

***CATHOLIC FOUNDATION FOR THE  
DIOCESE OF DAVENPORT  
FINANCIAL STATEMENTS  
JUNE 30, 2018***

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## Independent Auditors' Report

To the Board of Directors  
Catholic Foundation for the Diocese of Davenport  
Davenport, Iowa

### Report On The Financial Statements

We have audited the accompanying financial statements of Catholic Foundation for the Diocese of Davenport, which comprise the statements of financial position as of June 30, 2018 and 2017, the related statements of activities and change in net assets 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.

### *Auditors' 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 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 on the previous page present fairly, in all material respects, the financial position of Catholic Foundation for the Diocese of Davenport as of June 30, 2018 and 2017 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.

**HONKAMP KRUEGER & CO., P.C.**

*Honkamp Krueger & Co., P.C.*

Davenport, Iowa  
October 22, 2018

# CATHOLIC FOUNDATION FOR THE DIOCESE OF DAVENPORT

## STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2018	2017
<b>Assets</b>		
Cash	\$ 186,802	\$ 565,971
Investments	13,236,916	11,850,532
Contributions Receivable	10,573	12,219
	\$ 13,434,291	\$ 12,428,722
<b>Liabilities And Net Assets</b>		
<b>Liabilities</b>		
Due to the Diocese of Davenport	\$ 350,768	\$ 333,653
Payable to schools	72,933	69,298
Payable to parishes	8,600	8,680
<b>Total Liabilities</b>	432,301	411,631
<b>Net Assets</b>		
Unrestricted		
Undesignated	12,292,938	11,357,151
Board designated	200,000	200,000
<b>Total Unrestricted</b>	12,492,938	11,557,151
Temporarily restricted	509,052	459,940
<b>Total Net Assets</b>	13,001,990	12,017,091
	\$ 13,434,291	\$ 12,428,722

# CATHOLIC FOUNDATION FOR THE DIOCESE OF DAVENPORT

## STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

	For The Year Ended June 30, 2018			For The Year Ended June 30, 2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Support And Revenue</b>						
Contributions	\$ 37,713	\$ 49,478	\$ 87,191	\$ 10,997	\$ 33,396	\$ 44,393
Investment income	1,386,384	—	1,386,384	1,727,465	—	1,727,465
Net assets released from restrictions	366	(366)	—	3,354	(3,354)	—
<b>Total Support And Revenue</b>	<b>1,424,463</b>	<b>49,112</b>	<b>1,473,575</b>	<b>1,741,816</b>	<b>30,042</b>	<b>1,771,858</b>
<b>Expenses</b>						
<b>Program Services</b>						
Recoveries of contributions written-off	(13,411)	—	(13,411)	(6,789)	—	(6,789)
Contributions to the Diocese of Davenport	350,623	—	350,623	333,653	—	333,653
Parish sharing contributions	8,600	—	8,600	8,680	—	8,680
Contributions to schools	72,933	—	72,933	69,298	—	69,298
Other	737	—	737	514	—	514
<b>Total Program Services</b>	<b>419,482</b>	<b>—</b>	<b>419,482</b>	<b>405,356</b>	<b>—</b>	<b>405,356</b>
<b>Support Services – Management And General – Primarily Professional Fees</b>	<b>15,959</b>	<b>—</b>	<b>15,959</b>	<b>15,859</b>	<b>—</b>	<b>15,859</b>
<b>Fundraising</b>						
Contracted services	52,564	—	52,564	57,728	—	57,728
Printing and publications	671	—	671	5,652	—	5,652
<b>Total Fundraising</b>	<b>53,235</b>	<b>—</b>	<b>53,235</b>	<b>63,380</b>	<b>—</b>	<b>63,380</b>
<b>Total Expenses</b>	<b>488,676</b>	<b>—</b>	<b>488,676</b>	<b>484,595</b>	<b>—</b>	<b>484,595</b>
<b>Change In Net Assets</b>	<b>935,787</b>	<b>49,112</b>	<b>984,899</b>	<b>1,257,221</b>	<b>30,042</b>	<b>1,287,263</b>
<b>Net Assets – Beginning Of Year</b>	<b>11,557,151</b>	<b>459,940</b>	<b>12,017,091</b>	<b>10,299,930</b>	<b>429,898</b>	<b>10,729,828</b>
<b>Net Assets – End Of Year</b>	<b>\$ 12,492,938</b>	<b>\$ 509,052</b>	<b>\$ 13,001,990</b>	<b>\$ 11,557,151</b>	<b>\$ 459,940</b>	<b>\$ 12,017,091</b>

See the accompanying notes to financial statements

# CATHOLIC FOUNDATION FOR THE DIOCESE OF DAVENPORT

## STATEMENTS OF CASH FLOWS

	For The Years Ended June 30,	
	2018	2017
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 984,899	\$ 1,287,263
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Write off of contributions receivable	—	9,746
Change in provision for uncollectible contributions	(13,411)	(16,535)
Net realized gains on sale of investments	(444,052)	(1,139,684)
Net unrealized gains on investments	(845,718)	(518,072)
Changes in assets and liabilities:		
Contributions receivable	15,057	28,398
Due to the Diocese of Davenport	17,115	37,124
Payables to schools and parishes	3,555	(349,946)
<b>Net Cash Used In Operating Activities</b>	<b>(282,555)</b>	<b>(661,706)</b>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sale of investments	873,532	2,948,992
Purchase of investments	(970,146)	(2,638,701)
<b>Net Cash Provided By (Used In) Investing Activities</b>	<b>(96,614)</b>	<b>310,291</b>
<b>Change In Cash</b>	<b>(379,169)</b>	<b>(351,415)</b>
<b>Cash – Beginning Of Year</b>	<b>565,971</b>	<b>917,386</b>
<b>Cash – End Of Year</b>	<b>\$ 186,802</b>	<b>\$ 565,971</b>

# CATHOLIC FOUNDATION FOR THE DIOCESE OF DAVENPORT

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## NOTES TO FINANCIAL STATEMENTS

### 1. Nature Of Business And Significant Accounting Policies

Catholic Foundation for the Diocese of Davenport (the "Foundation") was incorporated on February 10, 2009 and is a not-for-profit foundation established to promote the strength and growth of the Diocese of Davenport and its affiliated entities.

A summary of the Foundation's significant accounting policies follows:

#### 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 reported amounts of assets and liabilities and disclosures of contingent assets and liabilities and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

#### Cash

The Foundation places its cash with high credit quality financial institutions. At times, such amounts may be in excess of the Federal Deposit Insurance Corporation insurance limits.

#### Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. Investment income or loss (including realized gain and loss on investments, interest and dividends) is included in the change in net assets. The Foundation estimated that fees on all investments were approximately \$110,000 and \$93,000 for the years ended June 30, 2018 and 2017, respectively. Total fees charged on investments were not disclosed by the fund managers and were estimated by management. Fund managers only disclose the average expense ratio by fund for the period.

#### Contributions Receivable

Unconditional pledges are recognized as revenue in the period in which the pledge was received. Conditional pledges and intentions to give are recognized as revenue at the date the gift is received.

Unconditional pledges that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Conditional pledges are not included as support until the conditions are substantially met.

The Foundation uses the allowance method to determine uncollectible unconditional pledges receivable. The allowance is based on historical experience and management's analysis of specific pledges made. The allowance for uncollectible accounts was \$4,230 and \$17,641 as of June 30, 2018 and 2017, respectively.

# CATHOLIC FOUNDATION FOR THE DIOCESE OF DAVENPORT

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## Notes To Financial Statements *(Continued)*

### **Net Assets**

The Foundation's resources are classified into three separate classes of net assets as follows:

#### **Unrestricted Net Assets**

Net assets which are free of donor-imposed restrictions; all revenues, expenses, gains and losses that are not changes in permanently or temporarily restricted net assets. Restrictions that are met in the same reporting period are classified as unrestricted. Unrestricted net assets may be designated for specific purposes by actions of the Board, and accordingly, includes board designated net assets.

#### **Temporarily Restricted Net Assets**

Net assets whose use by the Foundation is limited by donor-imposed restrictions that either expire with the passage of time or can be removed by fulfillment of the stipulated purpose for which the donation was restricted.

#### **Permanently Restricted Net Assets**

Net assets subject to donor-imposed restrictions that neither expire by passage of time nor can be removed by the fulfillment of a stipulated purpose. The Foundation has no permanently restricted net assets as of June 30, 2018 and 2017.

### **Revenue Recognition**

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 statements of activities and change in net assets as net assets released from restrictions.

### **Expense Allocation**

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Certain costs have been allocated between program, management and general and fundraising classifications on the basis of actual expenses and/or on estimates made by the Foundation's management.

### **Income Taxes**

The Foundation is exempt from Federal income taxes under section 501(c)(3) of the Internal Revenue Code and comparable state law, which provide tax exemption for entities organized and operated exclusively for religious, charitable or educational purposes.

# CATHOLIC FOUNDATION FOR THE DIOCESE OF DAVENPORT

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## Notes To Financial Statements *(Continued)*

### **Pending Accounting Pronouncements**

In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. While the guidance is effective for fiscal years beginning after December 15, 2017, early adoption is allowed. Some of the key elements of the ASU are as follows. Under the new guidance the Foundation would present net assets under two classifications, net assets with donor restrictions and net assets without donor restrictions. Expanded disclosures on any board designation of net assets without donor restrictions will also be required. Additional disclosures, both qualitative and quantitative, will be required to communicate information useful in assessing liquidity within one year of the statement of financial position date. The components of net investment expense no longer will be required to be disclosed; however, organizations may continue to include this information when their financial statement users have an interest in that information. In addition, some of the new reporting requirements related to expenses are included as follows: disclosure of expenses by both nature and function (excluding investment expenses that have been netted with investment return), disclosure of expense netted with investment return and enhanced disclosures regarding cost allocations. This standard will be effective for the fiscal year ending June 30, 2019. The Foundation is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. The standard’s core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts with customers. This standard will be effective for the fiscal year ending June 30, 2020. The Foundation is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

### **Subsequent Events**

Management has evaluated subsequent events through October 22, 2018, the date which the financial statements were available to be issued.

## **2. Fair Value Measurements And Investments**

The Foundation’s investments in various investment securities 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 that such a change could materially affect the amounts reported in the statement of financial position.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018.

# CATHOLIC FOUNDATION FOR THE DIOCESE OF DAVENPORT

## Notes To Financial Statements (Continued)

If quoted market prices are not available, then fair values are estimated by the Foundation's investment manager using pricing models, quoted prices of securities with similar characteristics, audited financial statements of the funds or discounted cash flow. The Foundation's securities are funds where the value is based on net asset value provided by the investment manager.

The following table sets forth additional disclosure of the Foundation's investments whose fair value is estimated using net asset value ("NAV") per share (or its equivalent):

	June 30, 2018			
	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
CUIT Intermediate Diversified Bond Fund (1)	\$ 1,623,535	\$ —	Daily	Trade date minus 1 day
CUIT Opportunistic Bond Fund (1)	1,769,405	—	Daily	Trade date minus 1 day
CUIT Growth Equity Fund (2)	2,038,768	—	Daily	Trade date minus 1 day
CUIT Value Equity Fund (2)	2,680,999	—	Daily	Trade date minus 1 day
CUIT International Equity Fund (3)	3,131,097	—	Daily	Trade date minus 1 day
CUIT Small Capitalization Equity Index Fund (2)	1,993,112	—	Daily	Trade date minus 1 day
	<b>\$ 13,236,916</b>	<b>\$ —</b>		

	June 30, 2017			
	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
CUIT Intermediate Diversified Bond Fund (1)	\$ 1,269,259	\$ —	Daily	Trade date minus 1 day
CUIT Opportunistic Bond Fund (1)	1,255,661	—	Daily	Trade date minus 1 day
CUIT Growth Equity Fund (2)	2,142,536	—	Daily	Trade date minus 1 day
CUIT Value Equity Fund (2)	2,510,704	—	Daily	Trade date minus 1 day
CUIT International Equity Fund (3)	2,843,229	—	Daily	Trade date minus 1 day
CUIT Small Capitalization Equity Index Fund (2)	1,829,143	—	Daily	Trade date minus 1 day
	<b>\$ 11,850,532</b>	<b>\$ —</b>		

- (1) These funds invest primarily in U.S. Government securities, securities issued by U.S. Government agencies, fixed income obligations of corporations, asset-backed, mortgage-backed and municipal securities. These funds can be redeemed at net asset value per share based on the fair value of the fund's securities and other assets, less liabilities at the close of business on any day the New York Stock Exchange ("NYSE") is open. The fair value of these investments has been estimated using the net asset value per share of the investments provided by the fund manager.
- (2) These funds invest in marketable equity securities that are all exchange-traded in the USA and that are categorized as the title of each respective fund suggests (growth, value, small cap). These funds can be redeemed at NAV per share based on the fair value of the fund's securities and other assets, less liabilities at the close of business on any day the NYSE is open. The fair value of these investments has been estimated using the net asset value per share of the investments provided by the fund manager.

# CATHOLIC FOUNDATION FOR THE DIOCESE OF DAVENPORT

## Notes To Financial Statements (Continued)

- (3) This fund invests primarily in international equity securities that are all exchange-traded in the USA primarily in countries in the Morgan Stanley Capital International Europe, Australia, the Far East Index (“MSCI EAFE”) and Canada. This fund can be redeemed at NAV per share based on the fair value of the Fund’s securities and other assets, less liabilities at the close of business any day the NYSE is open. The fair value of this investment has been estimated using the NAV per share of the investments provided by the fund manager.

The following summarizes investment income for the years ended June 30:

	2018	2017
Interest and dividends, net of fees	\$ 96,614	\$ 69,709
Realized gains	444,052	1,139,684
Unrealized gains	845,718	518,072
	<b>\$ 1,386,384</b>	<b>\$ 1,727,465</b>

### 3. Unrestricted – Board Designated Net Assets

The board designated unrestricted net assets at June 30, 2018 and 2017, of \$200,000 is to be used to assist the Diocese of Davenport with healthcare costs incurred for priests.

### 4. Temporarily Restricted Net Assets And Net Assets Released From Restrictions

Temporarily restricted net assets consist of:

	2018	2017
Vocations	\$ 479,001	\$ 436,689
Schools	29,051	22,251
Youth philanthropy	1,000	1,000
	<b>\$ 509,052</b>	<b>\$ 459,940</b>

Net assets released from restrictions consist of:

	2018	2017
Vocations	\$ 366	\$ 2,155
Schools	—	1,199
	<b>\$ 366</b>	<b>\$ 3,354</b>

# CATHOLIC FOUNDATION FOR THE DIOCESE OF DAVENPORT

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## Notes To Financial Statements *(Continued)*

### **5. Related-Party Transactions**

The Diocese of Davenport has an agreement with the Foundation to provide the services of the Finance Department including the processing of pledges, pledge payments, pledge reminders, preparing financial reports for board meetings and assistance with the financial audit. The Foundation pays the Diocese once a year for the percentage of the time the Finance employees spend on the Foundation work valued at salary plus estimated benefits. The costs incurred with the Diocese for the years ended June 30, 2018 and 2017 were \$52,564 and \$57,728, respectively.

The Foundation made contributions in accordance with the campaign case statement based on their investment and spending policies. Contributions to the Diocese of Davenport totaled \$350,623 and \$333,653 for the years ended June 30, 2018 and 2017, respectively. Amounts due to the Diocese of Davenport were \$350,768 and \$333,653 as of June 30, 2018 and 2017, respectively. Contributions to the Catholic Schools of the Diocese of Davenport totaled \$72,933 and \$69,298 for the years ended June 30, 2018 and 2017, respectively. Contributions due to the Catholic Schools of the Diocese of Davenport were \$72,933 and \$69,298 as of June 30, 2018 and 2017, respectively.

Under the campaign policies, a parish is entitled to receive 20% of the cash received from its parishioners as part of the capital campaign. If the cash received exceeds the parish's goal under the capital campaign, the parish is entitled to receive 50% of the cash received from its parishioners in excess of the parish's goal. Payments will be made to the parishes on a semiannual basis. As of June 30, 2018 and 2017, the Foundation has a payable to parishes of \$8,600 and \$8,680, respectively. Parish sharing under the campaign policies were \$8,600 and \$8,680 for the years ended June 30, 2018 and 2017, respectively.