

Catholic Community Foundation
of San Diego

Financial Statements

December 31, 2015



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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Board of Trustees
Catholic Community Foundation of San Diego
San Diego, California

We have audited the accompanying financial statements of Catholic Community Foundation of San Diego (the Foundation), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and cash flows for the month 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks 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 principles 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2015, and the changes in its net assets and its cash flows for the month then ended in accordance with accounting principles generally accepted in the United States of America.

West Rhode & Roberts

WEST RHODE & ROBERTS

San Diego, California
June 19, 2017

CATHOLIC COMMUNITY FOUNDATION OF SAN DIEGO
STATEMENT OF FINANCIAL POSITION
December 31, 2015

ASSETS

Cash and cash equivalents	\$ 120,000
Investments	<u>24,122,992</u>
Total assets	<u>\$ 24,242,992</u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable and accrued expenses	306,207
Deposits held for others	<u>23,816,785</u>
	<u>24,122,992</u>

Net assets:

Unrestricted	<u>120,000</u>
Total net assets	<u>120,000</u>
Total liabilities and net assets	<u>\$ 24,242,992</u>

CATHOLIC COMMUNITY FOUNDATION OF SAN DIEGO

STATEMENT OF ACTIVITIES
Month Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE				
Contributions and bequests	<u>120,000</u>	<u>-</u>	<u>-</u>	<u>120,000</u>
Total revenue	<u>120,000</u>	<u>-</u>	<u>-</u>	<u>120,000</u>
Change in net assets	120,000	-	-	120,000
NET ASSETS AT BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS AT END OF YEAR	<u>\$ 120,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,000</u>

CATHOLIC COMMUNITY FOUNDATION OF SAN DIEGO

STATEMENT OF CASH FLOWS
Month Ended December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 120,000
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Accounts payable and accrued expenses	306,207
Deposits held for others	<u>23,816,785</u>
Net cash provided by operating activities	<u>24,242,992</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Net purchase of investments	<u>(24,122,992)</u>
Net cash used in investing activities	<u>(24,122,992)</u>
Change in cash and cash equivalents	120,000
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>-</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 120,000</u>

Note 1. Organization and Significant Accounting Policies

Organization and Activities

Catholic Community Foundation of San Diego (the Foundation) is an autonomous pious foundation formed under canon law and is a tax-exempt nonprofit under civil law. The Foundation is independent from the Diocese of San Diego and has its own Board of Trustees.

The Foundation's mission is to receive, manage, safeguard and grow the investments that are provided to them while supporting organizations that are approved by the donors and are carrying out the greater mission of the Catholic faith.

All of the funds invested with Catholic Community Foundation of San Diego are invested consistent with the Catholic Values Investing (CVI) standards that are set by the United States Conference of Catholic Bishops. This means that the funds donated to the Foundation will be managed and invested responsibly. All grants from the Foundation must be provided to responsible 501(c)(3) organizations whose mission and values are not inconsistent with the Catholic faith.

Significant Accounting Policies

Method of Accounting – The accompanying financial statements have been prepared in accordance with the accrual method of accounting.

Basis of Presentation – The Foundation reports information regarding its financial position and activities in three classes of net assets – unrestricted, temporarily restricted and permanently restricted - based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to any donor-imposed stipulations. Unrestricted net assets represent amounts that are available for various activities including:

- Amounts available for the support of the Foundation's operational functions and to support community activities at the discretion of the Board of Trustees.
- Donor-advised funds represent amounts for which grant recommendations of the respective donors are accepted for consideration, subject to final approval by the Foundation's Board of Trustees. The Foundation's by-laws give variance power, which under certain unanticipated circumstances, allows for redirection of funds.
- Donor-designated funds represent amounts for which grant recommendations are specific to one organization, subject to final approval by the Foundation's Board of Trustees. The Foundation's by-laws give variance power, which under certain unanticipated circumstances, allows for redirection of funds.

Temporarily restricted net assets - Net assets subject to donor-imposed restrictions on their use that may be met either by actions of the Foundation or the passage of time. There were no temporarily restricted net assets at December 31, 2015.

Permanently restricted net assets - Net assets subject to donor-imposed restrictions requiring that the principal be maintained permanently by the Foundation. Generally, the donors permit the Foundation to use all or part of the investment income earned for either general or donor-specified purposes. The Foundation's by-laws give variance power, which under certain unanticipated circumstances, allows for redirection of funds. There were no permanently restricted net assets at December 31, 2015.

Cash and Cash Equivalents – Cash equivalents are highly liquid debt instruments with original maturities of three months or less.

Investments – Investments are made in accordance with investment policies adopted by the Foundation’s Board. Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Deposits Held for Others – The Foundation accepts funds and contributions as an agent of unrelated nonprofit organizations, primarily parishes and schools, which are not reflected in the Foundation’s statement of activities. The amounts are recorded as assets and offsetting liabilities on the statement of financial position. The assets are invested in the investment pool offered by the Foundation.

Risks and Uncertainties – The Foundation invests in various types of investment securities which are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statement of financial position.

Functional Allocation of Expenses – The costs of providing the programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes – The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701 (d) of the State Revenue and Taxation Code. The Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) No. 740-10, *Accounting for Uncertainties in Income Tax*, which sets a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. The Foundation has reviewed its positions for all open tax years and has determined that it has no uncertain tax positions requiring accrual or disclosure.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 the reporting period. Actual results could differ from those estimates.

Subsequent Events – Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. The Foundation recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at that date, including the estimates inherent in the process of preparing financial statements. The Foundation’s financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position, but arose after that date and before the financial statements are available to be issued.

The Foundation has evaluated subsequent events through June 19, 2017, which is the date the financial statements are available for issuance, and concluded that there were no events or transactions that needed to be disclosed.

Note 2. Fair Value Measurements

Due to the short-term nature of cash equivalents, receivables, deposits and prepaid expenses, accounts payable and grants payable, fair value approximates carrying value. In accordance with Financial Accounting Standards Board Codification No. 820 (FASB ASC 820), fair value is defined as the price that the Foundation would receive upon selling an asset or transferring a liability in an orderly transaction to an independent buyer in the principal or most advantageous market of the asset.

FASB ASC 820 establishes a three-tier hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs and to establish the classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in

pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available:

Level 1: Quoted prices of identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect the Foundation's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Foundation's statement of financial position includes investments which have been considered Level 1 assets and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date.

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. All of the Foundation's investments are based upon the quoted market prices at December 31, 2015.

The management of the Foundation is responsible for making the fair value measurements and disclosures in the financial statements. As part of fulfilling this responsibility, the management of the Foundation has established an accounting and financial reporting process for determining the fair value measurements and disclosures, which identifies and adequately supports the valuation methods and assumptions used and ensures that the presentation of the fair value measurement is in accordance with GAAP.

Note 3. Investments

Investments at December 31, 2015, consist of:

	<u>Market</u>	<u>Cost</u>
Collective investment funds	\$ 20,742,395	\$ 21,124,786
Mutual Funds-Balanced	2,376,109	2,565,773
Mutual Funds-Equity	885,546	972,845
Cash and equivalents	<u>118,942</u>	<u>118,942</u>
	<u>\$ 24,122,992</u>	<u>\$ 24,782,346</u>

Note 4. Concentration of Credit Risk

The Foundation maintains cash in a bank that is in excess of the insurance limit provided by the Federal Deposit Insurance Corporation.

In addition, the Foundation invests in various investment securities, including U.S. government securities, corporate debt instruments, mutual funds, and longer term certificates of deposit up to 12 months in duration. Investment securities, in general, are subject to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect amounts reported on the financial statements.