

**THE CATHOLIC FOUNDATION OF  
THE DIOCESE OF TOLEDO  
Toledo, Ohio**

**FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2016 AND 2015**



**CliftonLarsonAllen**

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
The Catholic Foundation of the  
Diocese of Toledo  
Toledo, Ohio

We have audited the accompanying financial statements of The Catholic Foundation of the Diocese of Toledo, which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets, 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 Trustees  
The Catholic Foundation of the  
Diocese of Toledo

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Catholic Foundation of the Diocese of Toledo as of June 30, 2016 and 2015, 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**

Toledo, Ohio  
November 21, 2016

**THE CATHOLIC FOUNDATION OF THE DIOCESE OF TOLEDO**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2016 AND 2015**

	2016	2015
<b>ASSETS</b>		
Cash	\$ 1,073,187	\$ 1,416,091
Security Investments, at Fair Value	50,875,218	52,234,566
Prepays	47,868	91,809
Receivables:		
Contributions, Net	287,642	339,140
Investment Income	20,044	19,678
Total Receivables	307,686	358,818
Beneficial Interest in Perpetual Trust	51,433	52,817
Total Assets	\$ 52,355,392	\$ 54,154,101
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Funds Held for Other Agencies	\$ 32,501,317	\$ 32,465,696
Trade Payables	1,356,047	540,179
Contributions Payable	200,000	308,333
Designated Collections	121,641	170,580
Total Liabilities	34,179,005	33,484,788
<b>NET ASSETS</b>		
Unrestricted:		
Undesignated	2,996,722	5,341,160
Designated	1,862,565	1,873,803
Total Unrestricted	4,859,287	7,214,963
Temporarily Restricted	6,943,012	7,206,131
Permanently Restricted	6,374,088	6,248,219
Total Net Assets	18,176,387	20,669,313
Total Liabilities and Net Assets	\$ 52,355,392	\$ 54,154,101

See accompanying Notes to Financial Statements.

**THE CATHOLIC FOUNDATION OF THE DIOCESE OF TOLEDO**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUE, LOSSES AND SUPPORT</b>				
Contributions:				
Annual Catholic Appeal	\$ 2,509,146	\$ -	\$ -	\$ 2,509,146
Bequests and Other	259,183	47,166	127,253	433,602
Net Realized and Unrealized Losses				
from Security Investments	(113,216)	(174,179)	-	(287,395)
Interest and Dividends	109,146	141,861	-	251,007
Change in Value of Beneficial				
Interest in Perpetual Trust	-	-	(1,384)	(1,384)
Net Assets Released from				
Restrictions	277,967	(277,967)	-	-
Total Revenues, Losses and Support	3,042,226	(263,119)	125,869	2,904,976
<b>EXPENSES</b>				
Diocesan Support	4,362,659	-	-	4,362,659
Sacrificial Giving	210,500	-	-	210,500
Fund-Raising	269,991	-	-	269,991
Management and General	554,752	-	-	554,752
Total Expenses	5,397,902	-	-	5,397,902
<b>CHANGE IN NET ASSETS</b>				
	(2,355,676)	(263,119)	125,869	(2,492,926)
<b>NET ASSETS</b>				
Beginning of Year	7,214,963	7,206,131	6,248,219	20,669,313
End of Year	<u>\$ 4,859,287</u>	<u>\$ 6,943,012</u>	<u>\$ 6,374,088</u>	<u>\$ 18,176,387</u>

See accompanying Notes to Financial Statements.

**THE CATHOLIC FOUNDATION OF THE DIOCESE OF TOLEDO**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUE, LOSSES AND SUPPORT</b>				
Contributions:				
Annual Catholic Appeal	\$ 2,436,602	\$ -	\$ -	\$ 2,436,602
Bequests and Other	76,627	39,541	129,456	245,624
Net Realized and Unrealized Losses				
from Security Investments	(6,380)	(12,180)	-	(18,560)
Interest and Dividends	131,520	165,271	-	296,791
Change in Value of Beneficial				
Interest in Perpetual Trust	-	-	(2,211)	(2,211)
Net Assets Released from				
Restrictions	472,724	(472,724)	-	-
Total Revenues, Losses and Support	3,111,093	(280,092)	127,245	2,958,246
<b>EXPENSES</b>				
Diocesan Support	3,540,896	-	-	3,540,896
Sacrificial Giving	214,500	-	-	214,500
Fund-Raising	300,089	-	-	300,089
Management and General	434,313	-	-	434,313
Total Expenses	4,489,798	-	-	4,489,798
<b>CHANGE IN NET ASSETS</b>				
	(1,378,705)	(280,092)	127,245	(1,531,552)
<b>NET ASSETS</b>				
Beginning of Year	8,593,668	7,486,223	6,120,974	22,200,865
End of Year	<u>\$ 7,214,963</u>	<u>\$ 7,206,131</u>	<u>\$ 6,248,219</u>	<u>\$ 20,669,313</u>

See accompanying Notes to Financial Statements.

**THE CATHOLIC FOUNDATION OF THE DIOCESE OF TOLEDO**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (2,492,926)	\$ (1,531,552)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Net Realized and Unrealized (Gains) Losses from Security Investments	287,395	18,560
Change in Value of Beneficial Interest in Perpetual Trust	1,384	2,211
Effects of Changes in Operating Assets and Liabilities:		
Contributions Receivable	51,498	16,910
Prepays	43,941	(91,809)
Investment Income Receivable	(366)	19,640
Inventory-Planned Giving Literature	-	40,606
Funds Held for Other Agencies	35,621	1,596,302
Trade Payables	815,868	(213,494)
Contributions Payable	(108,333)	(108,334)
Designated Collections	(48,939)	16,473
Net Cash Used by Operating Activities	(1,414,857)	(234,487)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sale of Investments	4,475,357	3,769,383
Net Purchases of Investments	(3,403,404)	(3,786,410)
Net Cash Provided by Investing Activities	1,071,953	(17,027)
<b>NET DECREASE IN CASH</b>	(342,904)	(251,514)
Cash - Beginning of Year	1,416,091	1,667,605
<b>CASH - END OF YEAR</b>	\$ 1,073,187	\$ 1,416,091

See accompanying Notes to Financial Statements.



**THE CATHOLIC FOUNDATION OF THE DIOCESE OF TOLEDO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Catholic Foundation of the Diocese of Toledo (the Foundation) was established in 1988 as an investment fund for catholic parishes, schools, and agencies of The Roman Catholic Diocese of Toledo in America (The Diocese of Toledo) and The Diocese of Toledo itself. Deposits to the Foundation are combined for investment purposes. The objective of this centralization of investments is to allow participating organizations to realize higher long-term earnings on invested funds, while reducing the legal cost of creating endowments and eliminating duplication of investment management and trustee fees.

Effective April 1, 2010, Catholic Charitable Ministries Fund (the Ministries Fund) transferred certain assets, liabilities and related fund balances to the Foundation. The Ministries Fund is a corporation organized under Section 501(c)(3) of the Internal Revenue Code for the purpose of conducting the charitable works of The Diocese of Toledo. In addition, The Diocese of Toledo transferred as of April 1, 2010, fund balances relating to its Annual Catholic Appeal and One Faith Many Blessings campaigns. As a result of the transfers, substantially all development and fund-raising activities for The Diocese of Toledo are now managed and reported by the Foundation.

Significant accounting policies followed by the Foundation are presented below.

**Use of Estimates in Preparing Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during each reporting period. The most significant area involving the use management's estimates and assumptions is the allowance for doubtful receivables. Actual results could differ from those estimates.

**Investment Valuation and Income Recognition**

Security investments are stated at fair value, based upon the quoted market price of the individual securities or the quoted net asset value of the mutual funds. Purchases and sales of security investments are recorded on a settlement-date basis. The realized gain or loss on sale of a security investment is determined by using the average cost of the security sold. Premiums on debt securities are amortized against interest income over the period from date of purchase to the earlier of maturity or call date. Discounts are accreted to interest income over the period from date of purchase to maturity date.

Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Investment income allocated to funds held for other agencies includes unrealized appreciation and depreciation. However, in computing net investment income for distribution purposes, realized and unrealized appreciation and depreciation of security investments is excluded.

**THE CATHOLIC FOUNDATION OF THE DIOCESE OF TOLEDO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash**

The Foundation maintains its checking account in one commercial bank located in Northwest Ohio. Balances on deposit, subject to specified limits and restrictions, are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Balances in excess of FDIC limits are uninsured.

**Classification of Net Assets**

Net assets of the Foundation are classified as permanently restricted, temporarily restricted, or unrestricted depending on the presence and characteristics of donor-imposed restrictions limiting the Foundation's ability to use or dispose of contributed assets or the economic benefits embodied in those assets. Donor-imposed restrictions that expire with the passage of time or can be removed by meeting certain requirements result in temporarily restricted net assets. Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law.

**Contributions Receivable**

The carrying amount of contributions receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. The allowance for doubtful accounts is primarily based on management's assessment of the collectability of specific accounts, past collection experience and the aging of the accounts receivable. All accounts or portions thereof deemed to be uncollectible are written-off to the allowance account.

**Revenue Recognition**

The Foundation records revenues, such as contributions and promises to give, when they are received unconditionally, at their net realizable value. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. The carrying amount of contributions receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected.

**Perpetual Trust Agreement**

The Foundation's interest in the future income stream of a perpetual trust agreement is reported as an asset based on the fair value of the trust assets, representing the Foundation's beneficial interest in the future income distributions.

**THE CATHOLIC FOUNDATION OF THE DIOCESE OF TOLEDO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Functional Expenses**

Costs have been allocated between diocesan support, sacrificial giving, fund-raising and management and general on the bases of either actual time or costs to such activities or other reasonable methods of allocation as determined by management. Although the methods of allocation are considered appropriate, other methods could be used that would produce different amounts.

**Donated Services**

The Foundation Trustees and certain representatives of The Diocese of Toledo donate their time to the Foundation and certain out-of-pocket expenses of administering the Foundation are paid by The Diocese of Toledo. However, no dollar amount has been assigned to the value of such donated services and expenses.

**Funds Held for Other Agencies**

Financial Accounting Standards Board ASC 958-605 (FASB ASC 958-605) deals with transfers of assets to a not-for-profit organization or charitable trust that raises or holds contributions for others. FASB ASC 958-605 specifies standards for transactions in which the Foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets or both, to another entity that is specified by the donors. Specifically, FASB ASC 958-605 requires that if the donor is a not-for-profit organization that establishes a fund at the Foundation using its own funds and for its own benefit, the Foundation must account for the transfer of such assets as a liability. The Foundation refers to these as agency funds.

The Foundation continues to report the agency funds as assets of the Foundation; however, in accordance with FASB ASC 958-605, a liability has been established for the fair value of the funds.

All financial activity related to the funds is recorded as adjustments to the funds held for agencies liability and is omitted from the statement of activities and changes in net assets.

**Subsequent Events**

Management evaluated subsequent events through November 21, 2016, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2016, but prior to November 21, 2016 that provided additional evidence about conditions that existed at June 30, 2016, have been recognized in the financial statements for the year ended June 30, 2016. Events or transactions that provided evidence about conditions that did not exist at June 30, 2016, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2016.

**THE CATHOLIC FOUNDATION OF THE DIOCESE OF TOLEDO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 2 SECURITY INVESTMENTS**

The following represents a summary of the security investments at June 30, 2016 and 2015:

<u>2016</u>	<u>Cost</u>	<u>Fair Value</u>
Short-Term Investment Funds	\$ 2,429,847	\$ 2,429,847
Common Stocks	69,532	85,130
Fixed Income Mutual Funds	18,718,696	18,968,313
Domestic Equity Mutual Funds	17,656,059	21,450,093
International Equity Mutual Funds	6,626,675	6,334,341
Real Estate Mutual Funds	1,309,228	1,575,288
Other	31,933	32,206
Total Security Investments	<u>\$ 46,841,970</u>	<u>\$ 50,875,218</u>
<u>2015</u>	<u>Cost</u>	<u>Fair Value</u>
Short-Term Investment Funds	\$ 3,814,653	\$ 3,814,653
Common Stocks	78,303	99,057
Fixed Income Mutual Funds	19,866,810	19,888,669
Domestic Equity Mutual Funds	16,193,868	20,783,721
International Equity Mutual Funds	5,942,965	6,310,961
Real Estate Mutual Funds	1,221,377	1,293,831
Other	43,424	43,674
Total Security Investments	<u>\$ 47,161,400</u>	<u>\$ 52,234,566</u>

The Foundation offers five pooled investment funds which are managed by investment managers retained by the Foundation. The four pooled funds underlying holdings are mutual funds that have passed a set of socially responsible criteria. KeyBank administers all of the participant accounts and provides quarterly reports to each participating organization as well as on-line access to their accounts. The overall investment performance of the Foundation's security investments is monitored by an investment consultant, Fund Evaluation Group, hired by The Diocese of Toledo and the Board of Trustees of the Foundation.

**THE CATHOLIC FOUNDATION OF THE DIOCESE OF TOLEDO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 2 SECURITY INVESTMENTS (CONTINUED)**

Agency pooled funds, as further described in Note 8, included in the above security investments at June 30, 2016 and 2015 are as follows:

<u>2016 Agency Funds</u>	<u>Cost</u>	<u>Fair Value</u>
Short-Term Investment Funds	\$ 1,680,121	\$ 1,680,121
Fixed Income Pool Fund	1,465,971	1,574,252
Balanced Pool Fund	12,871,114	14,224,931
Large Cap Growth	12,355,006	13,267,683
Long-Term Pool Fund	1,266,094	1,447,864
Aggressive Growth Fund	225,389	297,851
Investment Income Receivable	8,615	8,615
	<u>\$ 29,872,310</u>	<u>\$ 32,501,317</u>
<u>2015 Agency Funds</u>	<u>Cost</u>	<u>Fair Value</u>
Short-Term Investment Funds	\$ 2,940,017	\$ 2,940,017
Fixed Income Pool Fund	1,924,897	2,046,221
Balanced Pool Fund	14,309,821	16,275,875
Long-Term Pool Fund	8,151,783	9,371,911
Aggressive Growth Fund	1,635,457	1,821,095
Investment Income Receivable	10,577	10,577
	<u>\$ 28,972,552</u>	<u>\$ 32,465,696</u>

**NOTE 3 CONTRIBUTIONS RECEIVABLE AND PAYABLE**

Contributions receivable at June 30, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
One Faith Many Blessing	\$ 538,188	\$ 744,483
Annual Catholic Appeal	299,642	328,305
	837,830	1,072,788
Less: Allowance for Doubtful Receivables	<u>550,188</u>	<u>733,648</u>
Contributions Receivable, Net	<u>\$ 287,642</u>	<u>\$ 339,140</u>

The gross amounts due of promises to give at June 30, 2016 are either due in 2016 or are past due.

**THE CATHOLIC FOUNDATION OF THE DIOCESE OF TOLEDO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 3 CONTRIBUTIONS RECEIVABLE AND PAYABLE (CONTINUED)**

The Foundation has pledged contributions to various organizations over the next several years. The following summarizes the amount of such pledges due at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Within One Year	\$ 108,334	\$ 108,333
From One to Five Years	<u>91,666</u>	<u>200,000</u>
Total Contributions Payable	<u>\$ 200,000</u>	<u>\$ 308,333</u>

**NOTE 4 BENEFICIAL INTEREST IN PERPETUAL TRUST**

The Foundation's beneficial interest in perpetual trust is held by a third party that manages the assets and distributes the earnings to parties as defined by the trust agreement. Under a perpetual trust arrangement, the Foundation receives a portion of the income (as defined by the trust) earned by the assets, but is restricted from use of the trust corpus. Income received from the trust, which does not have any donor-imposed restrictions, has been reported on the statements of activities and changes in net assets as unrestricted income. Distributions from the trust amounted to \$2,764 in 2016 and \$2,655 in 2015.

The beneficial interest has been recognized as the fair value of the underlying assets, which approximates the present value of the perpetual stream of income from the assets. Therefore, the trust has been recognized at the fair market value of the underlying assets.

**NOTE 5 DESIGNATED NET ASSETS**

Unrestricted net assets were designated by Diocesan management for the following purposes at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Fred Martin Tuition Assistance Program	\$ 549,484	\$ 560,766
Catholic Education Endowment	<u>1,313,081</u>	<u>1,313,037</u>
Total Designated Net Assets	<u>\$ 1,862,565</u>	<u>\$ 1,873,803</u>

**THE CATHOLIC FOUNDATION OF THE DIOCESE OF TOLEDO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 6 TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at June 30, 2016 and 2015 are available for the operations of the Foundation in the following areas when specified restrictions have been met:

	<u>2016</u>	<u>2015</u>
Ministry Programs, Education and Social Services	\$ 4,920,790	\$ 5,064,613
Priest Education	675,090	674,931
Seminarians	330,571	354,403
Religious	162,450	169,415
Scholarships	<u>854,111</u>	<u>942,769</u>
Total Temporarily Restricted Net Assets	<u>\$ 6,943,012</u>	<u>\$ 7,206,131</u>

Net assets released from restriction for the years ended June 30, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Ministry Programs, Education and Social Services	\$ 167,414	\$ 176,339
Priest Education	-	126,000
Seminarians	24,724	15,447
Religious	5,660	4,824
Scholarships	<u>80,169</u>	<u>150,114</u>
Total Net Assets Released from Restriction	<u>\$ 277,967</u>	<u>\$ 472,724</u>

**NOTE 7 PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets at June 30, 2016 and 2015 are invested in perpetuity. The income on such investments, as specified by the donor, is to be used for the purposes noted:

	<u>2016</u>	<u>2015</u>
Scholarships	\$ 4,342,383	\$ 4,215,130
Our Lady Queen of the Most Holy Rosary	1,770,272	1,770,272
Seminarians	110,000	110,000
Catholic Youth Organization	100,000	100,000
Annual Catholic Appeal	<u>51,433</u>	<u>52,817</u>
Total Permanently Restricted Net Assets	<u>\$ 6,374,088</u>	<u>\$ 6,248,219</u>

**THE CATHOLIC FOUNDATION OF THE DIOCESE OF TOLEDO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 8 TRANSACTIONS IN FUNDS HELD FOR OTHER AGENCIES**

Transactions in agency funds are summarized below for the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Contributions - Participating Agencies	\$ 2,741,499	\$ 2,755,428
Investment Income, Net	(6,863)	322,492
Distributions - Participating Agencies	<u>(2,699,015)</u>	<u>(1,481,618)</u>
Change in Balance	35,621	1,596,302
Balance in Agency Funds, Beginning of Year	<u>32,465,696</u>	<u>30,869,394</u>
Balance In Agency Funds, End of Year	<u>\$ 32,501,317</u>	<u>\$ 32,465,696</u>

**NOTE 9 MANAGEMENT AND GENERAL EXPENSES**

Management and general expenses consist of the following for the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Salaries, Payroll Taxes and Benefits	\$ 255,637	\$ 233,677
Occupancy	20,352	20,464
Computer Services, Postage and Supplies	26,539	18,910
Professional Fees	40,357	48,910
Travel, Conferences and Other	18,938	11,236
Parish Membership Software Support	<u>192,929</u>	<u>101,116</u>
Total Management and General Expenses	<u>\$ 554,752</u>	<u>\$ 434,313</u>

**NOTE 10 FAIR VALUE MEASUREMENTS**

FASB ASC 820-10, *Fair Value Measurements*, (FASB ASC 820-10) provides a comprehensive framework for measuring fair value and expands disclosures which are required about fair value measurements. Specifically, FASB ASC 820-10 sets forth a definition of fair value and establishes a hierarchy prioritizing the inputs to valuation techniques, giving the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable value inputs.



**THE CATHOLIC FOUNDATION OF THE DIOCESE OF TOLEDO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE 10 FAIR VALUE MEASUREMENTS (CONTINUED)**

In determining fair value, the Foundation uses various valuation approaches within the FASB ASC 820-10 fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

FASB ASC 820-10 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. FASB ASC 820-10 defines levels within the hierarchy based on the reliability of inputs as follows:

*Level 1* – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

*Level 2* – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in active markets or markets that are not active, such as dealer or broker markets.

*Level 3* – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

There were no financial instruments measured at fair value that moved to a lower level in the fair value hierarchy due to the lack of observable quotes in inactive markets for those instruments.

Certain financial assets and liabilities are measured at fair value on a recurring basis while others are measured on a nonrecurring basis. The Foundation had no assets or liabilities measured on a nonrecurring basis.

The fair value measurement level of an asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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**NOTE 10 FAIR VALUE MEASUREMENTS (CONTINUED)**

The following is a description of the valuation methodologies used for assets measured at fair value at June 30, 2016 and 2015:

Short-Term Investment Funds – Valued at amortized cost which approximates fair value.

Common Stocks – Valued at quoted market price obtained from national or international securities exchanges.

Mutual Funds – Valued at the quoted net asset value of shares held.

The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value (there were no liabilities) as of June 30, 2016 and 2015:

<u>2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Short-Term Investment Funds	\$ 2,429,847	\$ -	\$ -	\$ 2,429,847
Common Stocks	85,130	-	-	85,130
Fixed Income Mutual Funds	18,968,313	-	-	18,968,313
Equity Mutual Funds	27,784,434	-	-	27,784,434
Real Estate Mutual Funds	1,575,288	-	-	1,575,288
Other	32,206	-	-	32,206
Perpetual Trust Agreement	-	-	51,433	51,433
	<u>\$ 50,875,218</u>	<u>\$ -</u>	<u>\$ 51,433</u>	<u>\$ 50,926,651</u>
<u>2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Short-Term Investment Funds	\$ 3,814,653	\$ -	\$ -	\$ 3,814,653
Common Stocks	99,057	-	-	99,057
Fixed Income Mutual Funds	19,888,669	-	-	19,888,669
Equity Mutual Funds	27,094,682	-	-	27,094,682
Real Estate Mutual Funds	1,293,831	-	-	1,293,831
Other	43,674	-	-	43,674
Perpetual Trust Agreement	-	-	52,817	52,817
	<u>\$ 52,234,566</u>	<u>\$ -</u>	<u>\$ 52,817</u>	<u>\$ 52,287,383</u>

Such assets are measured on a recurring basis.

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**NOTE 10 FAIR VALUE MEASUREMENTS (CONTINUED)**

The table below sets forth a summary of changes in the fair value of the Foundation's Level 3 assets, consisting of the perpetual trust agreement for the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Balance, Beginning of Year	\$ 52,817	\$ 55,028
Unrealized Gains (Losses) Relating to Instruments Held at the Reporting Date	(2,843)	(1,616)
Purchases, Sales, Transfers, Issuances and Settlements, Net	4,223	2,060
Distributions	<u>(2,764)</u>	<u>(2,655)</u>
Balance, End of Year	<u>\$ 51,433</u>	<u>\$ 52,817</u>

**NOTE 11 FEDERAL INCOME TAXES**

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is not required to file a Form 990 tax return. Consequently, no provision for federal income taxes is necessary and the Foundation determined it was not required to record a liability related to uncertain tax positions at June 30, 2016 and 2015.

**NOTE 12 RISKS AND UNCERTAINTIES**

The Foundation invests in various investments which are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect account balances for funds held for other agencies and the net asset amounts reported in the statement of financial position.

**NOTE 13 DONOR RESTRICTED AND BOARD DESIGNATED ENDOWMENTS**

The Foundation's endowments include both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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**NOTE 13 DONOR RESTRICTED AND BOARD DESIGNATED ENDOWMENTS (CONTINUED)**

**Interpretation of Relevant Law**

The Board of Trustees of the Foundation has interpreted the State of Ohio Uniform Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund.
- (2) The purposes of the fund and the donor-restricted endowment fund.
- (3) General economic conditions.
- (4) The possible effect of inflation and deflation.
- (5) The expected total return from income and the appreciation of investments.
- (6) Other resources of the fund.
- (7) The investment policies of the fund.

The endowment net asset composition by type of fund consists of the following as of June 30, 2016 and 2015:

<u>2016</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ -	\$ 6,943,012	\$ 6,322,655	\$ 13,265,667
Board-Designated Endowment Funds	1,862,565	-	-	1,862,565
Total Funds	<u>\$ 1,862,565</u>	<u>\$ 6,943,012</u>	<u>\$ 6,322,655</u>	<u>\$ 15,128,232</u>
<u>2015</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ -	\$ 7,206,131	\$ 6,195,402	\$ 13,401,533
Board-Designated Endowment Funds	1,873,803	-	-	1,873,803
Total Funds	<u>\$ 1,873,803</u>	<u>\$ 7,206,131</u>	<u>\$ 6,195,402</u>	<u>\$ 15,275,336</u>

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**NOTE 13 DONOR RESTRICTED AND BOARD DESIGNATED ENDOWMENTS (CONTINUED)**

**Interpretation of Relevant Law, Continued**

Changes in endowment net assets for fiscal years ended June 30, 2016 and 2015 consists of the following:

<u>2016</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets - Beginning of Year	\$ 1,873,803	\$ 7,206,131	\$ 6,195,402	\$ 15,275,336
Contributions	-	47,166	127,253	174,419
Investment Return:				
Investment Income	23,161	141,861	1,137	166,159
Net Appreciation (Realized and Unrealized)	(23,399)	(174,179)	818	(196,760)
	1,873,565	7,220,979	6,324,610	15,419,154
Appropriation of Endowment Results for Expenditure	11,000	277,967	1,955	290,922
Endowment Net Assets - End of Year	<u>\$ 1,862,565</u>	<u>\$ 6,943,012</u>	<u>\$ 6,322,655</u>	<u>\$ 15,128,232</u>
<u>2015</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets - Beginning of Year	\$ 1,998,759	\$ 7,486,223	\$ 6,065,946	\$ 15,550,928
Contributions	-	39,541	129,456	168,997
Investment Return:				
Investment Income	26,909	165,271	970	193,150
Net Appreciation (Realized and Unrealized)	(554)	(12,180)	(526)	(13,260)
	2,025,114	7,678,855	6,195,846	15,899,815
Appropriation of Endowment Results for Expenditure	151,311	472,724	444	624,479
Endowment Net Assets - End of Year	<u>\$ 1,873,803</u>	<u>\$ 7,206,131</u>	<u>\$ 6,195,402</u>	<u>\$ 15,275,336</u>

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**NOTE 13 DONOR RESTRICTED AND BOARD DESIGNATED ENDOWMENTS (CONTINUED)**

**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 SPMIFA 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 \$677,876 and \$504,668 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 trustees.

**Return Objectives and Risk Parameters**

The Foundation has adopted investment policies for endowment and other assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The investment policy includes a socially responsible policy which places restrictions on investments based upon excluding securities whose companies violate the principles and teachings of the Roman Catholic Church. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the board of trustees, the long-term endowment assets are invested in a manner that exceeds the consumer price index plus spending while assuming a moderate level of investment risk. The Foundation expects the long-term endowment assets, over time, to provide an average rate of return of approximately 7.0%-8.0% annually. Actual rates in any given year may vary from this amount.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.