

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

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018



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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, 2019 and 2018, and the related statements of activities and changes in net assets, 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 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, 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

Toledo, Ohio
November 19, 2019

THE CATHOLIC FOUNDATION OF THE DIOCESE OF TOLEDO
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Cash	\$ 43,976	\$ 1,520,102
Security Investments, at Fair Value	58,122,696	55,866,569
Prepays	-	47,433
Receivables:		
Contributions, Net	2,100	469,116
Diocese	194,615	-
Investment Income	22,130	18,691
Total Receivables	218,845	487,807
Beneficial Interest in Perpetual Trust	53,094	54,096
Total Assets	\$ 58,438,611	\$ 57,976,007
LIABILITIES AND NET ASSETS		
LIABILITIES		
Funds Held for Other Agencies	\$ 39,301,181	\$ 38,171,617
Trade Payables	215,717	875,176
Contributions Payable	50,000	133,333
Designated Collections	33,426	304,398
Total Liabilities	39,600,324	39,484,524
NET ASSETS		
Without Donor Restrictions:		
Undesignated	540,927	1,593,086
Designated	2,064,064	2,012,385
Total Without Donor Restrictions	2,604,991	3,605,471
With Donor Restrictions	16,233,296	14,886,012
Total Net Assets	18,838,287	18,491,483
Total Liabilities and Net Assets	\$ 58,438,611	\$ 57,976,007

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, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND SUPPORT			
Contributions:			
Annual Catholic Appeal	\$ 186,251	\$ -	\$ 186,251
OFMB	2,500	-	2,500
Bequests and Other	370,537	1,369,565	1,740,102
Roman Catholic Diocese of Toledo	1,700,000	-	1,700,000
Net Realized and Unrealized Gains (Losses)			
from Security Investments	(25,308)	412,023	386,715
Interest and Dividends	94,662	256,018	350,680
Change in Value of Beneficial			
Interest in Perpetual Trust	-	(1,002)	(1,002)
Net Assets Released from			
Restrictions	689,320	(689,320)	-
Total Revenues, Gains, and Support	3,017,962	1,347,284	4,365,246
EXPENSES			
Diocesan Support	2,943,827	-	2,943,827
Fundraising	861,184	-	861,184
Management and General	174,431	-	174,431
Sacrificial Giving	39,000	-	39,000
Total Expenses	4,018,442	-	4,018,442
CHANGE IN NET ASSETS	(1,000,480)	1,347,284	346,804
Net Assets - Beginning of Year	3,605,471	14,886,012	18,491,483
NET ASSETS - END OF YEAR	\$ 2,604,991	\$ 16,233,296	\$ 18,838,287

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, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, LOSSES, AND SUPPORT			
Contributions:			
Annual Catholic Appeal	\$ 2,895,369	\$ -	\$ 2,895,369
Bequests and Other	745	232,019	232,764
Net Realized and Unrealized Losses			
from Security Investments	285,130	671,975	957,105
Interest and Dividends	77,955	173,613	251,568
Change in Value of Beneficial			
Interest in Perpetual Trust	-	830	830
Net Assets Released from			
Restrictions	333,143	(333,143)	-
Total Revenues, Losses, and Support	3,592,342	745,294	4,337,636
 EXPENSES			
Diocesan Support	3,200,949	-	3,200,949
Fundraising	692,110	-	692,110
Management and General	128,250	-	128,250
Sacrificial Giving	151,500	-	151,500
Total Expenses	4,172,809	-	4,172,809
 CHANGE IN NET ASSETS	(580,467)	745,294	164,827
 Net Assets - Beginning of Year	4,185,938	14,140,718	18,326,656
 NET ASSETS - END OF YEAR	\$ 3,605,471	\$ 14,886,012	\$ 18,491,483

See accompanying Notes to Financial Statements.

THE CATHOLIC FOUNDATION OF THE DIOCESE OF TOLEDO
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Program Services			Supporting Services			2019 Combined Totals
	Diocesan Support	Sacrificial Giving	Total	Fundraising	Management and General	Total	
ACA, OFMB, and Other Support	\$ 2,932,827	\$ -	\$ 2,932,827	\$ -	\$ -	\$ -	\$ 2,932,827
Parish Rebates	-	-	-	313,760	-	313,760	313,760
IT Services	-	-	-	202,008	-	202,008	202,008
Printing and Postage	-	-	-	181,862	-	181,862	181,862
Professional Expenses	-	-	-	-	156,881	156,881	156,881
Salaries and Benefits	-	-	-	118,265	-	118,265	118,265
Donations	-	39,000	39,000	-	-	-	39,000
Office Expense	-	-	-	21,177	-	21,177	21,177
Occupancy	-	-	-	-	15,209	15,209	15,209
Advertising	-	-	-	14,983	-	14,983	14,983
Tuition Assistance	11,000	-	11,000	-	-	-	11,000
Bad Debt Expenses	-	-	-	9,129	-	9,129	9,129
Miscellaneous	-	-	-	-	2,341	2,341	2,341
Total Functional Expenses	\$ 2,943,827	\$ 39,000	\$ 2,982,827	\$ 861,184	\$ 174,431	\$ 1,035,615	\$ 4,018,442

See accompanying Notes to Financial Statements.

THE CATHOLIC FOUNDATION OF THE DIOCESE OF TOLEDO
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	Program Services			Supporting Services			2018 Combined Totals
	Diocesan Support	Sacrificial Giving	Total	Fundraising	Management and General	Total	
ACA, OFMB, and Other Support	\$ 3,189,949	\$ -	\$ 3,189,949	\$ -	\$ -	\$ -	\$ 3,189,949
Parish Rebates	-	-	-	164,540	-	164,540	164,540
Donations	-	151,500	151,500	-	-	-	151,500
IT Services	-	-	-	147,061	-	147,061	147,061
Salaries and Benefits	-	-	-	124,389	-	124,389	124,389
Professional Expenses	-	-	-	-	100,058	100,058	100,058
Advertising	-	-	-	93,806	-	93,806	93,806
Bad Debt Expenses	-	-	-	76,522	-	76,522	76,522
Printing and Postage	-	-	-	55,635	-	55,635	55,635
Office Expense	-	-	-	30,157	-	30,157	30,157
Miscellaneous	-	-	-	-	14,208	14,208	14,208
Occupancy	-	-	-	-	13,984	13,984	13,984
Tuition Assistance	11,000	-	11,000	-	-	-	11,000
Total Functional Expenses	\$ 3,200,949	\$ 151,500	\$ 3,352,449	\$ 692,110	\$ 128,250	\$ 820,360	\$ 4,172,809

See accompanying Notes to Financial Statements.

THE CATHOLIC FOUNDATION OF THE DIOCESE OF TOLEDO
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 346,804	\$ 164,827
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Net Realized and Unrealized Gains from Security Investments	(386,715)	(957,105)
Change in Value of Beneficial Interest in Perpetual Trust	1,002	(830)
Effects of Changes in Operating Assets and Liabilities:		
Receivables	272,401	(160,760)
Prepays	47,433	936
Investment Income Receivable	(3,439)	3,874
Funds Held for Other Agencies	1,129,564	2,538,573
Trade Payables	(659,459)	516,384
Contributions Payable	(83,333)	(108,333)
Designated Collections	(270,972)	139,148
Net Cash Provided by Operating Activities	393,286	2,136,714
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	4,458,203	4,683,101
Net Purchases of Investments	(6,327,615)	(6,084,563)
Net Cash Used by Investing Activities	(1,869,412)	(1,401,462)
NET INCREASE (DECREASE) IN CASH	(1,476,126)	735,252
Cash - Beginning of Year	1,520,102	784,850
CASH - END OF YEAR	\$ 43,976	\$ 1,520,102

See accompanying Notes to Financial Statements.

THE CATHOLIC FOUNDATION OF THE DIOCESE OF TOLEDO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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) and the Diocese 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. In addition, the Diocese 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, annual fund-raising activities for the Diocese were managed and reported by the Foundation. In December 2018, the Foundation Board moved to transfer administration of the Annual Catholic Appeal to the Diocese, beginning with the 2019 campaign. On April 17, 2019, the Foundation remitted approximately \$1.7 million of collected Annual Catholic Appeal funds to the Diocese. The related expense is recorded as part of the \$2.9 million Diocese Support in the statement of activities.

On July 1, 2019, the Foundation dissolved and transferred all assets of approximately \$57.3 million into a new trust, Catholic Investment Trust. This trust will be part of the combined financial statements of the Diocese going forward.

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.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets 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 CATHOLIC FOUNDATION OF THE DIOCESE OF TOLEDO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

Net Assets With Donor Restrictions – We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as Net Assets Released from Restrictions.

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.

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.

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.

THE CATHOLIC FOUNDATION OF THE DIOCESE OF TOLEDO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 donate their time to the Foundation and certain out-of-pocket expenses of administering the Foundation are paid by the Diocese. However, no dollar amount has been assigned to the value of such donated services and expenses. The Diocese began charging a management fee to the Foundation and such fee amounted to \$62,414 and \$49,503 for the years ended June 30, 2019 and 2018, respectively.

Funds Held for Other Agencies

Financial Accounting Standards Board ASC 958-605 (FASB ASC 958-605) deals with transfers of assets to a nonprofit 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 nonprofit 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.

THE CATHOLIC FOUNDATION OF THE DIOCESE OF TOLEDO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. We have implemented ASU 2016-14 and have adjusted the presentation in these consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented and had no impact on previously reported net assets.

Reclassifications

Certain reclassifications have been made to the 2018 amounts to conform to the 2019 presentation.

Subsequent Events

Management evaluated subsequent events through November 19, 2019, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2019, but prior to November 19, 2019 that provided additional evidence about conditions that existed at June 30, 2019, have been recognized in the financial statements for the year ended June 30, 2019. Events or transactions that provided evidence about conditions that did not exist at June 30, 2019, 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, 2019.

NOTE 2 LIQUIDITY AND AVAILABILITY

The Foundation regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing activities of programs, contracts, and overhead to support the mission.

At June 30, the Foundation's financial resources were earmarked as follows:

	2019	2018
Cash and Cash Equivalents	\$ 43,976	\$ 1,520,102
Investments	18,874,609	17,749,048
Receivables	218,845	487,807
Total Financial Assets	<u>19,137,430</u>	<u>19,756,957</u>
Less Amounts Not Available to be used Within One Year:		
Net Assets with Purpose Restrictions	8,191,932	8,224,952
Net Assets Perpetual in Nature	<u>8,041,364</u>	<u>6,661,060</u>
Financial Assets Available to Meet Expenditures Within One Year	<u>\$ 2,904,134</u>	<u>\$ 4,870,945</u>

THE CATHOLIC FOUNDATION OF THE DIOCESE OF TOLEDO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 3 SECURITY INVESTMENTS

The following represents a summary of the security investments at June 30, 2019 and 2018:

	2019	
	Cost	Fair Value
Short-Term Investment Funds	\$ 2,047,280	\$ 2,047,280
Common Stock	-	
Fixed Income Mutual Funds	17,397,490	20,459,504
Domestic Equity Mutual Funds	22,166,056	26,137,362
International Equity Mutual Funds	6,451,954	7,434,029
Real Estate Mutual Funds	1,617,622	1,917,078
Other	95,467	127,443
Total Security Investments	<u>\$ 49,775,869</u>	<u>\$ 58,122,696</u>

	2018	
	Cost	Fair Value
Short-Term Investment Funds	\$ 2,581,425	\$ 2,581,425
Common Stock	79,266	110,743
Fixed Income Mutual Funds	16,760,824	19,603,630
Domestic Equity Mutual Funds	20,564,048	24,825,874
International Equity Mutual Funds	6,348,200	6,878,546
Real Estate Mutual Funds	1,490,756	1,837,703
Other	29,219	28,648
Total Security Investments	<u>\$ 47,853,738</u>	<u>\$ 55,866,569</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 online access to their accounts. The overall investment performance of the Foundation's security investments is monitored by an investment consultant, Fund Evaluation Group, the Diocesan Investment Committee, and the Foundation Board.

THE CATHOLIC FOUNDATION OF THE DIOCESE OF TOLEDO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 3 SECURITY INVESTMENTS (CONTINUED)

Investment return consists of the following for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Unrealized and Realized Gains	\$ 397,534	\$ 968,653
Interest and Dividends	350,680	251,568
Total	<u>748,214</u>	<u>1,220,221</u>
Less: Investment Expenses	10,819	11,548
Total Investment Return	<u>\$ 737,395</u>	<u>\$ 1,208,673</u>

Agency pooled funds, as further described in Note 8, included in the above security investments at June 30, 2019 and 2018 are as follows:

	<u>2019 Agency Funds</u>	
	<u>Cost</u>	<u>Fair Value</u>
Short-Term Investment Funds	\$ 889,640	\$ 889,640
Fixed Income Pool Fund	740,725	783,830
Balanced Pool Fund	14,548,316	17,384,251
Large Cap Growth	15,401,892	18,272,723
Long-Term Pool Fund	1,313,353	1,692,687
Aggressive Growth Fund	198,564	264,198
Investment Income Receivable	13,852	13,852
Total Agency Funds	<u>\$ 33,106,342</u>	<u>\$ 39,301,181</u>

	<u>2018 Agency Funds</u>	
	<u>Cost</u>	<u>Fair Value</u>
Short-Term Investment Funds	\$ 816,012	\$ 816,012
Common Stock	11,452	11,452
Fixed Income Pool Fund	862,701	894,082
Balanced Pool Fund	14,248,978	16,956,521
Large Cap Growth	14,781,453	17,404,795
Long-Term Pool Fund	1,391,441	1,762,133
Aggressive Growth Fund	213,836	314,635
Investment Income Receivable	11,987	11,987
Total Agency Funds	<u>\$ 32,337,860</u>	<u>\$ 38,171,617</u>

THE CATHOLIC FOUNDATION OF THE DIOCESE OF TOLEDO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 4 CONTRIBUTIONS RECEIVABLE AND PAYABLE

Contributions receivable at June 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
One Faith Many Blessing	\$ 335,439	\$ 335,439
Seminarians	-	197,461
Blessed Sacrament Church	301	-
Saint Mary's	1,071	-
Saint Patrick	728	-
Annual Catholic Appeal	-	283,988
Total	<u>337,539</u>	<u>816,888</u>
Less: Allowance for Doubtful Receivables	<u>335,439</u>	<u>347,772</u>
Contributions Receivable, Net	<u>\$ 2,100</u>	<u>\$ 469,116</u>

The gross amounts due of promises to give at June 30, 2019 are either due in 2019 or are past due. As documented at Note 1, in December 2018, the Foundation Board moved to transfer administration of the Annual Catholic Appeal to the Diocese, beginning with the 2019 campaign.

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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Within One Year	\$ 50,000	\$ 83,333
From One to Five Years	-	50,000
Total Contributions Payable	<u>\$ 50,000</u>	<u>\$ 133,333</u>

NOTE 5 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 \$3,105 in 2019 and \$2,641 in 2018.

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.

THE CATHOLIC FOUNDATION OF THE DIOCESE OF TOLEDO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 6 DESIGNATED NET ASSETS

Unrestricted net assets were designated by Diocesan management for the following purposes at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Religious Education	\$ 1,436,383	\$ 1,390,891
Fred Martin Tuition Assistance Program	627,681	621,494
Total Designated Net Assets	<u>\$ 2,064,064</u>	<u>\$ 2,012,385</u>

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Ministry Programs, Education, and Social Services	\$ 5,581,740	\$ 5,640,461
Scholarships	1,696,889	1,586,131
Seminarian and Religious Education	913,303	998,360
Total Purpose Restrictions	<u>\$ 8,191,932</u>	<u>\$ 8,224,952</u>

Net assets with donor restrictions that are perpetual in nature are as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Scholarships	\$ 4,588,656	\$ 4,503,507
Our Lady Queen of the Most Holy Rosary	1,770,272	1,770,272
Seminarian and Religious Education	1,529,342	233,185
Catholic Youth Organization	100,000	100,000
Annual Catholic Appeal	53,094	54,096
Total Perpetual in Nature	<u>\$ 8,041,364</u>	<u>\$ 6,661,060</u>

Net assets were released from donor restrictions by incurring expense satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors as follows for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Ministry Programs, Education, and Social Services	\$ 327,878	\$ 120,604
Seminarian and Religious Education	188,806	133,442
Scholarships	172,636	79,097
Total Net Assets Released from Restriction	<u>\$ 689,320</u>	<u>\$ 333,143</u>

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NOTE 8 TRANSACTIONS IN FUNDS HELD FOR OTHER AGENCIES

Transactions in agency funds are summarized below for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Contributions - Participating Agencies	\$ 2,296,268	\$ 2,864,320
Investment Income, Net	1,948,786	2,671,241
Distributions - Participating Agencies	<u>(3,115,490)</u>	<u>(2,996,988)</u>
Change in Balance	1,129,564	2,538,573
Balance in Agency Funds - Beginning of Year	<u>38,171,617</u>	<u>35,633,044</u>
Balance In Agency Funds - End of Year	<u><u>\$ 39,301,181</u></u>	<u><u>\$ 38,171,617</u></u>

NOTE 9 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.

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.

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NOTE 9 FAIR VALUE MEASUREMENTS (CONTINUED)

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.

The following is a description of the valuation methodologies used for assets measured at fair value at June 30, 2019 and 2018:

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

Common Stock – 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.

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NOTE 9 FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2019 and 2018:

	2019			Total
	Level 1	Level 2	Level 3	
Short-Term Investment Funds	\$ 2,047,280	\$ -	\$ -	\$ 2,047,280
Common Stock	-	-	-	-
Fixed Income Mutual Funds	20,459,504	-	-	20,459,504
Equity Mutual Funds	33,571,391	-	-	33,571,391
Real Estate Mutual Funds	1,917,078	-	-	1,917,078
Other	127,443	-	-	127,443
Perpetual Trust Agreement	-	-	53,094	53,094
Total Assets at Fair Value	<u>\$ 58,122,696</u>	<u>\$ -</u>	<u>\$ 53,094</u>	<u>\$ 58,175,790</u>

	2018			Total
	Level 1	Level 2	Level 3	
Short-Term Investment Funds	\$ 2,581,425	\$ -	\$ -	\$ 2,581,425
Common Stock	110,743	-	-	110,743
Fixed Income Mutual Funds	19,603,630	-	-	19,603,630
Equity Mutual Funds	31,704,420	-	-	31,704,420
Real Estate Mutual Funds	1,837,703	-	-	1,837,703
Other	28,648	-	-	28,648
Perpetual Trust Agreement	-	-	54,096	54,096
Total Assets at Fair Value	<u>\$ 55,866,569</u>	<u>\$ -</u>	<u>\$ 54,096</u>	<u>\$ 55,920,665</u>

Such assets are measured on a recurring basis.

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, 2019 and 2018:

	2019	2018
Balance - Beginning of Year	\$ 54,096	\$ 53,266
Unrealized Gain (Losses) Relating to Instruments Held at the Reporting Date	(468)	2,133
Purchases, Sales, Transfers, Issuances, and Settlements, Net	2,571	1,338
Distributions	<u>(3,105)</u>	<u>(2,641)</u>
Balance - End of Year	<u>\$ 53,094</u>	<u>\$ 54,096</u>

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NOTE 10 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, 2019 and 2018.

NOTE 11 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 12 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.

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:

THE CATHOLIC FOUNDATION OF THE DIOCESE OF TOLEDO
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NOTE 12 DONOR-RESTRICTED AND BOARD DESIGNATED ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law (Continued)

- (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, 2019 and 2018:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	\$ -	\$ 16,180,202	\$ 16,180,202
Board-Designated Endowment Funds	2,064,064	-	2,064,064
Total Funds	\$ 2,064,064	\$ 16,180,202	\$ 18,244,266
	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	\$ -	\$ 14,831,916	\$ 14,831,916
Board-Designated Endowment Funds	2,012,385	-	2,012,385
Total Funds	\$ 2,012,385	\$ 14,831,916	\$ 16,844,301

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NOTE 12 DONOR-RESTRICTED AND BOARD DESIGNATED ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law (Continued)

Changes in endowment net assets for fiscal years ended June 30, 2019 and 2018 consists of the following:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets -			
Beginning of Year	\$ 2,012,385	\$ 14,831,916	\$ 16,844,301
Contributions	-	1,369,565	1,369,565
Investment Return:			
Investment Income	119,971	256,018	375,989
Net Appreciation (Realized and Unrealized)	(68,292)	412,023	343,731
	2,064,064	16,869,522	18,933,586
Appropriation of Endowment Results for Expenditure	-	689,320	689,320
Endowment Net Assets - End of Year	<u>\$ 2,064,064</u>	<u>\$ 16,180,202</u>	<u>\$ 18,244,266</u>
	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets -			
Beginning of Year	\$ 1,932,540	\$ 14,087,452	\$ 16,019,992
Contributions	-	232,019	232,019
Investment Return:			
Investment Income	28,999	173,613	202,612
Net Appreciation (Realized and Unrealized)	97,705	671,975	769,680
	2,059,244	15,165,059	17,224,303
Appropriation of Endowment Results for Expenditure	46,859	333,143	380,002
Endowment Net Assets - End of Year	<u>\$ 2,012,385</u>	<u>\$ 14,831,916</u>	<u>\$ 16,844,301</u>

THE CATHOLIC FOUNDATION OF THE DIOCESE OF TOLEDO
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JUNE 30, 2019 AND 2018

NOTE 12 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 net assets with donor restrictions were \$440,684 and \$417,725 as of June 30, 2019 and 2018, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new 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.

NOTE 13 FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Each expense is allocated using a method that is appropriate to the manner in which the expense is accrued. Expenses 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.

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