



**Financial Statements
December 31, 2014**



**Gardner | Provenzano
Thomas & Luplow**

CERTIFIED PUBLIC ACCOUNTANTS

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Gardner | Provenzano Thomas & Luplow

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
Heather A. Thomas
Brett A. Luplow

INDEPENDENT AUDITOR'S REPORT

May 6, 2015

To the Board of Trustees
Catholic Community Foundation of Mid-Michigan
Saginaw, Michigan

We have audited the accompanying financial statements of the Catholic Community Foundation of Mid-Michigan (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, 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 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.

To the Board of Trustees
Catholic Community Foundation of Mid-Michigan
May 6, 2015
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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 Mid-Michigan as of December 31, 2014, 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 the Catholic Community Foundation of Mid-Michigan's 2013 financial statements, and our report dated May 9, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Endowed Funds listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The Schedule of Endowed Funds has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on it.

Murphy, Provenzano, Thomas & Luplow

Certified Public Accountants

CATHOLIC COMMUNITY FOUNDATION OF MID-MICHIGAN
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014
(With Comparative Totals at December 31, 2013)

	<u>Assets</u>			<u>Totals</u>	
	Unrestricted	Temporarily Restricted	Permanently Restricted	(Memorandum Only) 2014	2013
Current Assets					
Cash	\$ 27,336	\$ 514,306	\$ -	\$ 541,642	\$ 899,389
Accounts receivable	-	-	-	-	20
Accrued income	-	508	-	508	129,976
Prepaid expenses	-	-	-	-	835
Promises to give (net of allowance for doubtful accounts of \$20,000 in 2014)	-	72,515	-	72,515	76,276
Total current assets	<u>27,336</u>	<u>587,329</u>	<u>-</u>	<u>614,665</u>	<u>1,106,496</u>
Long-term assets					
Cash equivalents - investments	-	183,057	-	183,057	347,319
Investments	-	5,999,151	17,114,863	23,114,014	21,489,341
Promises to give (net of allowance for doubtful accounts of \$60,000 in 2014)	-	998,445	-	998,445	1,080,710
Total long-term assets	<u>-</u>	<u>7,180,653</u>	<u>17,114,863</u>	<u>24,295,516</u>	<u>22,917,370</u>
Total assets	<u>\$ 27,336</u>	<u>\$ 7,767,982</u>	<u>\$ 17,114,863</u>	<u>\$ 24,910,181</u>	<u>\$ 24,023,866</u>
Liabilities and Net Assets					
Current liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 136,079
Annuity obligations, current portion	-	-	71,800	71,800	71,800
Total current liabilities	<u>-</u>	<u>-</u>	<u>71,800</u>	<u>71,800</u>	<u>207,879</u>
Long-term liabilities					
Annuity obligations, less current portion	-	-	19,961	19,961	99,179
Note payable	550,000	-	-	550,000	576,143
Total long-term liabilities	<u>550,000</u>	<u>-</u>	<u>19,961</u>	<u>569,961</u>	<u>675,322</u>
Total liabilities	<u>550,000</u>	<u>-</u>	<u>91,761</u>	<u>641,761</u>	<u>883,201</u>
Net assets (deficit)	<u>(522,664)</u>	<u>7,767,982</u>	<u>17,023,102</u>	<u>24,268,420</u>	<u>23,140,665</u>
Total liabilities and net assets	<u>\$ 27,336</u>	<u>\$ 7,767,982</u>	<u>\$ 17,114,863</u>	<u>\$ 24,910,181</u>	<u>\$ 24,023,866</u>

See accompanying notes to financial statements.

CATHOLIC COMMUNITY FOUNDATION OF MID-MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014
(With Comparative Totals for the Year Ended December 31, 2013)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals (Memorandum Only)	
				2014	2013
Revenues, gains, and other support					
Contributions	\$ 129,009	\$ 760,398	\$ 398,736	\$ 1,288,143	\$ 1,893,262
Investment income	-	798,681	-	798,681	1,315,208
Unrealized gain (loss) on investments	-	589,629	(28,463)	561,166	1,707,332
Change in value of split-interest agreement	-	-	35,881	35,881	33,272
Other income	-	-	-	-	230
Total revenues, gains, and other support	<u>129,009</u>	<u>2,148,708</u>	<u>406,154</u>	<u>2,683,871</u>	<u>4,949,304</u>
Net assets released from restrictions					
Restrictions satisfied by payments	1,320,230	(1,320,230)	-	-	-
Total released from restriction	<u>1,320,230</u>	<u>(1,320,230)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenses					
Program services	1,068,839	-	-	1,068,839	920,428
Grants	-	-	-	-	-
Support services	487,277	-	-	487,277	400,925
Management and general	1,556,116	-	-	1,556,116	1,321,353
Total expenses	<u>(106,877)</u>	<u>828,478</u>	<u>406,154</u>	<u>1,127,755</u>	<u>3,627,951</u>
Change in net assets	(415,787)	6,939,504	16,616,948	23,140,665	19,512,714
Net assets (deficit) at the beginning of the year					
Net assets (deficit) at the end of the year	<u>\$ (522,664)</u>	<u>\$ 7,767,982</u>	<u>\$ 17,023,102</u>	<u>\$ 24,268,420</u>	<u>\$ 23,140,665</u>

See accompanying notes to financial statements.

CATHOLIC COMMUNITY FOUNDATION OF MID-MICHIGAN
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 1,127,755	\$ 3,627,951
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Unrealized (gain) loss on investments	(561,166)	(1,707,332)
Change in value of split interest agreement	(35,881)	(33,272)
Changes in operating assets and liabilities which provided (used) cash		
Accrued income	129,468	(87,095)
Accounts receivable	20	(20)
Promises to give	86,026	16,232
Prepaid expenses	835	107
Accounts payable	<u>(136,079)</u>	<u>(718,949)</u>
Net cash provided (used) by operating activities	<u>610,978</u>	<u>1,097,622</u>
 Cash flows from investing activities		
Purchase of investments	<u>(1,035,044)</u>	<u>(1,179,569)</u>
Net cash provided (used) by investing activities	<u>(1,035,044)</u>	<u>(1,179,569)</u>
 Cash flows from financing activities		
Note payable	(26,143)	576,143
Payments on annuity obligation	<u>(71,800)</u>	<u>(71,800)</u>
Net cash provided (used) by financing activities	<u>(97,943)</u>	<u>504,343</u>
 Net increase (decrease) in cash and cash equivalents	(522,009)	422,396
 Cash and cash equivalents at the beginning of the year	<u>1,246,708</u>	<u>824,312</u>
 Cash and cash equivalents at the end of the year	<u>\$ 724,699</u>	<u>\$ 1,246,708</u>
 Supplemental disclosures of cash flow information		
Interest paid	<u>\$ 1,440</u>	<u>\$ -</u>

See accompanying notes to financial statements.

CATHOLIC COMMUNITY FOUNDATION OF MID-MICHIGAN NOTES TO FINANCIAL STATEMENTS

NOTE 1--Significant Accounting Policies

Nature of Organization

The Catholic Community Foundation of Mid-Michigan (Foundation) is a non-profit organization whose mission is to develop and manage funds to secure and further God's work in mid-Michigan communities. The Foundation is guided by Gospel values and the teachings of the Catholic Church. The Foundation's revenue is derived from contributions from individuals and organizations.

Method of Accounting

The financial statements of the Foundation have been prepared utilizing the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statements of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Foundation has temporarily and permanently restricted net assets at December 31, 2014 and 2013.

Restricted and Unrestricted Revenue

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and nature of any donor restrictions.

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Permanently restricted net assets include the principal amount accepted by the Foundation with the donor's stipulation that the principal be maintained in perpetuity.

The income from the investment of these resources is expended for general or restricted purposes as specified by the donor.

CATHOLIC COMMUNITY FOUNDATION OF MID-MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Significant Accounting Policies (continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

Investments

Investments in cash equivalents, debentures, and marketable equity securities with readily determinable fair values are stated at fair market value as determined by the custodian (First Merit Bank). Unrealized gains and losses are included in the statement of activities. Realized and unrealized gains and losses from investments along with income generated from the investments are allocated to the individual endowments based on the ratio of the individual endowment balance to the investment pool as a whole. Gains, losses, and investment income are recorded as unrestricted or restricted in accordance with the wishes of the donor.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Foundation has no cash equivalents outside of its investments.

Annuity Obligations

Charitable gift annuities are recognized in the period the contract is executed. Assets are recorded at fair value and an annuity obligation is recorded at the fair value of the life expected future cash flows.

Disbursement Policy

Income available for spending is determined by a total return system using a 12-quarter rolling average system. The amount available to spend is based on four percent of the endowed funds average market value.

Income Taxes

The Foundation is a non-profit organization which is exempt from federal income taxes under 501 (c)(3) of the Internal Revenue Code and is exempt from similar state and local taxes.

Allocated Expenses

Operating expenses have been allocated between program and supporting services expenses based on actual expenses incurred.

CATHOLIC COMMUNITY FOUNDATION OF MID-MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Significant Accounting Policies (continued)

Variance

Federal regulations require that the governing body of a community foundation "must have the power ... to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to specified organization if in the sole judgment of the governing body... such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served."

Date of Management's Review

Subsequent events were evaluated through May 6, 2015, which is the date the financial statements were available to be issued.

NOTE 2--Investments

The Foundation's investments are in trust with First Merit Bank. Specific investment transactions are directed by various investment managers in conformance with the Foundation's investment guidelines. Investments are made solely in the interest of the participants and beneficiaries of the Foundation and for the exclusive purpose of providing benefits accrued there under and defraying the reasonable expenses of administration. The Foundation's investments are diversified to minimize the risk of large losses and investment in securities that conflict with the official moral and social teachings of the Roman Catholic Church are prohibited. The return objectives of the investments are to meet or exceed cumulative annual total return over a five-year moving average of a balanced market index comprised of 55% S&P 1500, 10% MSCI EAFE, and 35% Lehman Brothers Intermediate Government Credit Bond Index. The Foundation allocates 65% of its funds to equity investments and 35% of its funds to fixed investments.

When it is possible to do so without invading investment principal, disbursements are on a semi-annual basis at the discretion of the Board of Trustees. The Foundation's policy is to make the semi-annual disbursements based on the most recent twelve quarters fair market value rolling average asset values. During 2013, the disbursements were made based on two percent of the market value of the applicable endowed funds on June 30th and December 31st of the current fiscal year. During 2014, disbursements were calculated based on the most recent twelve quarters fair market value rolling average asset values. Management has determined that the difference of calculating the disbursements on market value versus the twelve quarter fair market value rolling average is not significant to the financial statements.

CATHOLIC COMMUNITY FOUNDATION OF MID-MICHIGAN
 NOTES TO FINANCIAL STATEMENTS

NOTE 2--Investments (continued)

The following table summarizes the market value (carrying value) of the Foundation's investments at December 31, 2014 and 2013.

	2014	2013
Cash and equivalents	\$ 183,057	\$ 347,319
Corporate stock	16,334,895	12,641,318
U.S. Government & corporate obligations	6,779,119	8,848,023
	<u>\$ 23,297,071</u>	<u>\$ 21,836,660</u>

NOTE 3--Promises to Give

The Foundation held the Legacy of Faith Campaign during fiscal 2010 and 2011. The Campaign was conducted in order to raise funds for large construction projects at Nouvel Catholic Central High School and Bay City All Saints High School. The campaign promises to give are recorded as temporarily restricted net assets at December 31, 2014 and 2013.

Pledges receivable at December 31, 2014 and 2013 are as follows:

	2014	2013
Total promises to give	\$ 1,301,170	\$ 1,337,170
Less discount to present value	(150,210)	(180,184)
Less allowance for doubtful accounts	(80,000)	-
Net pledges receivable	<u>\$ 1,070,960</u>	<u>\$ 1,156,986</u>
Amount due in less than one year	\$ 92,515	\$ 76,276
Amount due in one to five years	1,031,988	707,999
Amount due in more than five years	176,667	552,895
	<u>\$ 1,301,170</u>	<u>\$ 1,337,170</u>

Promises to give that will be collected after December 31, 2015 are discounted at 3% at December 31, 2014.

NOTE 4--Concentrations of Credit Risk

The Foundation invests temporary cash at a federally chartered credit union located in Saginaw, Michigan. Deposits are insured up to \$250,000 by the National Credit Union Administration. The Foundation had uninsured cash balances of \$291,990 at December 31, 2014. The carrying value of those deposits was \$541,642 at December 31, 2014.

The Foundation also maintains cash and equivalents in a variety of financial instruments within its investment portfolio. The Foundation has a socially responsible investment policy to provide long-term growth of principal and income without undue exposure to risk. Assets are diversified and monitored on an on-going basis.

CATHOLIC COMMUNITY FOUNDATION OF MID-MICHIGAN
 NOTES TO FINANCIAL STATEMENTS

NOTE 5--Charitable Gift Annuities

The Foundation has been named beneficiary of two charitable gift annuities. The assets are recognized at their fair value. The donors will receive a specified amount of income annually. Upon their death, the balance of the assets will be distributed to the Foundation. The fair value of those assets at December 31, 2014 and 2013 was \$678,702 and \$642,820, respectively.

NOTE 6--Investment Expenses and Fees

The Foundation incurred \$73,158 and \$64,834 in professional investment management fees during the years ended December 31, 2014 and 2013, respectively.

Administrative fees are based on the market value of the individual funds that comprise the investment pool. Funds are charged as follows:

Fund market value		Administrative fee	+	% on excess	Of the
Over	But not over				amount over
\$ -	\$ 250,000	\$ -		1.65%	\$ -
\$ 250,001	\$ 1,000,000	\$ 4,125		1.20%	\$ 250,000
\$ 1,000,001	-----	\$ 13,125		0.90%	\$ 1,000,000

The administrative fee is considered to be released from restriction and is used to pay for the purchased administrative services of the Foundation. This fee includes, but is not limited to, accounting, auditing, attorney fees, human resources, Executive Director services, community relations and marketing, fund raising services, Bishop's services, and other office and supplies expenses. The fee is calculated on a monthly basis based on the current month's beginning balance of each individual endowed fund. The amounts for the years ended December 31, 2014 and 2013 are summarized below:

	2014	2013
Administrative fees charged	<u>\$ 353,508</u>	<u>\$ 325,482</u>

NOTE 7--Services and Materials Agreement

The Foundation entered into an agreement with the Catholic Diocese of Saginaw (Diocese) dated July 1, 2012 (Agreement.) Under the terms of the Agreement, the Diocese acts as an independent contractor and service advisor by providing: professional services, office equipment and materials, office space, telephone and postal services to the Foundation. The Diocese charged the Foundation \$224,442 during the calendar year ending December 31, 2014 and \$223,181 during the calendar year ending December 31, 2013. The current Agreement expires June 30, 2015.

CATHOLIC COMMUNITY FOUNDATION OF MID-MICHIGAN
 NOTES TO FINANCIAL STATEMENTS

NOTE 8--Fair Value Measurements

The following tables represent information about the Foundation's assets measured at fair value on a recurring basis at December 31, 2014, and 2013 and the valuation techniques used at the Foundation to determine fair value.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Foundation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in the entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Disclosures concerning assets measured at fair value on a recurring basis are as follows:

Fair Value Measurements at
Reporting Date Using:

	Quoted prices In active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
<u>December 31, 2014</u>				
Cash and equivalents	\$ 183,057	\$ -	\$ -	\$ 183,057
Corporate stock	16,334,895	-	-	16,334,895
U.S. Government & corporate obligations	1,191,160	5,587,959	-	6,779,119
Totals	<u>\$ 17,709,112</u>	<u>\$ 5,587,959</u>	<u>\$ -</u>	<u>\$ 23,297,071</u>

CATHOLIC COMMUNITY FOUNDATION OF MID-MICHIGAN
 NOTES TO FINANCIAL STATEMENTS

NOTE 8—Fair Value (continued)

	Fair Value Measurements at Reporting Date Using:			Total Fair Value
	Quoted prices In active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<u>December 31, 2013</u>				
Cash and equivalents	\$ 347,319	\$ -	\$ -	\$ 347,319
Corporate stock	12,636,012	-	5,306	12,641,318
U.S. Government & corporate obligations	4,197,654	4,650,369	-	8,848,023
Totals	<u>\$ 17,180,985</u>	<u>\$ 4,650,369</u>	<u>\$ 5,306</u>	<u>\$ 21,836,660</u>

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

NOTE 9—Note Payable

During the year ended December 31, 2013, the Foundation entered into a loan agreement with the Catholic Diocese of Saginaw for unpaid service agreements for the period of December 2009 through December 2011. The balance of this loan is \$550,000 at December 31, 2014. The note charges .25% interest on the unpaid balance and the interest is required to be paid annually. Principal payments may be made at any time without penalty and any unpaid amounts are required to be paid in full via a balloon payment on February 1, 2018. The terms of the note also require that the Foundation pay the current service agreement amounts to the Diocese as they come due.

NOTE 10--Catholic Diocese of Saginaw Contribution

During 2013, the Catholic Community Foundation received \$656,626 of previously endowed funds from the Catholic Diocese of Saginaw. This amount was included in contribution revenue in 2013. The Foundation received no similar contribution in 2014.

SUPPLEMENTARY FINANCIAL DATA

CATHOLIC COMMUNITY FOUNDATION OF MID-MICHIGAN
SCHEDULE OF ENDOWED FUNDS
DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Parish funds	\$ 2,628,571	\$ 2,515,158
Catholic school funds	12,176,139	11,998,772
Catholic education and scholarship funds	1,668,427	1,642,048
Operational funds (deficit)	(283,737)	(325,160)
Miscellaneous funds	70,672	70,254
Assistance to the poor funds	1,165,761	1,183,383
Priest and Religious retirement funds	318,773	316,414
Seminarians funds	3,109,840	2,958,021
Catholic agencies funds	59,377	59,156
Donor advised funds	2,675,895	2,079,798
Charitable gift annuities	<u>678,702</u>	<u>642,821</u>
Total net assets	<u>\$ 24,268,420</u>	<u>\$ 23,140,665</u>

See independent auditor's report on supplementary financial information.