-	12,000,123
Management Fee Income	1,078,333	-	-	1,078,333
Change in Value of Split-Interest Agreements, Net	(119,500)	(279,106)	157,400	(241,206)
Released from Restrictions	4,304,763	(4,304,763)	-	-
Net Revenue Gains (Losses) and Other Support	24,988,050	4,201,210	9,236,374	38,425,634
PROGRAM GRANTS				
Education	4,932,125	-	-	4,932,125
Parishes	2,635,433	-	-	2,635,433
Social Services	3,568,679	-	-	3,568,679
Other Religious and Seminaries	2,505,666	-	-	2,505,666
Total Grants	13,641,903	-	-	13,641,903
Less: Grants Made on Beneficial Endowments	1,068,900	-	-	1,068,900
Net Grants	12,573,003	-	-	12,573,003
OPERATING EXPENSES				
Donor Relations and Development	1,315,340	-	-	1,315,340
Management and General	907,873	-	-	907,873
Grant Services	295,367	-	-	295,367
Total Operating Expenses	2,518,580	-	-	2,518,580
DONOR RECLASSIFICATIONS AND INTERFUND TRANSFERS (NOTE 7)				
	234,920	(151,927)	(82,993)	-
CHANGE IN NET ASSETS				
Net Assets - Beginning of Year	38,063,282	24,578,692	80,833,157	143,475,131
NET ASSETS - END OF YEAR	\$ 48,194,669	\$ 28,627,975	\$ 89,986,538	\$ 166,809,182

See accompanying Notes to Financial Statements.

2017			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 9,935,167	\$ 56,364	\$ 18,381,135	\$ 28,372,666
<u>75,000</u>	<u>-</u>	<u>4,125,978</u>	<u>4,200,978</u>
9,860,167	56,364	14,255,157	24,171,688
4,618,717	9,582,574	-	14,201,291
956,611	-	-	956,611
(31,011)	(24,747)	215,608	159,850
<u>3,828,769</u>	<u>(3,828,769)</u>	<u>-</u>	<u>-</u>
19,233,253	5,785,422	14,470,765	39,489,440
5,019,761	-	-	5,019,761
2,942,762	-	-	2,942,762
2,979,579	-	-	2,979,579
<u>2,646,115</u>	<u>-</u>	<u>-</u>	<u>2,646,115</u>
13,588,217	-	-	13,588,217
<u>879,000</u>	<u>-</u>	<u>-</u>	<u>879,000</u>
12,709,217	-	-	12,709,217
1,015,008	-	-	1,015,008
799,361	-	-	799,361
<u>320,041</u>	<u>-</u>	<u>-</u>	<u>320,041</u>
2,134,410	-	-	2,134,410
<u>1,325,711</u>	<u>(205,847)</u>	<u>(1,119,864)</u>	<u>-</u>
5,715,337	5,579,575	13,350,901	24,645,813
<u>32,347,945</u>	<u>18,999,117</u>	<u>67,482,256</u>	<u>118,829,318</u>
<u>\$ 38,063,282</u>	<u>\$ 24,578,692</u>	<u>\$ 80,833,157</u>	<u>\$ 143,475,131</u>

See accompanying Notes to Financial Statements.

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2018 AND 2017**

	2018				2017			
	Donor Relations and Development	Management and General	Grant Services	Total	Donor Relations and Development	Management and General	Grant Services	Total
OPERATING EXPENSES								
Salaries and Benefits	\$ 783,564	\$ 700,784	\$ 243,349	\$ 1,727,697	\$ 648,819	\$ 595,122	\$ 259,895	\$ 1,503,836
Professional Fees	32,971	93,610	10,240	136,821	40,598	97,117	10,666	148,381
Publications and Marketing	361,477	-	-	361,477	202,936	-	-	202,936
Depreciation	4,960	4,105	1,540	10,605	6,749	5,857	2,696	15,302
Office Supplies and Services	67,614	55,980	20,999	144,593	59,248	51,438	23,667	134,353
Occupancy	34,827	28,835	10,816	74,478	32,457	28,179	12,965	73,601
Miscellaneous	29,927	24,559	8,423	62,909	24,201	21,648	10,152	56,001
	<u>\$ 1,315,340</u>	<u>\$ 907,873</u>	<u>\$ 295,367</u>	<u>\$ 2,518,580</u>	<u>\$ 1,015,008</u>	<u>\$ 799,361</u>	<u>\$ 320,041</u>	<u>\$ 2,134,410</u>
Total Operating Expenses								

See accompanying Notes to Financial Statements.

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

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 23,334,051	\$ 24,645,813
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	10,605	15,302
Change in Cash Surrender Value of Insurance Policies	(75,639)	887,255
Noncash Contributions	(4,560,805)	(4,620,142)
Realized and Unrealized Gain on Investments	(23,951,669)	(31,116,903)
Discount on Program Related Investments	78,000	-
Change in Value of Split Interest Agreements	241,206	(159,850)
Change in Assets and Liabilities:		
Pledges Receivable	(2,270,579)	101,636
Interest and Fees Receivable	(69,477)	(84,322)
Prepays and Other Assets	(3,456)	(43,515)
Beneficial Interest in Trusts	3,580,318	(3,784,135)
Accounts Payable and Accrued Expenses	124,974	68,386
Grants Payable	(6,000)	(79,500)
Net Agency Activity	11,465,929	14,561,525
Net Beneficiary Endowed Activity	5,208,919	7,196,726
Net Cash Provided by Operating Activities	13,106,377	7,588,276
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale and Maturities of Investments	79,527,200	66,232,447
Purchase of Investments	(94,890,175)	(75,856,131)
Proceeds from Sales of Donated Financial Assets	4,396,005	4,512,142
Net Cash Used by Investing Activities	(10,966,970)	(5,111,542)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in Annuity and Trust Agreement Obligations	(61,931)	(586,809)
Payments on Annuities and Trust Obligations	(103,863)	(30,803)
Net Cash Used by Financing Activities	(165,794)	(617,612)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,973,613	1,859,122
Cash and Cash Equivalents - Beginning of Year	7,932,006	6,072,884
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 9,905,619	\$ 7,932,006
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITY		
Agency and Beneficiary Endowment Unrealized/Realized Gains, Net of Fees	\$ (12,385,581)	\$ (16,761,929)
Noncash Contributions	\$ 4,560,805	\$ 4,620,142

See accompanying Notes to Financial Statements.

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

NOTE 1 ORGANIZATION

Mission

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's financial statements are presented in accordance with accounting principles generally accepted in the United States of America.

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 Net Assets – Resources over which the board of directors (board) has discretionary control, the majority of which are donor advised funds. Designated amounts represent those revenues which the board has set aside for a particular purpose.

Temporarily Restricted Net Assets – 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 Net Assets – 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, 2018 AND 2017**

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 and Bequests Receivables

Pledges and bequests receivable 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 and bequest is received. An allowance for uncollectible pledge and bequest receivables had been deemed unwarranted. Total pledges and bequest receivable is due from two donors and one donor, respectively, for the years ended June 30, 2018 and 2017. Pledges and bequest receivable are as follows at June 30:

	2018	2017
Amounts Due within 1 Year	\$ 2,500,265	\$ 125,000
Amounts Due in 1-5 Years	625,000	625,000
Amounts Due After 5 Years	-	125,000
Less: Unamortized Discount	<u>(52,537)</u>	<u>(72,851)</u>
Net Pledge Receivable	<u>\$ 3,072,728</u>	<u>\$ 802,149</u>

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.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative Financial Instruments

The Foundation invests in various stock indexes, fixed income, and equity options. The Foundation uses derivatives with the objectives of reducing portfolio risk and/or lowering investment costs. Derivative instruments are measured at fair value and reported as assets or liabilities in the statement of financial position. Changes in the fair value of derivatives during the year are reported in the statements of activities.

As of June 30, 2018, the Foundation had 65 contracts outstanding and contract exposure amounts of \$17,544,784 of equity and fixed income call and put options.

Net realized and unrealized gains and losses are recognized in the statement of activities. Net realized and unrealized gains and losses of approximately \$124,277 were recognized for the year ended June 30, 2018.

Beneficial Interest in Trusts

Donors established and funded charitable remainder trusts under which specified distributions are made to designated beneficiaries over the terms of their lives. Upon termination of the trusts, the Foundation receives the remaining assets. Beneficial interests in charitable remainder trusts are recorded at the fair value of the trusts' 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 trusts 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 board. 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.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 board contributed to the Foundation approximately \$5,521,000 and \$623,000 for the years ended June 30, 2018 and 2017, respectively.

Total contributions at June 30, 2018 and 2017, consists of 31% and 42% from two and one donors, respectively.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 nonprivate 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 accounting principles generally accepted in the United States of America. 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.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

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.

Subsequent Events

The Foundation has evaluated events and transactions for potential recognition or disclosure in these financial statements through October 4, 2018, the date the financial statements were available to be issued and believe no additional disclosures are required.

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

NOTE 3 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:

	2018	2017
U.S. Government Securities	\$ 25,536,309	\$ 24,664,032
Fixed Income Securities	32,128,376	27,284,492
Domestic and International Equities	192,402,902	180,621,845
Hedge Funds and Private Equity	51,484,452	49,512,245
Real Assets	11,429,825	7,255,640
Cash and Cash Equivalents	25,974,813	10,844,892
Mineral Rights	426,132	590,772
Program Related Investment, Net	672,000	-
Stock in Privately Held Company	269,911	390,564
Total Investments	<u>\$ 340,324,720</u>	<u>\$ 301,164,482</u>

Investment income is as follows as of June 30:

	2018	2017
Interest and Dividend Income	\$ 4,804,369	\$ 4,257,782
Realized Gains	12,315,042	7,596,218
Unrealized Gains	11,636,627	23,520,685
Investment Expenses	<u>(1,233,119)</u>	<u>(1,056,537)</u>
Total Investment Income, Net of Investment Expenses	27,522,919	34,318,148
Less: Net Investment Income from Agency and Beneficial Endowments	<u>(15,522,796)</u>	<u>(20,116,857)</u>
Total	<u>\$ 12,000,123</u>	<u>\$ 14,201,291</u>

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

NOTE 4 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:

	2018			Total
	Level 1	Level 2	Level 3	
Investments and Assets at Fair Value:				
Beneficial Interest in Trusts	\$ -	\$ -	\$ 681,297	\$ 681,297
U.S. Government Securities	\$ 7,090,384	\$ 10,054,494	\$ -	\$ 17,144,878
Fixed Income Securities	3,405,238	8,553,662	-	11,958,900
Domestic and International Equities	189,658,344	-	-	189,658,344
Real Assets	220,391	-	-	220,391
Total Fair Value Investments	<u>\$ 200,374,357</u>	<u>\$ 18,608,156</u>	<u>\$ -</u>	<u>218,982,513</u>
Investments Measured at Net Asset Value or its Equivalent				93,999,351
Stock in Privately Held Company				269,911
Cash and Equivalents				25,974,813
Mineral Rights				426,132
Program Related Investment, net				672,000
Total Investments				<u>\$ 340,324,720</u>
	2017			
	Level 1	Level 2	Level 3	Total
Investments and Assets at Fair Value:				
Beneficial Interest in Trusts	\$ -	\$ -	\$ 4,261,615	\$ 4,261,615
U.S. Government Securities	\$ 7,072,405	\$ 11,289,463	\$ -	\$ 18,361,868
Fixed Income Securities	3,273,891	5,338,105	-	8,611,996
Domestic and International Equities	177,656,247	-	-	177,656,247
Real Assets	225,889	-	-	225,889
Total Fair Value Investments	<u>\$ 188,228,432</u>	<u>\$ 16,627,568</u>	<u>\$ -</u>	<u>204,856,000</u>
Investments Measured at Net Asset Value or its Equivalent				84,482,254
Stock in Privately Held Company				390,564
Cash and Equivalents				10,844,892
Mineral Rights				590,772
Total Investments				<u>\$ 301,164,482</u>

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

NOTE 4 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:

	2018	2017
Beneficial Interest in Trusts:		
Balances as of July 1	\$ 4,261,615	\$ 477,480
Contributions	185,000	3,776,838
Cash Proceeds to an Endowment Fund	(3,776,838)	-
Change in Value	11,520	7,297
Balances as of June 30	\$ 681,297	\$ 4,261,615

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 2018	Unfunded Commitments at June 30, 2018	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
U.S. Government Securities	\$ 8,391,431	\$ -	Monthly	30 Days
Fixed Income Securities	20,169,476	-	Daily - Weekly	1 Day to 10 Days
Domestic and International Equities	2,744,558	-	Daily	1 Day to 5 Days
Hedge Funds	41,012,706	-	Monthly - Annually	5 Days to 90 Days
Private Equity	10,471,746	10,272,105	N/A**	N/A
Real Assets	11,209,434	9,449,000	N/A**	N/A
Total	\$ 93,999,351			

	Net Asset Value 2017	Unfunded Commitments at June 30, 2017	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
U.S. Government Securities	\$ 6,302,164	\$ -	Monthly	30 Days
Fixed Income Securities	18,672,496	-	Daily - Weekly	1 Day to 10 Days
Domestic and International Equities	2,965,598	-	Daily	1 Day to 5 Days
Hedge Funds	44,122,884	-	Monthly - Annually	5 Days to 90 Days
Private Equity	5,389,361	7,809,000	N/A**	N/A
Real Assets	7,029,751	6,426,000	N/A**	N/A
Total	\$ 84,482,254			

** 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, 2018 AND 2017

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

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 include but are not limited to global bonds, foreign currency, emerging market debt, convertibles, and securitized debt and bank loans. The fair value calculation of these funds is based primarily on readily available 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. The fair value calculation of these funds is based on readily available quoted or comparable market prices.

Hedge Funds

Hedge fund objectives are to achieve consistent positive returns with reduced risk. These funds utilize a combination of diversified strategies including global equity, long/short equity and credit, and quantitative and relative value/arbitrage that may include an event driven focus, bottom-up and top-down orientations and exposure to emerging markets, equity indices and equity index put and call options. 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 equity investments are structured as limited partnerships allowing for a variety of investment strategies including investments in illiquid debt and equity assets across multiple sectors and global markets. 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.

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

NOTE 5 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 London Interbank Offered Rate (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, 2018 or 2017.

NOTE 6 LIFE INSURANCE

At June 30, 2018, the Foundation is owner and beneficiary of 31 life insurance policies with a total face value of approximately \$15,400,000 and cash surrender value of \$3,668,878. At June 30, 2017, the Foundation was owner and beneficiary of 35 life insurance policies with a total face value of approximately \$15,900,000 and cash surrender value of \$3,593,239.

NOTE 7 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.

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

	2018	2017
Growing in Faith Capital Campaign	\$ 10,581,793	\$ 10,140,678
Family of Faith Program	5,569,644	4,498,590
Seminary Program	4,010,418	3,632,365
Parish, School, and Community Service	5,682,495	3,572,789
Legacy Fund Pledge (Time Restriction Only)	697,463	802,149
Endowed Donor Advised	1,682,041	1,336,463
Charitable Gift Annuities and Trusts	404,121	595,658
Total	<u>\$ 28,627,975</u>	<u>\$ 24,578,692</u>

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

NOTE 7 NET ASSETS (CONTINUED)

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

	<u>2018</u>	<u>2017</u>
Parish, School, and Community Service	\$ 43,353,799	\$ 39,353,821
Family of Faith Program	21,295,630	21,225,600
Endowed Donor Advised	17,857,289	12,557,105
Seminary Program	4,386,755	4,386,755
Charitable Gift Annuities and Trusts	3,093,065	3,309,876
Total	<u>\$ 89,986,538</u>	<u>\$ 80,833,157</u>

Reclassifications were made to June 30, 2018 net assets to properly reflect donor intent. The reclassification decreased permanently restricted net assets by \$82,993 and temporarily restricted net assets by \$151,927, and increased unrestricted net assets by \$234,920.

Reclassifications were made to June 30, 2017 net assets to properly reflect donor intent. The reclassification decreased permanently restricted net assets by \$1,119,864 and temporarily restricted net assets by \$205,847, and increased unrestricted net assets by \$1,325,711

NOTE 8 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 to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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

NOTE 8 ENDOWMENTS (CONTINUED)

Endowment asset activity for the years ended June 30, 2018 and 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, July 1, 2016	\$ 2,110,279	\$ 17,513,030	\$ 58,850,338	\$ 78,473,647
Earnings:				
Investment Income, Net	(4,632)	(23,813)	-	(28,445)
Realized and Unrealized Losses	562,689	9,614,971	-	10,177,660
Total Investment Returns	558,057	9,591,158	-	10,149,215
Donor Reclassifications and				
Interfund Transfers	66,860	(127,821)	1,529,990	1,469,029
Contributions	54,567	33,000	13,643,511	13,731,078
Appropriations for Expenditure	(77)	(2,831,822)	-	(2,831,899)
Reclass of Donor-Restricted Endowment Funds with Deficiencies	977,501	(977,501)	-	-
Endowment Net Assets, July 1, 2017	3,767,187	23,200,044	74,023,839	100,991,070
Earnings:				
Investment Income, Net	(10,244)	137,036	-	126,792
Realized and Unrealized Gains	410,537	7,858,968	-	8,269,505
Total Investment Returns	400,293	7,996,004	-	8,396,297
Donor Reclassifications and				
Interfund Transfers	150,966	(114,501)	356,281	392,746
Contributions	22,948	-	8,962,984	8,985,932
Appropriations for Expenditure	(281)	(3,320,643)	-	(3,320,924)
Reclass of Donor-Restricted Endowment Funds with Deficiencies	226,011	(226,011)	-	-
Endowment Net Assets, June 30, 2018	<u>\$ 4,567,124</u>	<u>\$ 27,534,893</u>	<u>\$ 83,343,104</u>	<u>\$ 115,445,121</u>

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, 2018:				
Donor-Restricted Endowment Funds	\$ (954,234)	\$ 27,534,893	\$ 83,343,104	\$ 109,923,763
Board-Restricted Endowment Funds	5,521,358	-	-	5,521,358
Total Endowment Funds	<u>\$ 4,567,124</u>	<u>\$ 27,534,893</u>	<u>\$ 83,343,104</u>	<u>\$ 115,445,121</u>
Endowment Fund Net Assets by Type of Fund as of June 30, 2017:				
Donor-Restricted Endowment Funds	\$ (1,180,248)	\$ 23,200,044	\$ 74,023,839	\$ 96,043,635
Board-Restricted Endowment Funds	4,947,435	-	-	4,947,435
Total Endowment Funds	<u>\$ 3,767,187</u>	<u>\$ 23,200,044</u>	<u>\$ 74,023,839</u>	<u>\$ 100,991,070</u>

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

NOTE 8 ENDOWMENTS (CONTINUED)

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 nonprofits 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 accounting principles generally accepted in the United States of America, deficiencies of this nature that are reported in unrestricted net assets were \$954,234 and \$1,180,248 as of June 30, 2018 and 2017, 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.