

**THE CATHOLIC COMMUNITY FOUNDATION  
OF SANTA CLARA COUNTY**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
The Catholic Community Foundation of Santa Clara County  
San Jose, California

We have audited the accompanying statements of The Catholic Community Foundation of Santa Clara County (a non-profit organization), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities 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.

### **Auditor's 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 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 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.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Catholic Community Foundation of Santa Clara County as of December 31, 2013 and 2012, and the changes in net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Delucchi Hawn, LLP*

San Jose, California  
July 23, 2014

**THE CATHOLIC COMMUNITY FOUNDATION OF  
SANTA CLARA COUNTY**  
STATEMENTS OF FINANCIAL POSITION

**Assets**

	December 31,	
	2013	2012
Cash and cash equivalents	\$ 450,733	\$ 136,656
Investments	40,234,795	30,193,885
Promises to give, net	1,065,662	757,718
Prepaid expenses	27,005	19,653
Loan receivable	657,373	512,692
Other receivables	117,872	104,095
Property and equipment, net	36,948	7,579
Deposit	4,100	4,100
	\$ 42,594,488	\$ 31,736,378

**Liabilities and Net Assets**

<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 82,885	\$ 43,471
Grants payable	7,065	89,752
Beneficial interests payable, net	302,727	347,847
Beneficial endowments	8,075,324	783,568
	8,468,001	1,264,638
<b>Net assets:</b>		
<b>Unrestricted</b>		
Undesignated	1,631,021	1,258,316
Board designated	25,384,725	22,808,887
	27,015,746	24,067,203
Temporarily restricted	962,355	376,041
Permanently restricted	6,148,386	6,028,496
	34,126,487	30,471,740
<b>Total liabilities and net assets</b>	<b>\$ 42,594,488</b>	<b>\$ 31,736,378</b>

See Notes to Financial Statements



**THE CATHOLIC COMMUNITY FOUNDATION OF  
SANTA CLARA COUNTY  
STATEMENTS OF CASH FLOWS**

	<u>For the Years Ended December 31,</u>	
	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$ 3,654,747	\$ 368,106
Adjustments to reconcile change in net assets to cash used by operating activities:		
Net realized and unrealized gains on investments	(3,305,812)	(1,957,410)
Net unamortized discount on promises to give and beneficial interests payable	16,341	(47,443)
Depreciation	7,831	12,610
Loss on asset disposition	-	2,801
Donated marketable securities	(142,861)	-
Contributions restricted for long-term purposes	(121,193)	(58,333)
Changes in assets and liabilities:		
Promises to give, net	(323,713)	1,799,254
Prepaid expenses	(7,352)	(7,623)
Other receivable	(13,777)	(45,417)
Accounts payable and accrued liabilities	39,414	(42,877)
Grants payable	(82,687)	(346,436)
Beneficial interests payable, net	(45,692)	(854,524)
Beneficial endowments, net	186,579	52,652
Net cash used by operating activities	<u>(138,175)</u>	<u>(1,124,640)</u>
Cash flows from investing activities:		
Advance on loan receivable	(144,681)	(512,693)
Payment received on loan receivable	-	929,792
Acquisitions of property and equipment	(37,200)	-
Proceeds from sale of investments	9,129,772	9,517,372
Purchase of investments	<u>(8,616,832)</u>	<u>(9,108,452)</u>
Net cash provided by investing activities	<u>331,059</u>	<u>826,019</u>
Cash flows from financing activities:		
Contributions restricted for long-term purposes	<u>121,193</u>	<u>58,333</u>
Increase (decrease) in cash and cash equivalents	314,077	(240,288)
Cash and cash equivalents, beginning of year	<u>136,656</u>	<u>376,944</u>
Cash and cash equivalents, end of year	<u>\$ 450,733</u>	<u>\$ 136,656</u>
<u>Supplemental disclosures of non-cash investing and financing transactions:</u>		
Investments received for beneficial endowments	<u>\$ 7,105,177</u>	<u>\$ 149,953</u>

See Notes to Financial Statements

**THE CATHOLIC COMMUNITY FOUNDATION OF SANTA CLARA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Years Ended December 31, 2013 and 2012

**Note A - Organization**

Nature of Activities

The Catholic Community Foundation of Santa Clara County (the "Foundation") was incorporated in March 2004 as a non-profit public benefit corporation. In 2004, the Rooted in Faith campaign was initiated to financially support the educational, spiritual, and social needs of the Catholic community of Santa Clara County by raising a base level of endowment and capital funds.

In 2012, with the conclusion of the Rooted in Faith campaign, the Board of Directors voted to adopt a community foundation construct to acquire a broadened set of funds aimed at strengthening the Catholic ministry in the Santa Clara County.

Starting in 2012, the Catholic Community Foundation of Santa Clara County now develops, acquires, manages and distributes donor-advised and endowment funds that provide support to parish, educational, religious, charitable and other organizations comprising the Catholic community of the county.

**Note B - Summary of Significant Accounting Policies**

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fund Accounting

The accounts of the Foundation are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded by fund group. However, for the financial statements, transactions are reported by the net asset categories described below under "Categories of Net Assets."

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statements of Financial Position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

**THE CATHOLIC COMMUNITY FOUNDATION OF SANTA CLARA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Years Ended December 31, 2013 and 2012

**Note B - Summary of Significant Accounting Policies (Continued)**

Investment Pools

The Foundation maintains master investment accounts for its donor-restricted and board-designated endowments. Realized and unrealized gains and losses from marketable securities in the master investment accounts are allocated monthly to the individual endowments based on the relationship of the market value of each endowment to the total market value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

Promises to Give

Promises to give are either unconditional or conditional. Unconditional promises to give are promises that depend only on the passage of time or the demand by the promisee for performance, at which time the related revenue is recognized. A conditional promise to give is a promise that depends on the occurrence of a specified future and uncertain event to bind the promisee, at which time the revenue is recognized.

Promises to give are recorded at fair value which requires management to reduce the pledge balance for amounts that are considered uncollectable at the time the pledge is recorded. In addition, if the promises to give will be satisfied in more than a year, the pledges have been discounted to present value.

Management established an allowance for uncollectible pledges that is based on management's analysis of the character of the pledges, current economic conditions and other such factors that deserve recognition in estimating losses. The allowance was \$45,834 and \$154,692 at December 31, 2013 and 2012, respectively.

At December 31, 2013, 57% of promises to give was from one donor.

Property and Equipment

Property and equipment are stated at cost or at their estimated fair value at date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Computer equipment	3 years
Office equipment	5 years

Additions and betterments are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred.

Accumulated depreciation was \$65,344 and \$64,233 as of December 31, 2013 and 2012, respectively and depreciation expense was \$7,831 and \$12,610 for the years then ended.

**THE CATHOLIC COMMUNITY FOUNDATION OF SANTA CLARA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Years Ended December 31, 2013 and 2012

**Note B - Summary of Significant Accounting Policies (Continued)**

Beneficial Interests Payable

As part of its mission, the Foundation receives donations from various donors solely to support Catholic organizations in Santa Clara County. Such donations are collected by the Foundation on behalf of the various Catholic organizations. These donations are accounted for as beneficial interests payable and are not recorded as revenue.

Categories of Net Assets

The net assets of the Foundation are reported in the following categories:

- *Unrestricted net assets* generally have no donor-imposed restrictions and represent resources over which the Foundation has discretionary control, including those contributions where donor stipulations that are no more specific than the broad limits imposed by the Foundation purpose and nature.
- *Temporarily restricted net assets* include those resources for which donor-imposed restrictions have not been met and funds for which the ultimate purpose of the proceeds is not permanently restricted.
- *Permanently restricted net assets* include those resources for which require by donor-imposed restriction that the corpus be invested in perpetuity and only the income be made available for Foundation operations in accordance with donor restrictions, if any. When a donor has restricted the realized/unrealized earnings/losses to be treated in the same manner as the original donation, those earnings/losses are shown as permanently restricted.

Restricted and Unrestricted Support

Contributions that are restricted by the donor are reported as increases in unrestricted net assets 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 temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restriction.

Community Foundation Construct

The Community Foundation Construct project began in 2012 and all contributions and expenses are reflected as part of overall operations of the Foundation in the accompanying financial statements.

Beginning in January 2013, the Foundation charges quarterly administrative fees to all funds as reimbursement for certain administrative and investment costs. These fees are charged to the funds based on market value of investments held for those funds. Annual administrative fees range from 0.75% to 2.25 %.



**THE CATHOLIC COMMUNITY FOUNDATION OF SANTA CLARA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Years Ended December 31, 2013 and 2012

**Note B - Summary of Significant Accounting Policies (Continued)**

Income Taxes

The Foundation is a not-for-profit corporation exempt from federal income taxes under Internal Revenue Code Section 501(c) (3). Additionally, the Foundation is exempt from state income taxes under similar tax regulations. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

The Foundation files income tax returns in the U.S. federal jurisdiction and the state of California. The Foundation's federal income tax returns for tax years 2010 and beyond remain subject to examination by the Internal Revenue Service. The Foundation's California income tax returns of the tax years 2009 and beyond remain subject to examination by the Franchise Tax Board.

Functional Allocation of Expenses

The costs of providing the various program services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated principally on a direct cost basis, among the programs, development and supporting services.

Fair Value Measurements

Generally accepted accounting principles require the Foundation to classify its financial assets and liabilities based on a valuation method using three levels. Level 1 value is based on quoted prices in active markets for identical securities. Level 2 values are based on significant observable market inputs, such as quoted prices for similar securities and quoted prices in inactive markets. Level 3 values are based on significant unobservable inputs that reflect the Foundation's determination of assumptions that market participants might reasonably use in valuing the securities. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying investments.

Concentration of Credit Risk

Cash, cash equivalents, and investments are exposed to interest rate, market, and credit risks. The Foundation maintains its cash and cash equivalents in various bank deposit accounts that, at times, exceeded amounts insured by the federally insured limits. To minimize risk, the Foundation's cash accounts are placed with high credit quality financial institutions and the Foundation's investment portfolio is diversified among a variety of asset categories, which are held by several investment managers.

**THE CATHOLIC COMMUNITY FOUNDATION OF SANTA CLARA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Years Ended December 31, 2013 and 2012

**Note B - Summary of Significant Accounting Policies (Continued)**

Subsequent Events

Management has evaluated subsequent events through July 23, 2014, the date the financial statements were available to be issued.

Reclassifications

Certain reclassifications have been made to prior year amounts to be comparative with the current year's presentation.

**Note C - Promises to Give**

Unconditional promises to give represent the remaining pledges due from the donors who have pledged funds to support the Foundation's mission.

Unconditional promises to give at December 31, 2013 and 2012 consist of the following:

	2013	2012
Receivable in less than one year	\$ 255,524	\$ 337,814
Receivable in one to five years	880,912	583,761
 Total unconditional promises to give	 1,136,436	 921,575
Less: unamortized discount on pledges	(24,940)	(9,165)
Less: allowance for uncollectible pledges	(45,834)	(154,692)
	 <b>\$ 1,065,662</b>	 <b>\$ 757,718</b>

The unamortized discount on pledges was determined by applying an imputed interest rate of 2.5% to 5% on outstanding pledges.

**Note D - Loan Receivable**

The Foundation along with the Roman Catholic Bishop of San Jose (Diocese) agreed to advance funds to help establish a new parish in San Jose, California. The agreement allows the Foundation and Diocese to advance up to \$1.6 million each for the purchase and refurbishment of the parish. The co-lending agreement affords the Foundation priority on all repayments. All advances will bear interest at 3% per annum, will be secured by a first deed of trust, and all remaining principal and accrued interest will be due on August 31, 2016.

Through December 31, 2013 the Foundation has advanced \$1,587,166 and received \$929,793 in repayments, leaving a balance of \$657,373 at December 31, 2013.

The Foundation believes the amounts are fully collectible therefore no allowance has been recorded.

**THE CATHOLIC COMMUNITY FOUNDATION OF SANTA CLARA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Years Ended December 31, 2013 and 2012

**Note E - Investments and Fair Value**

The fair market value of investments as of December 31 consisted of the following (see Note B):

<u>December 31, 2013</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 3,935,699	\$ -	\$ -	\$ 3,935,699
Corporate stock	14,314,983	-	-	14,314,983
Corporate bonds	-	4,495,510	-	4,495,510
Mutual funds	5,566,952	3,110,979	-	8,677,931
International mutual funds	2,614,724	1,047,414	-	3,662,138
U.S. Government obligations	-	5,148,534	-	5,148,534
	<u>\$26,432,358</u>	<u>\$13,802,437</u>	<u>\$ -</u>	<u>\$40,234,795</u>

<u>December 31, 2012</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,829,480	\$ -	\$ -	\$ 1,829,480
Corporate stock	12,379,676	-	-	12,374,676
Corporate bonds	-	3,387,737	-	3,387,737
Mutual funds	3,880,654	-	-	3,880,654
International mutual funds	2,717,692	-	-	2,717,692
U.S. Government obligations	-	5,998,646	-	5,998,646
	<u>\$20,807,502</u>	<u>\$ 9,386,383</u>	<u>\$ -</u>	<u>\$30,193,885</u>

Investment income for the years ended December 31, consisted of the following:

	<u>2013</u>	<u>2012</u>
Interest and dividend income	\$ 931,466	\$ 948,697
Net realized and unrealized gains	3,485,349	2,020,369
Investment expenses	<u>(170,611)</u>	<u>(162,697)</u>
	4,246,204	2,806,369
Less net investment income allocable to beneficial endowment	<u>204,974</u>	<u>74,313</u>
Net investment income	<u>\$ 4,041,230</u>	<u>\$ 2,732,056</u>

**THE CATHOLIC COMMUNITY FOUNDATION OF SANTA CLARA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Years Ended December 31, 2013 and 2012

**Note E - Investments and Fair Value (Continued)**

Investments as of December 31, are classified as follows:

	2013	2012
Investments-unrestricted & temporarily restricted	\$26,011,315	\$23,383,354
Investments-permanently restricted	6,148,156	6,026,963
Investments-beneficial endowments	8,075,324	783,568
	<b>\$40,234,795</b>	<b>\$30,193,885</b>

**Note F - Restricted Net Assets**

Temporarily restricted net assets are restricted by donors for the purposes described below. Permanently restricted net assets consist of investments held in perpetuity, the income of which is expendable for the purposes described below as of December 31:

	2013		2012	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Purpose restrictions				
Parish refurbishment endowment	\$ 22,801	\$ 138,917	\$ 8,991	\$ 138,916
Parish stewardship endowment	1,197	7,687	446	7,689
Parish outreach endowment	4,639	35,568	1,240	35,628
Seminarian endowment	256,802	1,607,357	100,731	1,607,294
Diaconate training endowment	1,204	7,725	456	8,162
Education endowment	657,988	4,124,525	257,520	4,123,696
ILM endowment	3,285	20,574	1,286	20,574
Pastoral ministry endowment	6,226	34,737	2,763	34,737
Youth ministry staff endowment	2,310	14,816	875	14,816
Young adult ministry endowment	2,537	16,452	947	16,451
Social justice endowment	1,852	11,583	727	11,583
St. Joseph the builder endowment	-	30,508	59	8,950
Apolonia Andre Fund for Liturgical Music	1,514	97,437	-	-
Catholic Extension endowment	-	250	-	-
Notre Dame High School Endowment	-	250	-	-
	<b>\$ 962,355</b>	<b>\$ 6,148,386</b>	<b>\$ 376,041</b>	<b>\$ 6,028,496</b>

**THE CATHOLIC COMMUNITY FOUNDATION OF SANTA CLARA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Years Ended December 31, 2013 and 2012

**Note G - Beneficial Interests Payable**

A component of the Rooted in Faith campaign was to raise funds for other organizations in order to achieve the Foundation's mission. The Foundation releases the funds after verification by the end of the subsequent quarter following the collection of funds. At December 31, 2013 and 2012 the beneficial interests payable were as follows:

	2013	2012
Catholic Charities	\$ 1,000	\$ 5,345
Clergy retirement	-	2,715
Diocese debt reduction	-	3,000
Parish support	301,727	338,641
	302,727	349,701
Less: unamortized discount on pledges	-	(573)
Less: allowance for uncollectible pledges	-	(1,281)
	\$ 302,727	\$ 347,847

**Note H - Commitments**

The total rent expense for the years ended December 31, 2013 and 2012 was \$24,777 and \$19,936, respectively. The Foundation entered into a office lease agreement effective January 1, 2012 which will expire in February 2015. The future minimum annual lease payments required under the lease agreement are as follows:

Year Ending December 31,	Amount
2014	\$ 23,150
2015	3,900
	\$ 27,050

**THE CATHOLIC COMMUNITY FOUNDATION OF SANTA CLARA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Years Ended December 31, 2013 and 2012

**Note I - Beneficial Endowments**

The Foundations accepts contributions from donors and agrees to transfer those assets and the return on investment of those assets or both, to another entity that is specified by the donor. The Foundation has agreements in place with the beneficiaries to currently retain the corpus and transfer funds in accordance with the Foundation's spending policy. The Foundation refers to such funds as beneficial endowments. The following table summarizes the activity in such funds:

	<u>2013</u>	<u>2012</u>
Beginning balance	\$ 783,568	\$ 580,963
Contribution	7,105,177	149,953
Net investment income	204,977	74,313
Distributions	<u>(18,398)</u>	<u>(21,661)</u>
Ending balance	<u>\$ 8,075,324</u>	<u>\$ 783,568</u>

At December 31, 2013 and 2012, beneficial endowments consist of followings:

	<u>2013</u>	<u>2012</u>
Catholic Charities	\$ 6,867,521	\$ -
Cathedral Basilica	1,060,303	783,568
Catholic Extension	47,500	-
Notre Dame High School	<u>100,000</u>	<u>-</u>
	<u>\$ 8,075,324</u>	<u>\$ 783,568</u>

**THE CATHOLIC COMMUNITY FOUNDATION OF SANTA CLARA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Years Ended December 31, 2013 and 2012

**Note J - Board Designations**

The Foundation's Board has designated a portion of the unrestricted net assets. During the years ended December 31, 2013 and 2012 the Board made the following designations:

	2013	2012
Endowments	\$ 231,000	\$ 668,500
New parish fund	96,000	410,500
	\$ 327,000	\$ 1,079,000

**Note K - Endowments**

The Foundation's endowments consist of approximately 16 individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Law

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UMPIFA) 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 the 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 asset is 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. In accordance with UPMIFA, 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 Foundation 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 appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

**THE CATHOLIC COMMUNITY FOUNDATION OF SANTA CLARA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Years Ended December 31, 2013 and 2012

**Note K - Endowments (Continued)**

Investment Return Objectives, Risk Parameters and Strategies

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 3-5%, while growing the funds if possible. Therefore, the Foundation reviews endowment assets, over time, to produce a real rate of return of approximately 4-6% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy

The Foundation has a policy of appropriating for distribution each year a sum not to exceed 5% and no less than 3% of the average market value of the endowment funds over the previous 12 quarters.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the amount required to be retained as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets. There were no deficiencies as of December 31, 2013 and 2012.



**THE CATHOLIC COMMUNITY FOUNDATION OF SANTA CLARA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Years Ended December 31, 2013 and 2012

**Note K - Endowments (Continued)**

Endowment net asset composition by type of funds as of December 31, 2013 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Donor-restricted endowment funds	\$ -	\$ 962,355	\$ 6,148,156	\$ 7,110,511
Board-designated endowment funds	<u>18,375,294</u>	<u>-</u>	<u>-</u>	<u>18,375,294</u>
<b>Total funds</b>	<b><u>\$ 18,375,294</u></b>	<b><u>\$ 962,355</u></b>	<b><u>\$ 6,148,156</u></b>	<b><u>\$ 25,485,805</u></b>

Changes in endowment net assets for the year ended December 31, 2013 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Beginning of year	\$ 16,629,974	\$ 376,041	\$ 6,026,963	\$ 23,032,978
Contributions	-	-	121,193	121,193
Investment income, net	233,531	89,926	-	323,457
Net appreciation	1,882,944	724,159	-	2,607,103
Amounts appropriated for expenditure	(602,155)	(227,771)	-	(829,926)
Transfers to create board-designated endowment funds	<u>231,000</u>	<u>-</u>	<u>-</u>	<u>231,000</u>
<b>End of year</b>	<b><u>\$ 18,375,294</u></b>	<b><u>\$ 962,355</u></b>	<b><u>\$ 6,148,156</u></b>	<b><u>\$ 25,485,805</u></b>

Endowment net asset composition by type of funds as of December 31, 2012 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Donor-restricted endowment funds	\$ -	\$ 376,041	\$ 6,026,963	\$ 6,403,004
Board-designated endowment funds	<u>16,629,974</u>	<u>-</u>	<u>-</u>	<u>16,629,974</u>
<b>Total funds</b>	<b><u>\$ 16,629,974</u></b>	<b><u>\$ 376,041</u></b>	<b><u>\$ 6,026,963</u></b>	<b><u>\$ 23,032,978</u></b>

Changes in endowment net assets for the year ended December 31, 2012 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Beginning of year	\$ 15,036,032	\$ -	\$ 5,993,630	\$ 21,029,662
Contributions	25,000	-	33,333	58,333
Investment income, net	426,313	163,948	-	590,261
Net appreciation	1,057,214	425,339	-	1,482,553
Amounts appropriated for expenditure	(583,085)	(213,246)	-	(796,331)
Transfers to create board-designated endowment funds	<u>668,500</u>	<u>-</u>	<u>-</u>	<u>668,500</u>
<b>End of year</b>	<b><u>\$ 16,629,974</u></b>	<b><u>\$ 376,041</u></b>	<b><u>\$ 6,026,963</u></b>	<b><u>\$ 23,032,978</u></b>

**THE CATHOLIC COMMUNITY FOUNDATION OF SANTA CLARA COUNTY**  
**SUPPLEMENTARY FINANCIAL INFORMATION**  
**For the Year Ended December 31, 2013**



**INDEPENDENT AUDITOR'S REPORT ON  
SUPPLEMENTARY FINANCIAL INFORMATION**

To the Board of Directors  
The Catholic Community Foundation of Santa Clara County  
San Jose, California

We have audited the financial statements of The Catholic Community Foundation of Santa Clara County as of and for the years ended December 31, 2013 and 2012, and have issued our report thereon dated July 23, 2014, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of Board Designated and Permanently Restricted Endowments is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Delucchi Hawn, LLP*

San Jose, California  
July 23, 2014

**THE CATHOLIC COMMUNITY FOUNDATION OF SANTA CLARA COUNTY**  
**SCHEDULE OF BOARD DESIGNATED AND PERMANENTLY RESTRICTED ENDOWMENTS**  
 For the Year Ended December 31, 2013

	Perish- Expend	Perish- Reinvestable	Perish- Outreach	Endowment	Disburse- ments	Reinvest- ment	PLM	National Ministry	Youth Ministry	Youth Adult Ministry	Social Justice	St. Joseph de Bufile	Catholic Benefit	Apprentice Arts Fund	Catholic Expend	Newspaper Fund	Total
<b>Revenues, gifts and other support</b>																	
Investment income, net	\$ 32,679	\$ 20,097	\$ 24,089	\$ 749	\$ 12,126	\$ 6,498	\$ 22,361	\$ 24,111	\$ 24,249	\$ 24,248	\$ 20,153	\$ 21,598	\$ 21,598	\$ 97,637	\$ 250	\$ 250	\$ 121,193
Net appreciation	200,505	161,818	194,020	190,081	97,228	597,040	281,332	194,135	193,850	193,853	162,750	1,200	177,098	456	-	-	321,677
Amount appropriated for expenses	(79,494)	(54,909)	(61,000)	(60,909)	(31,000)	(161,700)	(81,809)	(61,000)	(62,000)	(62,000)	(51,600)	-	(64,602)	-	-	-	2,607,103
Transfers to other board-designated endowment funds	24,000	15,000	19,000	-	9,000	(8,000)	24,000	18,000	18,000	18,000	15,000	-	24,000	-	-	-	(825,926)
Change in net assets	241,140	146,015	174,092	156,821	88,044	438,078	294,913	174,346	174,099	174,073	146,303	23,109	156,419	98,051	250	250	2,492,827
Endowment net assets, beginning of year	2,521,729	1,453,505	1,929,627	1,707,108	851,830	4,499,824	2,959,270	1,726,692	1,728,814	1,728,814	1,631,985	9,009	1,571,137	-	-	-	23,058,978
Endowment net assets, end of year	\$ 2,762,869	\$ 1,599,520	\$ 2,103,719	\$ 1,863,929	\$ 939,874	\$ 4,937,902	\$ 3,254,183	\$ 1,901,041	\$ 1,902,907	\$ 1,902,887	\$ 1,778,288	\$ 32,112	\$ 1,727,556	\$ 98,051	\$ 250	\$ 250	\$ 25,551,805
<b>Endowment net assets are classified as follows:</b>																	
Board designated	\$ 2,401,105	\$ 1,396,697	\$ 1,872,513	\$ 1,659,102	\$ 840,698	\$ 4,353,198	\$ 2,510,324	\$ 1,872,973	\$ 1,881,885	\$ 1,879,808	\$ 1,544,653	\$ 1,694	\$ 1,713,556	\$ -	\$ -	\$ -	\$ 18,375,594
Permanently restricted	21,804	11,977	32,609	249,127	1,204	687,686	3,268	6,226	2,310	2,307	1,482	30,208	1,514	97,637	250	250	962,355
Permanently restricted	198,911	7,687	30,588	1,670,127	7,722	4,174,525	20,574	24,727	14,816	14,452	11,853	-	1,713,556	98,051	250	250	6,168,156
Endowment net assets, end of year	\$ 2,621,816	\$ 1,416,361	\$ 1,935,710	\$ 1,930,056	\$ 948,624	\$ 9,215,319	\$ 3,545,101	\$ 1,913,926	\$ 1,902,011	\$ 1,902,011	\$ 1,578,088	\$ 32,112	\$ 1,727,556	\$ 98,051	\$ 250	\$ 250	\$ 25,446,055