

**CATHOLIC FOUNDATION OF
NORTHWEST FLORIDA, INC.**

FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015



CATHOLIC FOUNDATION OF NORTHWEST FLORIDA, INC.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Catholic Foundation of Northwest Florida, Inc.

We have audited the accompanying financial statements of the Catholic Foundation of Northwest Florida, Inc. (the "Foundation"), which are comprised of the statement of financial position as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Catholic Foundation of Northwest Florida, Inc. as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 11 is presented for 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.

Warren Averett, LLC

Pensacola, Florida
November 28, 2016

**CATHOLIC FOUNDATION OF NORTHWEST FLORIDA, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015**

	ASSETS		2016		2015
ASSETS					
Cash and cash equivalents		\$	1,179,120	\$	538,535
Investments			16,553,221		17,661,226
Other assets			9,595		9,595
Real estate held for sale			135,192		135,192
Total assets			\$ 17,877,128		\$ 18,344,548
LIABILITIES					
LIABILITIES					
Accounts payable		\$	67,590	\$	39,972
NET ASSETS					
Unrestricted net assets					
Board designated			17,652,565		18,147,603
Temporarily restricted net assets			156,973		156,973
Total net assets			17,809,538		18,304,576
TOTAL LIABILITIES AND NET ASSETS			\$ 17,877,128		\$ 18,344,548

**CATHOLIC FOUNDATION OF NORTHWEST FLORIDA, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2015</u>
Support and other revenue						
Contributions	\$ 564,861	\$ -	\$ 564,861	\$ 141,663	\$ -	\$ 141,663
Investment return, net	(477,741)	-	(477,741)	468,975	-	468,975
In-kind revenue	28,700	-	28,700	28,000	-	28,000
Total support and other revenue	<u>115,820</u>	<u>-</u>	<u>115,820</u>	<u>638,638</u>	<u>-</u>	<u>638,638</u>
Program services	503,472	-	503,472	481,169	-	481,169
Supporting services						
General and administrative	77,656	-	77,656	90,438	-	90,438
Fundraising expenses	29,730	-	29,730	14,949	-	14,949
Total expenses	<u>610,858</u>	<u>-</u>	<u>610,858</u>	<u>586,556</u>	<u>-</u>	<u>586,556</u>
CHANGES IN NET ASSETS	(495,038)	-	(495,038)	52,082	-	52,082
NET ASSETS, BEGINNING OF YEAR	<u>18,147,603</u>	<u>156,973</u>	<u>18,304,576</u>	<u>18,095,521</u>	<u>156,973</u>	<u>18,252,494</u>
NET ASSETS, END OF YEAR	<u>\$ 17,652,565</u>	<u>\$ 156,973</u>	<u>\$ 17,809,538</u>	<u>\$ 18,147,603</u>	<u>\$ 156,973</u>	<u>\$ 18,304,576</u>

**CATHOLIC FOUNDATION OF NORTHWEST FLORIDA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets:	\$ (495,038)	\$ 52,082
Adjustments to reconcile change in net assets		
Realized and unrealized (gains)/losses on investments, net	770,245	(173,726)
Increase (decrease) in:		
Accounts Payable	27,618	4,755
Due to the Diocese	-	(23,066)
Net cash provided by (used in) operating activities	<u>302,825</u>	<u>(139,955)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(14,719,510)	(17,286,502)
Proceeds from sales of investments	<u>15,057,270</u>	<u>16,444,756</u>
Net cash provided by (used in) investing activities	<u>337,760</u>	<u>(841,746)</u>
NET INCREASE (DECREASE) IN CASH	640,585	(981,701)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>538,535</u>	<u>1,520,236</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,179,120</u>	<u>\$ 538,535</u>

CATHOLIC FOUNDATION OF NORTHWEST FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Catholic Foundation of Northwest Florida, Inc. (the Foundation) is a not-for-profit corporation organized in the State of Florida in 2005. The Foundation is committed to ensure that the Catholic Diocese of Pensacola-Tallahassee (the Diocese), its parishes, and its ministries have the charitable and community resources necessary to sustain its programs that enhance life, spiritual health, dignity, and the wholeness of those it serves. The Foundation's programs are supported primarily by contributions.

A summary of the Foundation's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Basis of Accounting

The Foundation follows standards of accounting and financial reporting prescribed for nonprofit organizations. The Foundation uses the accrual basis of accounting.

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets are not subject to any donor-imposed stipulations. Board designated amounts are not legally restricted and are reported as part of the unrestricted class.

Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time.

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Foundation. As of June 30, 2016 and 2015, the Foundation did not have any permanently restricted net assets.

Revenue Recognition

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates.

CATHOLIC FOUNDATION OF NORTHWEST FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an original 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 carried at their fair value in the statement of financial position. Unrealized gains and losses are included in changes in net assets.

Fair Value

The Foundation follows the Financial Accounting Standards Board (FASB) guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Allocation of Expenses

The costs of providing the various programs and supporting activities of the Foundation have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting activities.

Endowments Policy

Although no permanent endowments existed during the year, the Foundation has policies to follow the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) adopted by the State of Florida in July 2012. UPMIFA does not set specific expenditure limits; instead the Foundation can spend the amount it deems prudent after considering the following factors:

- The duration and preservation of the fund.
- The purpose of the fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Foundation.
- The investment policies of the Foundation.

CATHOLIC FOUNDATION OF NORTHWEST FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Tax Exemption

The Foundation is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, except for taxes pertaining to unrelated business income, is exempt from federal and state income taxes. The Foundation is not aware of any uncertain tax positions that would require disclosure or accrual in accordance with generally accepted accounting principles.

Events Occurring After the Reporting Date

The Foundation has evaluated events and transactions that occurred between June 30, 2016 and November 28, 2016, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

2. INVESTMENTS

Investments are recorded at fair value, determined from quoted prices in active markets for identical assets (level 1 inputs), and are summarized as follows:

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Fixed income	\$ 5,776,779	\$ 5,883,346	\$ 4,512,787	\$ 4,504,922
Equities	9,161,100	9,618,102	9,779,358	10,927,613
Mutual funds	1,112,914	1,051,773	2,237,708	2,228,691
	<u>\$ 16,050,793</u>	<u>\$ 16,553,221</u>	<u>\$ 16,529,853</u>	<u>\$ 17,661,226</u>

Investment return/ (loss) consisted of the following:

	2016	2015
Interest and dividends	\$ 393,540	\$ 407,571
Realized and unrealized gains/(losses), net	(770,245)	173,726
Expenses	(101,036)	(112,322)
	<u>\$ (477,741)</u>	<u>\$ 468,975</u>

CATHOLIC FOUNDATION OF NORTHWEST FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

3. ENDOWMENTS

The Foundation's board has established various designations of unrestricted net assets as "board designated" endowments. The programs for which the funds are designated include: religious formation, family life ministry, youth ministry, seminarian education, campus ministry, catholic schools, adult and young adult ministries, ethnic ministries, catholic charities, facility renovation projects, priest' retirement, future parish site expansion, and parish rebate sharing.

All endowment funds are held in a Merrill Lynch account as of June 30, 2016 and 2015. No other types of endowments exist.

The following depicts the activity for the board designated endowment funds, for the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Endowment net assets, beginning of year	\$ 18,147,603	\$ 18,095,521
Donations and other support	593,561	169,663
Investment return (loss)	(477,741)	468,975
Amounts appropriated for expenditure	<u>(610,858)</u>	<u>(586,556)</u>
	<u>\$ 17,652,565</u>	<u>\$ 18,147,603</u>

Return Objectives and Risk Parameters

The Foundation's assets are invested in accordance with sound investment practices that emphasize long-term investment fundamentals. In establishing the investment objectives, the Board of Directors has taken into account the financial needs and circumstances of the Foundation, the time horizon available for investment, the nature of the Foundation's cash flows and liabilities and other factors that affect their risk tolerance.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the investment of assets are guided by the following underlying principles: (a) to achieve a positive rate of return over the long term that will significantly contribute to the cash flow needs of Foundation (b) to provide for asset growth at a rate in excess of the rate of inflation; (c) to diversify the assets in order to reduce the risk of wide swings in market value from year to year or of incurring large losses that could occur from concentrated positions; and (d) to achieve investment results over the long term that compare favorably with those of other endowments and organizations, professionally managed portfolios and of appropriate market indexes.

Spending Policy

The Foundation has a spending policy to govern the rate at which funds are expended. The spending rate is calculated on a three year average of the market value of the endowments as of December 31. The spending policy and respective draw amounts are reviewed annually and the investment committee recommends a draw amount, either as a percentage of market value or a dollar amount, to the full Board for its consideration and approval. Annually, a maximum target of 5% will be allocated for spending.

CATHOLIC FOUNDATION OF NORTHWEST FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

4. TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2016 and 2015, \$156,973 is restricted in nature by donor intended purpose and approximately \$90,000 of this total is restricted for seminarian education.

5. RELATED PARTIES

The Foundation's office space is provided by the Diocese at no charge. In-kind revenue and expense related to the office space totaled \$28,700 and \$28,000, respectively, for the years ended June 30, 2016 and 2015.

6. CONCENTRATIONS AND CREDIT RISK

The Foundation's cash and investments are held with a financial institution and an investment firm and are federally insured for \$250,000 and for \$500,000 under the Federal Deposit Insurance Corporation (FDIC) and the Securities Investors Protection Corporation (SIPC), respectively. At June 30, 2016 and 2015, the aggregate balances were in excess of the insurance and therefore, bear some risk since they are not collateralized. The Foundation has not experienced any losses on its cash or investments to date as related to the FDIC and SIPC insurance limits.

SUPPLEMENTARY INFORMATION

CATHOLIC FOUNDATION OF NORTHWEST FLORIDA, INC.
SCHEDULES OF FUNCTIONAL EXPENSES
JUNE 30, 2016 AND 2015

	Supporting Services				2016 Total	2015 Total
	Program Services	Management and General	Fundraising	Total Supporting Services		
Grants to parishes	\$ 503,472	\$ -	\$ -	\$ -	\$ 503,472	\$ 481,169
Bank and credit card fees	-	11,018	-	11,018	11,018	6,611
Insurance	-	2,808	-	2,808	2,808	3,059
Miscellaneous	-	3,612	-	3,612	3,612	3,705
Payroll	-	34,048	-	34,048	34,048	35,721
Office expenses	-	624	14,519	15,143	15,143	16,461
Office space	-	13,489	15,211	28,700	28,700	28,000
Professional fees	-	8,000	-	8,000	8,000	8,000
Property taxes	-	1,527	-	1,527	1,527	1,524
Software	-	231	-	231	231	252
Utilities	-	2,299	-	2,299	2,299	2,054
Total expenses	<u>\$ 503,472</u>	<u>\$ 77,656</u>	<u>\$ 29,730</u>	<u>\$ 107,386</u>	<u>\$ 610,858</u>	<u>\$ 586,556</u>

See independent auditors' report on supplementary information.