

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

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



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YEARS ENDED JUNE 30, 2018 AND 2017**

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Toledo, Ohio
December 6, 2018

THE CATHOLIC FOUNDATION OF THE DIOCESE OF TOLEDO
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Cash	\$ 1,520,102	\$ 784,850
Security Investments, at Fair Value	55,866,569	53,508,002
Prepays	47,433	48,369
Receivables:		
Contributions, Net	469,116	308,356
Investment Income	18,691	22,565
Total Receivables	487,807	330,921
Beneficial Interest in Perpetual Trust	54,096	53,266
Total Assets	\$ 57,976,007	\$ 54,725,408
LIABILITIES AND NET ASSETS		
LIABILITIES		
Funds Held for Other Agencies	\$ 38,171,617	\$ 35,633,044
Trade Payables	875,176	358,792
Contributions Payable	133,333	241,666
Designated Collections	304,398	165,250
Total Liabilities	39,484,524	36,398,752
NET ASSETS		
Unrestricted:		
Undesignated	1,593,086	2,253,398
Designated	2,012,385	1,932,540
Total Unrestricted	3,605,471	4,185,938
Temporarily Restricted	8,348,137	7,637,775
Permanently Restricted	6,537,875	6,502,943
Total Net Assets	18,491,483	18,326,656
Total Liabilities and Net Assets	\$ 57,976,007	\$ 54,725,408

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE, LOSSES, AND SUPPORT				
Contributions:				
Annual Catholic Appeal	\$ 2,895,369	\$ -	\$ -	\$ 2,895,369
Bequests and Other	745	197,917	34,102	232,764
Net Realized and Unrealized Gains 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, Gains and Support	<u>3,592,342</u>	<u>710,362</u>	<u>34,932</u>	<u>4,337,636</u>
EXPENSES				
Diocesan Support	3,204,955	-	-	3,204,955
Sacrificial Giving	151,500	-	-	151,500
Fund-Raising	417,413	-	-	417,413
Management and General	398,941	-	-	398,941
Total Expenses	<u>4,172,809</u>	<u>-</u>	<u>-</u>	<u>4,172,809</u>
CHANGE IN NET ASSETS	(580,467)	710,362	34,932	164,827
NET ASSETS				
Beginning of Year	<u>4,185,938</u>	<u>7,637,775</u>	<u>6,502,943</u>	<u>18,326,656</u>
End of Year	<u>\$ 3,605,471</u>	<u>\$ 8,348,137</u>	<u>\$ 6,537,875</u>	<u>\$ 18,491,483</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, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE, LOSSES, AND SUPPORT				
Contributions:				
Annual Catholic Appeal	\$ 2,475,210	\$ -	\$ -	\$ 2,475,210
Bequests and Other	172,150	41,019	127,022	340,191
Net Realized and Unrealized Losses from Security Investments	518,628	1,032,699	-	1,551,327
Interest and Dividends	104,633	175,972	-	280,605
Change in Value of Beneficial Interest in Perpetual Trust	-	-	1,833	1,833
Net Assets Released from Restrictions	<u>554,927</u>	<u>(554,927)</u>	<u>-</u>	<u>-</u>
Total Revenues, Losses and Support	3,825,548	694,763	128,855	4,649,166
EXPENSES				
Diocesan Support	3,378,028	-	-	3,378,028
Sacrificial Giving	352,500	-	-	352,500
Fund-Raising	311,538	-	-	311,538
Management and General	456,831	-	-	456,831
Total Expenses	<u>4,498,897</u>	<u>-</u>	<u>-</u>	<u>4,498,897</u>
CHANGE IN NET ASSETS	(673,349)	694,763	128,855	150,269
NET ASSETS				
Beginning of Year	<u>4,859,287</u>	<u>6,943,012</u>	<u>6,374,088</u>	<u>18,176,387</u>
End of Year	<u>\$ 4,185,938</u>	<u>\$ 7,637,775</u>	<u>\$ 6,502,943</u>	<u>\$ 18,326,656</u>

See accompanying Notes to Financial Statements.

THE CATHOLIC FOUNDATION OF THE DIOCESE OF TOLEDO
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 164,827	\$ 150,269
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Net Realized and Unrealized Gains from Security Investments	(957,105)	(1,551,327)
Change in Value of Beneficial Interest in Perpetual Trust	(830)	(1,833)
Effects of Changes in Operating Assets and Liabilities:		
Contributions Receivable	(160,760)	(20,714)
Prepays	936	(501)
Investment Income Receivable	3,874	(2,521)
Funds Held for Other Agencies	2,538,573	3,131,727
Trade Payables	516,384	(997,255)
Contributions Payable	(108,333)	41,666
Designated Collections	139,148	43,609
Net Cash Provided by Operating Activities	2,136,714	793,120
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	4,683,101	4,750,903
Net Purchases of Investments	(6,084,563)	(5,832,360)
Net Cash Used by Investing Activities	(1,401,462)	(1,081,457)
NET INCREASE (DECREASE) IN CASH	735,252	(288,337)
Cash - Beginning of Year	784,850	1,073,187
CASH - END OF YEAR	\$ 1,520,102	\$ 784,850

See accompanying Notes to Financial Statements.

THE CATHOLIC FOUNDATION OF THE DIOCESE OF TOLEDO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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, substantially all development and fund-raising activities for the Diocese are now managed and reported by the Foundation. In December 2018, the Foundation Board moved the Annual Catholic Appeal be transferred to the Diocese, beginning with the 2019 campaign. As of December 6, 2018, the Foundation has approximately \$1.7 million of collected Annual Catholic Appeal funds that have yet to be remitted to the Diocese.

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, 2018 AND 2017

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, 2018 AND 2017

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 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 \$49,503 for the year ending June 30, 2018.

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.

Subsequent Events

Management evaluated subsequent events through December 6, 2018, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2018, but prior to December 6, 2018 that provided additional evidence about conditions that existed at June 30, 2018, have been recognized in the financial statements for the year ended June 30, 2018. Events or transactions that provided evidence about conditions that did not exist at June 30, 2018, 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, 2018.

THE CATHOLIC FOUNDATION OF THE DIOCESE OF TOLEDO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 2 SECURITY INVESTMENTS

The following represents a summary of the security investments at June 30, 2018 and 2017:

	2018	
	<u>Cost</u>	<u>Fair Value</u>
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>

	2017	
	<u>Cost</u>	<u>Fair Value</u>
Short-Term Investment Funds	\$ 2,499,389	\$ 2,499,389
Common Stock	64,274	86,943
Fixed Income Mutual Funds	16,253,144	18,951,528
Domestic Equity Mutual Funds	20,158,671	23,110,916
International Equity Mutual Funds	6,243,070	7,164,273
Real Estate Mutual Funds	1,442,061	1,667,234
Other	28,160	27,719
Total Security Investments	<u>\$ 46,688,769</u>	<u>\$ 53,508,002</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, hired by the Diocese and the Board of Trustees of the Foundation.

THE CATHOLIC FOUNDATION OF THE DIOCESE OF TOLEDO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 2 SECURITY INVESTMENTS (CONTINUED)

Agency pooled funds, as further described in Note 8, included in the above security investments at June 30, 2018 and 2017 are as follows:

	2018 Agency Funds	
	Cost	Fair Value
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>

	2017 Agency Funds	
	Cost	Fair Value
Short-Term Investment Funds	\$ 1,588,366	\$ 1,588,366
Fixed Income Pool Fund	1,099,479	1,157,449
Balanced Pool Fund	12,819,244	14,999,600
Large Cap Growth	14,003,531	15,855,235
Long-Term Pool Fund	1,310,263	1,669,204
Aggressive Growth Fund	229,417	349,629
Investment Income Receivable	13,561	13,561
Total Agency Funds	<u>\$ 31,063,861</u>	<u>\$ 35,633,044</u>

NOTE 3 CONTRIBUTIONS RECEIVABLE AND PAYABLE

Contributions receivable at June 30, 2018 and 2017 consist of the following:

	2018	2017
One Faith Many Blessing	\$ 335,439	\$ 335,714
Seminarians	197,461	-
Annual Catholic Appeal	283,988	321,356
Total	816,888	657,070
Less: Allowance for Doubtful Receivables	347,772	348,714
Contributions Receivable, Net	<u>\$ 469,116</u>	<u>\$ 308,356</u>

The gross amounts due of promises to give at June 30, 2018 are either due in 2018 or are past due.

THE CATHOLIC FOUNDATION OF THE DIOCESE OF TOLEDO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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, 2018 and 2017:

	2018	2017
Within One Year	\$ 83,333	\$ 108,334
From One to Five Years	50,000	133,332
Total Contributions Payable	<u>\$ 133,333</u>	<u>\$ 241,666</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 \$2,641 in 2018 and \$2,658 in 2017.

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, 2018 and 2017:

	2018	2017
Fred Martin Tuition Assistance Program	\$ 621,494	\$ 593,703
Catholic Education Endowment	1,390,891	1,338,837
Total Designated Net Assets	<u>\$ 2,012,385</u>	<u>\$ 1,932,540</u>

THE CATHOLIC FOUNDATION OF THE DIOCESE OF TOLEDO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 6 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2018 and 2017 are available for the operations of the Foundation in the following areas when specified restrictions have been met:

	<u>2018</u>	<u>2017</u>
Ministry Programs, Education, and Social Services	\$ 5,640,461	\$ 5,360,900
Priest Education	377,244	457,781
Seminarians	553,109	352,661
Religious	191,192	179,883
Scholarships	1,586,131	1,286,550
Total Temporarily Restricted Net Assets	<u>\$ 8,348,137</u>	<u>\$ 7,637,775</u>

Net assets released from restriction for the years ended June 30, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Ministry Programs, Education, and Social Services	\$ 120,604	\$ 163,764
Priest Education	111,560	280,187
Seminarians	18,562	14,634
Religious	3,320	2,706
Scholarships	79,097	93,636
Total Net Assets Released from Restriction	<u>\$ 333,143</u>	<u>\$ 554,927</u>

NOTE 7 PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at June 30, 2018 and 2017 are invested in perpetuity. The income on such investments, as specified by the donor, is to be used for the purposes noted:

	<u>2018</u>	<u>2017</u>
Scholarships	\$ 4,503,507	\$ 4,469,405
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	54,096	53,266
Total Permanently Restricted Net Assets	<u>\$ 6,537,875</u>	<u>\$ 6,502,943</u>

THE CATHOLIC FOUNDATION OF THE DIOCESE OF TOLEDO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 8 TRANSACTIONS IN FUNDS HELD FOR OTHER AGENCIES

Transactions in agency funds are summarized below for the years ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Contributions - Participating Agencies	\$ 2,864,320	\$ 2,496,969
Investment Income, Net	2,671,241	3,671,037
Distributions - Participating Agencies	<u>(2,996,988)</u>	<u>(3,036,279)</u>
Change in Balance	2,538,573	3,131,727
Balance in Agency Funds - Beginning of Year	<u>35,633,044</u>	<u>32,501,317</u>
Balance In Agency Funds - End of Year	<u><u>\$ 38,171,617</u></u>	<u><u>\$ 35,633,044</u></u>

NOTE 9 MANAGEMENT AND GENERAL EXPENSES

Management and general expenses consist of the following for the years ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Salaries, Payroll Taxes, and Benefits	\$ 124,389	\$ 229,199
Occupancy	13,984	20,463
Computer Services, Postage, and Supplies	3,247	4,458
Professional Fees	100,058	43,080
Travel, Conferences, and Other	10,202	9,552
Parish Membership Software Support	147,061	150,079
Total Management and General Expenses	<u><u>\$ 398,941</u></u>	<u><u>\$ 456,831</u></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, 2018 AND 2017

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.

THE CATHOLIC FOUNDATION OF THE DIOCESE OF TOLEDO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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, 2018 and 2017:

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.

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, 2018 and 2017:

	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	\$ 55,866,569	\$ -	\$ 54,096	\$ 55,920,665
	2017			
	Level 1	Level 2	Level 3	Total
Short-Term Investment Funds	\$ 2,499,389	\$ -	\$ -	\$ 2,499,389
Common Stock	86,943	-	-	86,943
Fixed Income Mutual Funds	18,951,528	-	-	18,951,528
Equity Mutual Funds	30,275,189	-	-	30,275,189
Real Estate Mutual Funds	1,667,234	-	-	1,667,234
Other	27,719	-	-	27,719
Perpetual Trust Agreement	-	-	53,266	53,266
Total Assets at Fair Value	\$ 53,508,002	\$ -	\$ 53,266	\$ 53,561,268

Such assets are measured on a recurring basis.

THE CATHOLIC FOUNDATION OF THE DIOCESE OF TOLEDO
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JUNE 30, 2018 AND 2017

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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Balance - Beginning of Year	\$ 53,266	\$ 51,433
Unrealized Gain (Losses) Relating to Instruments Held at the Reporting Date	2,133	(10,055)
Purchases, Sales, Transfers, Issuances, and Settlements, Net	1,338	14,546
Distributions	<u>(2,641)</u>	<u>(2,658)</u>
Balance - End of Year	<u>\$ 54,096</u>	<u>\$ 53,266</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, 2018 and 2017.

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, 2018 and 2017:

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	\$ -	\$ 8,348,137	\$ 6,483,779	\$ 14,831,916
Board-Designated Endowment Funds	2,012,385	-	-	2,012,385
Total Funds	\$ 2,012,385	\$ 8,348,137	\$ 6,483,779	\$ 16,844,301
	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	\$ -	\$ 7,637,775	\$ 6,449,677	\$ 14,087,452
Board-Designated Endowment Funds	1,932,540	-	-	1,932,540
Total Funds	\$ 1,932,540	\$ 7,637,775	\$ 6,449,677	\$ 16,019,992

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NOTES TO FINANCIAL STATEMENTS
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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, 2018 and 2017 consists of the following:

	2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Net Assets -				
Beginning of Year	\$ 1,932,540	\$ 7,637,775	\$ 6,449,677	\$ 16,019,992
Contributions	-	197,917	34,102	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	8,681,280	6,483,779	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>\$ 8,348,137</u>	<u>\$ 6,483,779</u>	<u>\$ 16,844,301</u>
	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Net Assets -				
Beginning of Year	\$ 1,862,565	\$ 6,943,012	\$ 6,322,655	\$ 15,128,232
Contributions	-	41,019	127,022	168,041
Investment Return:				
Investment Income	28,482	175,972	(270)	204,184
Net Appreciation (Realized and Unrealized)	153,926	1,032,699	4,761	1,191,386
	2,044,973	8,192,702	6,454,168	16,691,843
Appropriation of Endowment Results for Expenditure	112,433	554,927	4,491	671,851
Endowment Net Assets - End of Year	<u>\$ 1,932,540</u>	<u>\$ 7,637,775</u>	<u>\$ 6,449,677</u>	<u>\$ 16,019,992</u>

THE CATHOLIC FOUNDATION OF THE DIOCESE OF TOLEDO
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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 \$417,725 and \$527,303 as of June 30, 2018 and 2017, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the board 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.



Investment advisory services are offered through CliftonLarsonAllen
Wealth Advisors, LLC, an SEC-registered investment advisor.