

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

**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, 2019 and 2018, 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, 2019 and 2018, 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  
November 20, 2019

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2019 AND 2018**

	2019	2018
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 11,474,196	\$ 9,905,619
Pledges and Bequest Receivable	1,825,791	3,072,728
Interest and Fees Receivable	598,804	447,315
Prepays and Other Assets	226,246	204,604
Investments (Note 4)	359,420,898	340,324,720
Cash Surrender Value of Life Insurance (Note 7)	3,799,934	3,668,878
Beneficial Interest in Trusts (Note 4)	506,135	681,297
Property and Equipment, Net	63,328	2,651
Total Assets	<b>\$ 377,915,332</b>	<b>\$ 358,307,812</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 754,755	\$ 694,232
Grants Payable	639,000	609,500
Agency Funds	148,069,573	142,691,106
Beneficiary Endowments	46,759,767	41,027,780
Split-Interest Agreement Obligations	5,650,760	6,476,012
Total Liabilities	201,873,855	191,498,630
<b>NET ASSETS</b>		
Without Donor Restrictions	52,812,338	49,148,903
With Donor Restrictions (Note 8)	123,229,139	117,660,279
Total Net Assets	176,041,477	166,809,182
Total Liabilities and Net Assets	<b>\$ 377,915,332</b>	<b>\$ 358,307,812</b>

See accompanying Notes to Financial Statements.

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2019 AND 2018**

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE GAINS (LOSSES) AND OTHER SUPPORT</b>			
Total Contributions	\$ 13,226,930	\$ 10,355,537	\$ 23,582,467
Less: Amounts Received for Beneficial Endowments	240,000	4,906,214	5,146,214
Net Contributions	12,986,930	5,449,323	18,436,253
Investment Income, Net of Investment Expenses (Note 4)	2,231,529	5,575,254	7,806,783
Management Fee Income	1,100,770	-	1,100,770
Change in Value of Split-Interest Agreements, Net	(64,805)	(40,323)	(105,128)
Released from Restrictions	5,243,373	(5,243,373)	-
Net Revenue Gains (Losses) and Other Support	21,497,797	5,740,881	27,238,678
<b>PROGRAM GRANTS</b>			
Education	5,326,422	-	5,326,422
Parishes	2,941,259	-	2,941,259
Social Services	5,672,839	-	5,672,839
Other Religious and Seminaries	2,685,236	-	2,685,236
Total Grants	16,625,756	-	16,625,756
Less: Grants Made on Beneficial Endowments	1,211,118	-	1,211,118
Net Grants	15,414,638	-	15,414,638
<b>OPERATING EXPENSES</b>			
Donor Relations and Development	1,358,285	-	1,358,285
Management and General	914,446	-	914,446
Grant Services	319,014	-	319,014
Total Operating Expenses	2,591,745	-	2,591,745
<b>DONOR RECLASSIFICATIONS AND INTERFUND TRANSFERS (NOTE 8)</b>	172,021	(172,021)	-
<b>CHANGE IN NET ASSETS</b>	3,663,435	5,568,860	9,232,295
Net Assets - Beginning of Year	49,148,903	117,660,279	166,809,182
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 52,812,338</u>	<u>\$ 123,229,139</u>	<u>\$ 176,041,477</u>

See accompanying Notes to Financial Statements.

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA  
STATEMENTS OF ACTIVITIES (CONTINUED)  
YEARS ENDED JUNE 30, 2019 AND 2018**

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE GAINS (LOSSES) AND OTHER SUPPORT</b>			
Total Contributions	\$ 16,724,096	\$ 12,024,440	\$ 28,748,536
Less: Amounts Received for Beneficial Endowments	235,000	2,925,152	3,160,152
Net Contributions	16,489,096	9,099,288	25,588,384
Investment Income, Net of Investment Expenses (Note 4)	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)	(121,706)	(241,206)
Released from Restrictions	4,304,763	(4,304,763)	-
Net Revenue Gains (Losses) and Other Support	24,988,050	13,437,584	38,425,634
<b>PROGRAM GRANTS</b>			
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
<b>OPERATING EXPENSES</b>			
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
<b>DONOR RECLASSIFICATIONS AND INTERFUND TRANSFERS (NOTE 8)</b>			
	234,920	(234,920)	-
<b>CHANGE IN NET ASSETS</b>			
	10,131,387	13,202,664	23,334,051
Net Assets - Beginning of Year	39,017,516	104,457,615	143,475,131
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 49,148,903</b>	<b>\$ 117,660,279</b>	<b>\$ 166,809,182</b>

See accompanying Notes to Financial Statements.

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA  
STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED JUNE 30, 2019 AND 2018**

	2019				2018			
	Donor Relations and Development	Management and General	Grant Services	Total	Donor Relations and Development	Management and General	Grant Services	Total
<b>PROGRAM GRANTS, NET</b>	\$ -	\$ -	\$ 15,414,638	\$ 15,414,638	\$ -	\$ -	\$ 12,573,003	\$ 12,573,003
<b>OPERATING EXPENSES</b>								
Salaries and Benefits	935,028	697,196	254,130	1,886,354	\$ 783,564	\$ 700,784	\$ 243,349	\$ 1,727,697
Professional Fees	62,934	86,735	16,551	166,220	32,971	93,610	10,240	136,821
Publications and Marketing	180,226	-	-	180,226	361,477	-	-	361,477
Depreciation	6,218	4,483	1,690	12,391	4,960	4,105	1,540	10,605
Office Supplies and Services	77,590	55,937	21,088	154,615	67,614	55,980	20,999	144,593
Occupancy	58,230	41,980	15,826	116,036	34,827	28,835	10,816	74,478
Miscellaneous	38,059	28,115	9,729	75,903	29,927	24,559	8,423	62,909
Total Operating Expenses	<u>1,358,285</u>	<u>914,446</u>	<u>319,014</u>	<u>2,591,745</u>	<u>1,315,340</u>	<u>907,873</u>	<u>295,367</u>	<u>2,518,580</u>
Total Expenses	<u>\$ 1,358,285</u>	<u>\$ 914,446</u>	<u>\$ 15,733,652</u>	<u>\$ 18,006,383</u>	<u>\$ 1,315,340</u>	<u>\$ 907,873</u>	<u>\$ 12,868,370</u>	<u>\$ 15,091,583</u>

See accompanying Notes to Financial Statements.



**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 9,232,295	\$ 23,334,051
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	12,391	10,605
Change in Cash Surrender Value of Insurance Policies	(131,056)	(75,639)
Realized and Unrealized Gain on Investments	(13,211,050)	(23,951,669)
Discount on Program-Related Investments	(3,455)	78,000
Change in Value of Split Interest Agreements	105,128	241,206
Change in Assets and Liabilities:		
Pledges Receivable	1,246,937	(2,270,579)
Interest and Fees Receivable	(151,489)	(69,477)
Prepays and Other Assets	(21,642)	(3,456)
Beneficial Interest in Trusts	175,162	3,580,318
Accounts Payable and Accrued Expenses	60,523	124,974
Grants Payable	29,500	(6,000)
Net Agency Activity	5,378,467	11,465,929
Net Beneficiary Endowed Activity	5,731,987	5,208,919
Net Cash Provided by Operating Activities	8,453,698	17,667,182
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sale and Maturities of Investments	70,872,132	79,527,200
Purchase of Investments	(76,858,933)	(95,054,975)
Purchase of Fixed Assets	(73,068)	-
Net Cash Used by Investing Activities	(6,059,869)	(15,527,775)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in Annuity and Trust Agreement Obligations	(533,781)	(61,931)
Payments on Annuities and Trust Obligations	(291,471)	(103,863)
Net Cash Used by Financing Activities	(825,252)	(165,794)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,568,577	1,973,613
Cash and Cash Equivalents - Beginning of Year	9,905,619	7,932,006
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 11,474,196	\$ 9,905,619
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITY</b>		
Agency and Beneficiary Endowment Unrealized/Realized Gains, Net of Fees	\$ (6,284,743)	\$ (12,385,581)

See accompanying Notes to Financial Statements.

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**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:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

*Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**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, excluding those managed as a part of the Foundation's long-term and intermediate term investment pools which are reported in investments on the statement of financial position.

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 for the years ended June 30, 2019 and 2018. Pledges and bequest receivable are as follows at June 30:

	<u>2019</u>	<u>2018</u>
Amounts Due within 1 Year	\$ 1,361,154	\$ 2,500,265
Amounts Due in 1 to 5 Years	500,000	625,000
Less: Unamortized Discount	<u>(35,363)</u>	<u>(52,537)</u>
Net Pledge Receivable	<u>\$ 1,825,791</u>	<u>\$ 3,072,728</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, 2019 AND 2018**

**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, 2019, the Foundation had 71 contracts outstanding and contract exposure amounts of \$20,218,160 of equity and fixed income call and put options. 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 losses of approximately \$109,404 and gains of approximately \$124,277 were recognized for the years ended June 30, 2019 and 2018, respectively.

**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 within net assets with donor restrictions.

**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, 2019 AND 2018**

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

**Beneficiary Endowments**

Beneficiary endowments are donor-restricted funds that are perpetual in nature 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 general use unless specifically restricted by the donor. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When these restrictions expire, net assets are reclassified to net assets without restrictions 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 donor-restricted contributions for the Family of Faith Endowment.

Members of the board contributed to the Foundation approximately \$908,000 and \$5,521,000 for the years ended June 30, 2019 and 2018, respectively.

Total contributions at June 30, 2019 and 2018, consists of 19% and 31% from one and two donors, respectively.

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**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 with or without donor restrictions within 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, net assets are reclassified to net assets without restrictions 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. Salaries are allocated based on employee job descriptions and time and effort. All other costs are allocated based on management's best estimate of usage. 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, 2019 AND 2018**

**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.

**Investment 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.

**Change in Accounting Principle**

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented which increased net assets without donor restrictions by \$954,234 and decreased net asset with donor restrictions by \$954,234 resulting from the reclassifications of underwater endowment funds as required under ASU 2016-14.

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

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

**Subsequent Events**

The Foundation has evaluated events and transactions for potential recognition or disclosure in these financial statements through November 20, 2019, the date the financial statements were available to be issued and believe no additional disclosures are required.

**NOTE 3 LIQUIDITY AND AVAILABILITY**

Financial assets available for grants and general expenditures within one year of the statements of financial position date are comprised of the following at June 30:

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 10,272,653	\$ 8,791,807
Pledges and Bequest Receivable	1,361,154	2,500,265
Interest and Fees Receivable	598,804	447,315
Investments	<u>37,522,153</u>	<u>35,650,006</u>
Total	<u>\$ 49,754,764</u>	<u>\$ 47,389,393</u>

The Foundation's core operations are funded primarily through asset-based management fees on the charitable funds under management, calculated as a percentage of market value. The board of directors has established operating reserve targets designed to support operations during periods of market volatility, when management fees collected may fall short of budgeted expectations.

The assets above include donor funds subject to donor restrictions and recommendations as of June 30, 2019 and 2018. Donor funds are generally either permanent (endowed) or nonpermanent. Nonpermanent funds may be granted out at any time, subject to the terms of the fund agreement and in special cases approval by the board of directors. The spendable amount (see spending policy in Note 9) from endowed assets, whether donor-restricted or board-designated will be made available for grant-making from these endowments within the next 12 months. Board-designated endowment, while generally not available to use in one year, could be made available upon board approval.

The financial assets of the Foundation are managed to become available as its awarded grants, general expenditures, liabilities and other obligations become due. Cash in excess of daily requirements may be invested in money markets, sweep accounts and other short-term investments.



**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA**  
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**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:

	2019	2018
U.S. Government Securities	\$ 28,637,013	\$ 25,536,309
Fixed Income Securities	33,607,668	29,272,739
Domestic and International Equities	202,211,210	189,658,344
Hedge Funds and Private Equity	58,962,613	51,484,452
Real Assets	12,130,461	11,429,825
Equity and Fixed Income Collective Funds	5,277,209	5,701,121
Cash and Cash Equivalents	17,204,458	25,873,887
Mineral Rights	281,714	426,132
Program Related Investment, Net	925,455	672,000
Stock in Privately Held Company	183,097	269,911
Total Investments	<u>\$ 359,420,898</u>	<u>\$ 340,324,720</u>

Investment income is as follows as of June 30:

	2019	2018
Interest and Dividend Income	\$ 5,735,230	\$ 4,804,369
Realized Gains	9,718,978	12,315,042
Unrealized Gains	3,492,072	11,636,627
Investment Expenses	<u>(1,432,729)</u>	<u>(1,233,119)</u>
Total Investment Income, Net of Investment Expenses	17,513,551	27,522,919
Less: Net Investment Income from Agency and Beneficial Endowments	<u>(9,706,768)</u>	<u>(15,522,796)</u>
Total	<u>\$ 7,806,783</u>	<u>\$ 12,000,123</u>

**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:

	2019			Total
	Level 1	Level 2	Level 3	
Investments and Assets at Fair Value:				
Beneficial Interest in Trusts	\$ -	\$ -	\$ 506,135	\$ 506,135
U.S. Government Securities	\$ 7,481,014	\$ 12,381,255	\$ -	\$ 19,862,269
Fixed Income Securities	3,077,036	12,220,898	-	15,297,934
Domestic and International Equities	202,211,210	-	-	202,211,210
Real Assets	310,543	-	-	310,543
Total Fair Value Investments	<u>\$ 213,079,803</u>	<u>\$ 24,602,153</u>	<u>\$ -</u>	237,681,956
Investments Measured at Net Asset Value or its Equivalent				103,144,218
Stock in Privately Held Company				183,097
Cash and Equivalents				17,204,458
Mineral Rights				281,714
Program Related Investment, Net				925,455
Total Investments				<u>\$ 359,420,898</u>
	2018			
	Level 1	Level 2	Level 3	Total
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>	218,982,513
Investments Measured at Net Asset Value or its Equivalent				94,100,277
Stock in Privately Held Company				269,911
Cash and Equivalents				25,873,887
Mineral Rights				426,132
Program Related Investment, Net				672,000
Total Investments				<u>\$ 340,324,720</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:

	2019	2018
Beneficial Interest in Trusts:		
Balances as of July 1	\$ 681,297	\$ 4,261,615
Contributions	-	185,000
Cash Proceeds to an Endowment Fund	(185,000)	(3,776,838)
Change in Value	9,838	11,520
Balances as of June 30	\$ 506,135	\$ 681,297

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 (NAV) 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 2019	Unfunded Commitments at June 30, 2019	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
U.S. Government Securities	\$ 8,774,744	\$ -	Monthly	30 Days
Fixed Income Securities	18,309,734	-	Daily - Weekly	1 Day to 10 Days
Hedge Funds	45,043,345	-	Monthly - Annually	5 Days to 90 Days
Private Equity	13,919,268	27,520,000	N/A**	N/A
Real Assets	11,819,918	8,202,000	N/A**	N/A
Equity and Fixed Income Collective Funds	5,277,209	-	Daily	1 Day to 5 Days
Total	\$ 103,144,218			

	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	17,313,839	-	Daily - Weekly	1 Day to 10 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
Equity and Fixed Income Collective Funds	5,701,121	-	Daily	1 Day to 5 Days
Total	\$ 94,100,277			

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

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA**  
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**NOTE 5 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.

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 NAV 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.

Equity and Fixed Income Collective Funds

These funds consist of domestic and international equities which are proprietary, institutional index funds comprised of publicly traded corporate stock. These funds also consist of fixed income securities such as U.S. government securities and corporate bonds. Investing in collective funds 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.

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

Subsequent to year-end, the Foundation signed three commitments with distinct fund managers totaling \$9,500,000.

**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 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, 2019 or 2018.

**NOTE 7 LIFE INSURANCE**

At June 30, 2019, 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 \$3,799,934. At June 30, 2018, the Foundation was 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.

**NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS**

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**  
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**NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

Net assets with donor restrictions consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Subject to the Passage of Time:		
Legacy Fund Pledge	\$ 589,637	\$ 697,463
Charitable Gift Annuities and Trusts	<u>407,643</u>	<u>404,121</u>
Total	997,280	1,101,584
Endowments:		
Growing in Faith Capital Campaign	10,550,104	10,590,295
Parish, School, and Community Service	52,109,429	49,036,294
Family of Faith Program	23,253,019	23,314,905
Endowed Donor Advised	22,459,687	19,539,330
Seminary Program	8,410,361	8,397,173
Underwater Endowments	<u>(1,245,305)</u>	<u>(954,234)</u>
Total	115,537,295	109,923,763
Subject to Appropriation and Expenditure Upon Donor's Death:		
Charitable Gift Annuities and Trusts - Restricted to Endowment	3,538,388	3,580,860
Cash Surrender Value of Life Insurance Policies and Insurance Annuity - Restricted to Endowment	<u>3,156,176</u>	<u>3,054,072</u>
Total	<u>6,694,564</u>	<u>6,634,932</u>
Total Net Assets with Donor Restrictions	<u>\$ 123,229,139</u>	<u>\$ 117,660,279</u>

Reclassifications were made to June 30, 2019 net assets to properly reflect donor intent. The reclassification decreased net assets with donor restrictions by \$172,021 and increased net assets without donor restrictions by \$172,021.

Reclassifications were made to June 30, 2018 net assets to properly reflect donor intent. The reclassification decreased net assets with donor restrictions by \$234,920 and increased net assets without donor restrictions by \$234,920.

**NOTE 9 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**  
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**NOTE 9 ENDOWMENTS (CONTINUED)**

Endowment asset activity for the years ended June 30:

	2019		
	Without Donor Restriction	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 5,521,358	\$ 109,923,763	\$ 115,445,121
Investment Return, Net	197,779	4,475,317	4,673,096
Contributions	32,281	5,233,121	5,265,402
Interfund Transfers	(204,895)	62,356	
Appropriation of Endowment Assets Pursuant to Spending-Rate Policy	(81)	(4,157,262)	(4,157,343)
Endowment Net Assets - End of Year	<u>\$ 5,546,442</u>	<u>\$ 115,537,295</u>	<u>\$ 121,083,737</u>
	2018		
	Without Donor Restriction	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 4,947,435	\$ 96,043,635	\$ 100,991,070
Investment Return, Net	400,290	7,996,007	8,396,297
Contributions	22,948	8,962,984	8,985,932
Interfund Transfers	150,966	241,780	392,746
Appropriation of Endowment Assets Pursuant to Spending-Rate Policy	(281)	(3,320,643)	(3,320,924)
Endowment Net Assets - End of Year	<u>\$ 5,521,358</u>	<u>\$ 109,923,763</u>	<u>\$ 115,445,121</u>

Endowment funds by type are as follows:

	2019		
	Without Donor Restriction	With Donor Restrictions	Total
Board-Designated Endowment Funds	\$ 5,546,442	\$ -	\$ 5,546,442
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	88,768,999	88,768,999
Accumulated Investment Gains	-	26,768,296	26,768,296
Total	<u>\$ 5,546,442</u>	<u>\$ 115,537,295</u>	<u>\$ 121,083,737</u>
	2018		
	Without Donor Restriction	With Donor Restrictions	Total
Board-Designated Endowment Funds	\$ 5,521,358	\$ -	\$ 5,521,358
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	83,343,104	83,343,104
Accumulated Investment Gains	-	26,580,659	26,580,659
Total	<u>\$ 5,521,358</u>	<u>\$ 109,923,763</u>	<u>\$ 115,445,121</u>

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA  
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**NOTE 9 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 net assets with donor restrictions were \$1,245,305 and \$954,234 as of June 30, 2019 and 2018, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new restricted contributions and continued appropriation for certain programs that was deemed prudent by the board.

**Board-Designated Endowment Funds**

Board-designated endowment funds consist of the Legacy Fund which is a fund that allows CCF to respond strategically and with flexibility to the most important needs in our Catholic community. The amount available annually is based on the spending policy as noted above.