

Catholic Community Foundation
of San Diego

Financial Statements

December 31, 2016



Contents

	<u>Page</u>
Independent Auditor’s Report on the Financial Statements	1
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows.....	5
Notes to Financial Statements.....	6



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, 2016, and the related statements of activities and cash flows for the year 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, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Catholic Community Foundation of San Diego's December 31, 2015, financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated June 19, 2017. In our opinion, the summarized comparative information presented herein as of and for the month ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "West Rhode & Roberts". The signature is written in a cursive, flowing style.

WEST RHODE & ROBERTS

San Diego, California
June 19, 2017

CATHOLIC COMMUNITY FOUNDATION OF SAN DIEGO
STATEMENT OF FINANCIAL POSITION
December 31, 2016
(With Summarized Financial Information for December 31, 2015)

	2016	2015 (Note 7)
ASSETS		
Cash and cash equivalents	\$ 1,275,933	\$ 120,000
Deposits and prepaid expenses	33,512	-
Investments	27,746,047	24,122,992
Total assets	\$ 29,055,492	\$ 24,242,992
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	515,144	306,207
Deposits held for others	27,134,048	23,816,785
	27,649,192	24,122,992
Net assets:		
Unrestricted	998,300	120,000
Permanently restricted	408,000	-
Total net assets	1,406,300	120,000
Total liabilities and net assets	\$ 29,055,492	\$ 24,242,992

CATHOLIC COMMUNITY FOUNDATION OF SAN DIEGO

STATEMENT OF ACTIVITIES

Year Ended December 31, 2016

(With Summarized Financial Information for the Month Ended December 31, 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2016 Total</u>	<u>2015 (Note 7)</u>
REVENUE					
Contributions and bequests	\$ 1,109,762	\$ -	\$ 408,000	\$ 1,517,762	\$ 120,000
Management fee income	248,010	-	-	248,010	-
In-kind donations	11,290	-	-	11,290	-
Investment income	6,481	-	-	6,481	-
Total revenue	<u>1,375,543</u>	<u>-</u>	<u>408,000</u>	<u>1,783,543</u>	<u>120,000</u>
EXPENSES					
Program grants:					
Social service grants	171,345	-	-	171,345	-
Total program grants	171,345	-	-	171,345	-
Program services	101,026	-	-	101,026	-
Support services:					
Operating and administrative	116,246	-	-	116,246	-
Development and fundraising	108,626	-	-	108,626	-
Total expenses	<u>497,243</u>	<u>-</u>	<u>-</u>	<u>497,243</u>	<u>-</u>
Change in net assets	878,300	-	408,000	1,286,300	120,000
NET ASSETS AT BEGINNING OF YEAR	<u>120,000</u>	<u>-</u>	<u>-</u>	<u>120,000</u>	<u>-</u>
NET ASSETS AT END OF YEAR	<u>\$ 998,300</u>	<u>\$ -</u>	<u>\$ 408,000</u>	<u>\$ 1,406,300</u>	<u>\$ 120,000</u>

CATHOLIC COMMUNITY FOUNDATION OF SAN DIEGO

STATEMENT OF CASH FLOWS

Year Ended December 31, 2016

(With Summarized Financial Information for the Month Ended December 31, 2015)

	<u>2016</u>	<u>2015</u> <u>(Note 7)</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,286,300	\$ 120,000
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Contributions restricted for endowments	(408,000)	-
Contributed Stock	(864,898)	-
Change in operating assets and liabilities:		
Deposits and prepaid expenses	(33,512)	-
Accounts payable and accrued expenses	208,937	306,207
Deposits held for others	<u>3,317,263</u>	<u>23,816,785</u>
Net cash provided by operating activities	<u>3,506,090</u>	<u>24,242,992</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	1,297,626	-
Net purchase of investments	<u>(4,055,783)</u>	<u>(24,122,992)</u>
Net cash used in investing activities	<u>(2,758,157)</u>	<u>(24,122,992)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for endowments	<u>408,000</u>	-
Net cash provided by financing activities	<u>408,000</u>	-
Change in cash and cash equivalents	1,155,933	120,000
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>120,000</u>	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,275,933</u>	<u>\$ 120,000</u>
SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION		
Investment income - Deposits held for others	<u>\$ 1,929,695</u>	<u>\$ -</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 are no temporarily restricted net assets at December 31, 2016.

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.

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.

Grants Payable – Unconditional grants are recognized as an expense when they have been approved by the Board of Trustees.

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.

Management Fees – Custodian, investment and management fees are recognized in the fiscal year in which they occur. Third party investment and custodian fees are netted with investment income on the accompanying statement of activities.

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.

In-Kind Contributions – Significant donated investments are recorded at the estimated fair value at the date of receipt. Contributed services and rent are recorded at the fair value at the date the contributed services and rent are received. For the year ended December 31, 2016 the Foundation has recognized \$11,290 in contributed services and rent.

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, 2016.

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, 2016, consist of:

	<u>Market</u>	<u>Cost</u>
Collective investment funds	\$ 23,403,004	\$ 22,582,662
Mutual Funds-Balanced	2,693,027	2,660,272
Mutual Funds-Equity	986,247	934,871
Cash and equivalents	644,163	644,163
Mutual Funds	19,606	20,243
	<u>\$ 27,746,047</u>	<u>\$ 26,842,211</u>

Note 4. Permanently Restricted Net Assets

Permanently restricted net assets of \$408,000 are for the benefit of the Foundation's other philanthropic purposes.

Note 5. Endowments

The Foundation's endowment portfolio consists of 13 individual funds with the majority of the assets under management held for the benefit of the Foundation. The other funds are set up as donor advised, agency, and discretionary endowments. The endowment includes only donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified based on the existence or absence of donor imposed restrictions. Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Interpretation of Relevant Law – The Board of Trustees of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

Endowment Investment and Spending Policies – The Foundation has adopted investment and spending policies for endowment 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 Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 6 percent annually. Actual returns in any given year may vary from this amount.

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.

The Foundation's spending policy is approved by the board each year. For the year ended December 31, 2016, the amount to be distributed was equal to 4 percent of its endowment fund, distributed semi-annually in equal payments. It is also the Foundation's policy not to take distributions from an endowment's principal value.

CATHOLIC COMMUNITY FOUNDATION OF SAN DIEGO
NOTES TO FINANCIAL STATEMENTS

Funds with Deficiencies – From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no funds with deficiencies at December 31, 2016.

Donor-restricted endowment net asset composition as of December 31, 2016, is as follows:

	<u>Permanently Restricted</u>
Endowment net assets, beginning of year	\$ -
Investment return:	
Investment income	-
Net appreciation (realized and unrealized)	<u>-</u>
Total investment return	-
Distribution	-
Contributions	<u>408,000</u>
Endowment net assets, end of year	<u>\$ 408,000</u>

Note 6. 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.

Note 7. December 31, 2015 Financial Information

The prior year summarized financial information is for comparative purposes only. The prior year information is presented in the financial statements in total, but not by asset class as required by GAAP. The summarized financial information was derived from the Foundation's December 31, 2015 financial statements. Accordingly, the summarized information should be read in conjunction with the Foundation's complete financial statements for the month ended December 31, 2015.