

**THE CATHOLIC FOUNDATION
OF NORTH GEORGIA, INC.**

Financial Statements

June 30, 2017 and 2016



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The Catholic Foundation of North Georgia, Inc.
Table of Contents
June 30, 2017 and 2016

REPORT

Independent Auditors' Report	3
------------------------------	---

FINANCIAL STATEMENTS

Statements of Financial Position	5
----------------------------------	---

Statements of Activities	6
--------------------------	---

Statements of Cash Flows	8
--------------------------	---

Notes to Financial Statements	9
-------------------------------	---

Accompanying Information

Independent Auditors' Report on Accompanying Information	24
--	----

Statement of Financial Position - Fund Basis	25
--	----

Statement of Support and Revenue, Expenses, Capital Additions and Changes in Fund Balances – Fund Basis	26
--	----

Schedule of Changes in Designated Investment Fund Balances and Changes in Endowment Fund Balances	27
--	----

Schedules of Operating Expenses	30
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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Catholic Foundation of North Georgia, Inc.

We have audited the accompanying financial statements of The Catholic Foundation of North Georgia, Inc., a nonprofit organization, which comprise the statements of financial position as of June 30, 2017 and 2016, 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.

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 audits 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 North Georgia, Inc., as of June 30, 2017 and 2016, 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.

Caru, Riggs & Ingram, L.L.C.

Atlanta, Georgia
December 5, 2017

The Catholic Foundation of North Georgia, Inc.
Statements of Financial Position

<i>June 30,</i>	2017	2016
Assets		
Cash and cash equivalents	\$ 815,816	\$ 510,187
Investments at fair value	63,251,272	52,303,005
Accounts receivable	-	4,996
Prepaid expenses	3,743	1,400
Property and equipment, net	8,707	10,464
Total assets	\$ 64,079,538	\$ 52,830,052
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 19,758	\$ 6,250
Annuities payable	190,254	189,614
Due to Catholic Archdiocese of Atlanta	25,223	22,282
Custodian funds payable	115,149	1,129,344
Beneficiary endowments	10,432,472	6,918,824
Total liabilities	10,782,856	8,266,314
Net assets		
Unrestricted	7,158,058	4,982,974
Temporarily restricted	13,631,823	7,770,350
Permanently restricted	32,506,801	31,810,414
Total net assets	53,296,682	44,563,738
Total liabilities and net assets	\$ 64,079,538	\$ 52,830,052

The accompanying notes are an integral part of these statements.

The Catholic Foundation of North Georgia, Inc.
Statement of Activities

Year ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, and other support				
Donations and pledges	\$ 1,879,193	\$ 995,621	\$ 30,724	\$ 2,905,538
Investment income	62,933	593,237	-	656,170
In-kind contributions	72,131	-	-	72,131
Fees	74,641	-	-	74,641
Donations from Archdiocese of Atlanta	40,000	-	-	40,000
Net assets released from restrictions	1,572,571	(1,572,571)	-	-
Total revenues, gains, and support	3,701,469	16,287	30,724	3,748,480
Expenses				
Grants and distributions	1,245,151	-	-	1,245,151
Operating expenses	770,432	-	-	770,432
Depreciation and amortization	5,042	-	-	5,042
Total expenses	2,020,625	-	-	2,020,625
Change in net assets before other gains (losses)	1,680,844	16,287	30,724	1,727,855
Other gains (losses)				
Realized and unrealized gain on investments	504,085	3,671,538	559,344	4,734,967
Change in value of charitable gift annuities	(9,845)	-	(2,439)	(12,284)
Total other gains (losses)	494,240	3,671,538	556,905	4,722,683
Change in net assets	2,175,084	3,687,825	587,629	6,450,538
Endowment transfers	-	2,173,648	108,758	2,282,406
Net assets at beginning of year	4,982,974	7,770,350	31,810,414	44,563,738
Net assets at end of year	\$ 7,158,058	\$ 13,631,823	\$ 32,506,801	\$ 53,296,682

The accompanying notes are an integral part of this statement.

The Catholic Foundation of North Georgia, Inc.
Statement of Activities

Year ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, and other support				
Donations and pledges	\$ 136,522	\$ 30,565	\$ 661,887	\$ 828,974
Investment income	66,354	599,626	-	665,980
In-kind contributions	64,403	-	-	64,403
Fees	59,024	-	-	59,024
Donations from Archdiocese of Atlanta	60,000	-	-	60,000
Net assets released from restrictions	1,273,587	(1,273,587)	-	-
Total revenues, gains, and support	1,659,890	(643,396)	661,887	1,678,381
Expenses				
Grants and distributions	1,134,414	-	-	1,134,414
Operating expenses	716,171	-	-	716,171
Depreciation and amortization	3,780	-	-	3,780
Total expenses	1,854,365	-	-	1,854,365
Change in net assets before other gains (losses)	(194,475)	(643,396)	661,887	(175,984)
Other gains (losses)				
Realized and unrealized loss on investments	(171,037)	(1,089,843)	(207,704)	(1,468,584)
Change in value of charitable gift annuities	2,294	-	(21,480)	(19,186)
Total other gains (losses)	(168,743)	(1,089,843)	(229,184)	(1,487,770)
Change in net assets	(363,218)	(1,733,239)	432,703	(1,663,754)
Endowment transfers	-	-	25,000	25,000
Net assets at beginning of year	5,346,192	9,503,589	31,352,711	46,202,492
Net assets at end of year	\$ 4,982,974	\$ 7,770,350	\$ 31,810,414	\$ 44,563,738

The accompanying notes are an integral part of this statement.

The Catholic Foundation of North Georgia, Inc.
Statements of Cash Flows

<i>Years ended June 30,</i>	2017	2016
Operating activities		
Change in net assets	\$ 6,450,538	\$ (1,663,754)
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities		
Depreciation and amortization	5,042	3,780
Realized and unrealized (gain) loss on investments	(4,734,967)	1,468,584
Restricted contributions	(1,026,345)	(692,435)
Decrease in accounts receivable	4,996	786
Increase in prepaid expenses	(2,343)	(1,400)
Increase in due to Archdiocese	2,941	3,047
Increase (decrease) in accounts payable	13,508	(927)
Increase in annuities payable	640	5,952
Net cash provided by (used in) operating activities	714,010	(876,367)
Investing activities		
Purchase of property and equipment	(3,285)	-
Proceeds from sale of investments	13,172,686	10,867,806
Purchase of investments	(19,385,986)	(12,588,628)
Net cash used in investing activities	(6,216,585)	(1,720,822)
Financing activities		
Restricted contributions received	1,026,345	692,435
Endowment transfers from related party	2,282,406	25,000
Decrease in custodian funds payable	(1,014,195)	(33,902)
Proceeds from beneficiary endowment	3,513,648	961,529
Net cash provided by financing activities	5,808,204	1,645,062
Net increase (decrease) in cash and cash equivalents	305,629	(952,127)
Cash and cash equivalents, beginning of year	510,187	1,462,314
Cash and cash equivalents, end of year	\$ 815,816	\$ 510,187

There were no non-cash investing and financing activities during the years ended June 30, 2017 and 2016.

The accompanying notes are an integral part of these statements.

The Catholic Foundation of North Georgia, Inc. Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Reporting

The accompanying financial statements include the accounts and transactions of The Catholic Foundation of North Georgia, Inc. (the Foundation), which is affiliated with the Catholic Archdiocese of Atlanta (Note 2).

The preparation of the 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.

A summary of the significant accounting principles of the Foundation applied in the preparation of the accompanying financial statements follows.

Financial Statement Presentation

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.

Unrestricted Net Assets

Unrestricted net assets are utilized to account for support and other revenues that are unrestricted in nature. Donor restricted contributions whose restrictions are met in the year of contribution are reported as unrestricted support.

Temporarily Restricted Net Assets

Temporarily restricted net assets are utilized to account for contributions that are donor-restricted for uses which have not yet been fulfilled either in time or by purpose.

Permanently Restricted Net Assets

Permanently restricted net assets are utilized to account for true endowments whereby the donor has permitted the Foundation to use the income, but has prohibited the use of principal.

Income Taxes

The Foundation is a public charity exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the financial statements. Income from certain activities not directly related to the tax-exempt purpose of nonprofit entities is subject to taxation as unrelated business income. The Foundation considers all of its activities to be directly related to its exempt purpose in 2017 and 2016.

The Catholic Foundation of North Georgia, Inc.
Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all unrestricted highly liquid investments, with an initial maturity of three months or less when purchased, to be cash equivalents.

Investments

The Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the periods they occur. Investment income and realized and unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. The Foundation's investments are in a pooled investment fund.

Promises to Give

Promises to give that are scheduled to be received after the end of the reporting period are shown as increases in temporarily restricted net assets and reclassified to unrestricted net assets when the purpose or time restriction is met. Promises to give subject to donor-imposed restrictions that the corpus is maintained permanently are recognized as increases in permanently restricted net assets. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted and carried at the present value of estimated future cash flows. Amortization of the discount is recorded as contribution revenue.

The Foundation uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

Property and Equipment

The Foundation capitalizes all expenditures in excess of \$5,000 and with a useful life greater than one year. Property and equipment is recorded at cost if acquired by purchase and at fair market value at the date of receipt if acquired by gift. Maintenance and repairs are charged to operations and major improvements are capitalized. Upon retirement, sale or other disposition, the cost and accumulated depreciation are eliminated from the accounts and any gain or loss is included in the statement of activities.

The Catholic Foundation of North Georgia, Inc.
Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (continued)

Depreciation is computed using the straight-line method over the following estimated useful lives:

Furniture and equipment	3-10 years
Leasehold improvements	10 years

Property and equipment at June 30, 2017 and 2016, consisted of the following:

<i>June 30,</i>	2017	2016
Furniture and equipment	\$ 27,061	\$ 27,061
Leasehold improvements	3,285	7,804
	30,346	34,865
Less accumulated depreciation and amortization	(21,639)	(24,401)
Property and equipment, net	\$ 8,707	\$ 10,464

Depreciation and amortization expense for 2017 and 2016, was \$5,042 and \$3,780, respectively.

Split-interest Agreements

The Foundation has entered into a number of charitable gift annuity (CGA) agreements with its donors. Under the terms of these agreements, the donor contributes assets to the Foundation in exchange for the right to receive a fixed-dollar annual return during the life of the annuitant(s).

At the inception of the CGA agreement, the excess of the fair value of assets received over the present value of annuity payments to be made to annuitant(s) is recognized as a contribution at the date of gift. The annuity liability is reported at the estimated present value of future cash outflows, based on discount rates and mortality tables. The annuity liabilities are revalued annually. Actuarial changes are reported as a change in value of charitable gift annuities.

The contributed funds and the related liabilities immediately become part of the general assets and liabilities of the Foundation. The Foundation maintains adequate reserve funds to meet future payments under its charitable gift annuity contracts as required by state law. The cash and investments related to the charitable gift annuities and state reserve requirements totaled \$560,774 and \$585,632 at June 30, 2017 and 2016, respectively.

Certain gift agreements contain provisions that allow for the distribution of assets to remaindermen other than the Foundation. The portion attributable to others is reflected as part of accounts payable and accrued expenses on the statement of financial position.

The Catholic Foundation of North Georgia, Inc.
Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Custodian Funds Payable

The Foundation manages funds for parishes, schools, and other organizations within the Archdiocese. The funds are invested and managed in the Foundation's name and the Foundation receives a fee for managing the funds. Distributions from the funds are made at the fund owner's request and in accordance with the Foundation's policies and procedures.

Beneficiary Endowments

Beneficiary endowments represent funds that have been legally and permanently transferred to the Foundation for long-term investment purposes in which the transferring organization named itself, or another organization besides the Foundation, as the beneficiary of the investment income earned on the funds. Distributions are made to the beneficiary organization based on the terms of an endowment agreement between the Foundation and the transferring organization. These funds are reported as a liability in the statements of financial position.

Contributions

Contribution revenues are recorded as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. All restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. Contributions subject to temporary donor-imposed restrictions are recorded as temporarily restricted support and are reclassified to unrestricted support when the donor-imposed restriction has been fulfilled or the stipulated time period has elapsed.

In-kind Contributions

In-kind contributions are recorded as revenue and expense in the accompanying financial statements. These contributions consist of professional services and instructional and office space all of which are recorded at their estimated fair values.

**The Catholic Foundation of North Georgia, Inc.
Notes to the Financial Statements**

NOTE 2: ORGANIZATION AND CONTROL

The Catholic Foundation of North Georgia, Inc., is a Georgia non-profit corporation governed by a board of directors composed primarily of laypersons, but also including the Archbishop of Atlanta and some priests. The original purpose in the by-laws was “to solicit and receive donations and maintain a fund or funds of real or personal property, or both; to use and apply the whole or any part of the income and principal of the funds exclusively for charitable, religious, scientific, literary or educational purposes of the Catholic community within the Archdiocese that are in conformity with theology and discipline of the Roman Catholic Church or not, that qualify as exempt organizations under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended from time to time.”

The current mission of The Catholic Foundation of North Georgia is “to help Catholics make a lasting difference in the community. We attract, professionally manage, and invest gifts to support the current and long term financial needs of parishes, schools, charities, and other ministries.” The vision is “Ensuring that the Catholic community and its ministries have the financial resources to serve and make a difference in the lives of current and future generations.”

The officers of the board of directors are local lay leaders in the community. Lay leaders chair the following committees of the board: executive, finance, investment, grants, communications, development, governance and nominating, and strategic planning. A priest member of the board chairs the pastors advisory council. Nominees to the board are subject to review by the Archbishop of the Catholic Archdiocese of Atlanta as a slate. If the slate is not rejected, the board votes on the new members. At no time shall a majority of the board consist of priests or employees of the Archdiocese. The Archbishop has the right to remove any member of the board at any time, with or without cause.

NOTE 3: INVESTMENTS

At June 30, 2017 and 2016, investments consisted of the following:

<i>June 30,</i>	2017	2016
Short-term investments	\$ 4,098,330	\$ 1,138,954
Debt mutual funds	17,839,484	16,842,103
Equity mutual funds	33,948,889	27,627,305
Equity securities	5,196,747	4,672,990
Institutional funds	2,167,822	2,021,653
	\$ 63,251,272	\$ 52,303,005

The Catholic Foundation of North Georgia, Inc.
Notes to the Financial Statements

NOTE 3: INVESTMENTS (CONTINUED)

The Foundation charges the endowment funds a management fee as reimbursement for various administrative and investment costs. The fees are computed based on the market value of the investments. Management fees charged to the funds for the years ended June 30, 2017 and 2016, totaled \$332,568 and \$297,040, respectively. These fees have been eliminated from revenue and expense in the statements of activities.

The Foundation manages funds for other Archdiocesan organizations. Funds managed for other organizations are included in the Foundation's pooled investment fund and are reported as custodian funds payable on the statement of financial position. The Foundation charges a management fee based on the fair value of the funds under management. Management fees charged on custodian funds and beneficiary endowments for the years ended June 30, 2017 and 2016, totaled \$74,641 and \$59,024, respectively.

NOTE 4: ENDOWMENT AND DESIGNATED INVESTMENT FUNDS

Permanently restricted net assets include donor-restricted endowment funds. Unrestricted net assets include funds that have been designated by the board (board-designated) to function as endowments. The donor-restricted endowment funds and the board designated funds are collectively referred to as endowment funds. The endowment funds are restricted or designated for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation has interpreted Georgia's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets 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 the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

**The Catholic Foundation of North Georgia, Inc.
Notes to the Financial Statements**

NOTE 4: ENDOWMENT AND DESIGNATED INVESTMENT FUNDS (CONTINUED)

Endowment net assets composition by type of fund as of June 30, 2017:

<i>June 30, 2017</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted				
Archdiocese	\$ -	\$ 2,240,641	\$ 1,317,858	\$ 3,558,499
Campus ministry	-	59,805	169,485	229,290
Cemeteries	-	1,082,041	279,531	1,361,572
Community service	-	1,517,121	3,303,117	4,820,238
Education	-	1,610,274	11,869,986	13,480,260
Elderly and retired clergy	-	529,161	1,213,060	1,742,221
Operations	-	1,466,668	6,335,086	7,801,754
Parishes	(1,665)	1,428,463	4,360,628	5,787,426
Seminary	-	3,697,649	3,658,050	7,355,699
	(1,665)	13,631,823	32,506,801	46,136,959
Board-designated				
Charitable gift annuities	560,771	-	-	560,771
Donor advised funds	4,080,054	-	-	4,080,054
Operations	1,658,463	-	-	1,658,463
Parish and organizational support	50,737	-	-	50,737
	6,350,025	-	-	6,350,025
Total	\$ 6,348,360	\$ 13,631,823	\$ 32,506,801	\$ 52,486,984

The Catholic Foundation of North Georgia, Inc.
Notes to the Financial Statements

NOTE 4: ENDOWMENT AND DESIGNATED INVESTMENT FUNDS (CONTINUED)

Endowment net assets composition by type of fund as of June 30, 2016:

<i>June 30, 2016</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted				
Archdiocese	\$ (73,671)	\$ 12,295	\$ 1,225,000	\$ 1,163,624
Campus ministry	-	41,741	168,345	210,086
Cemeteries	-	374,426	50,000	424,426
Community service	(24,918)	756,558	3,706,573	4,438,213
Education	(4,793)	1,451,784	11,217,565	12,664,556
Elderly and retired clergy	-	391,350	1,211,810	1,603,160
Operations	-	786,435	6,311,997	7,098,432
Parishes	(7,059)	890,129	4,276,974	5,160,044
Seminary	-	3,065,632	3,642,150	6,707,782
	(110,441)	7,770,350	31,810,414	39,470,323
Board-designated				
Charitable gift annuities	585,632	-	-	585,632
Donor advised funds	2,254,478	-	-	2,254,478
Operations	1,515,241	-	-	1,515,241
Parish and organizational support	46,699	-	-	46,699
	4,402,050	-	-	4,402,050
Total	\$ 4,291,609	\$ 7,770,350	\$ 31,810,414	\$ 43,872,373

The Catholic Foundation of North Georgia, Inc.
Notes to the Financial Statements

NOTE 4: ENDOWMENT AND DESIGNATED INVESTMENT FUNDS (CONTINUED)

Changes in endowment net assets for the year ended June 30, 2017:

<i>June 30, 2017</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 4,291,609	\$ 7,770,350	\$ 31,810,414	\$ 43,872,373
Contributions	-	995,621	30,724	1,026,345
Transfer of endowment funds from related party	-	2,173,648	108,758	2,282,406
Transfers to increase board designated funds	1,699,065	-	-	1,699,065
Investment return				
Investment income	62,856	593,237	-	656,093
Net realized and unrealized appreciation	504,085	3,671,538	559,344	4,734,967
Change in value of charitable gift annuities	-	-	(2,439)	(2,439)
Appropriation of endowment net assets for expenditure	(318,031)	(1,463,795)	-	(1,781,826)
Restoration of donor- restricted endowment funds with deficiencies	108,776	(108,776)	-	-
Endowment net assets, end of year	\$ 6,348,360	\$ 13,631,823	\$ 32,506,801	\$ 52,486,984

The Catholic Foundation of North Georgia, Inc.
Notes to the Financial Statements

NOTE 4: ENDOWMENT AND DESIGNATED INVESTMENT FUNDS (CONTINUED)

Changes in endowment net assets for the year ended June 30, 2016:

<i>June 30, 2016</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 4,716,589	\$ 9,503,589	\$ 31,352,711	\$ 45,572,889
Contributions	-	30,565	661,887	692,452
Transfer of endowment funds from related party	-	-	25,000	25,000
Transfers to increase board designated funds	33,124	-	-	33,124
Investment return				
Investment income	66,255	599,626	-	665,881
Net realized and unrealized depreciation	(171,037)	(1,089,843)	(207,704)	(1,468,584)
Change in value of charitable gift annuities	-	-	(21,480)	(21,480)
Appropriation of endowment net assets for expenditure	(253,820)	(1,373,089)	-	(1,626,909)
Reclassification of donor- restricted endowment funds with deficiencies	(99,502)	99,502	-	-
Endowment net assets, end of year	\$ 4,291,609	\$ 7,770,350	\$ 31,810,414	\$ 43,872,373

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets are \$1,665 and \$110,441 at June 30, 2017 and 2016, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy the endowment assets are invested in a manner that is intended to produce a reasonable rate of return under current market conditions with minimal risk.

The Catholic Foundation of North Georgia, Inc.
Notes to the Financial Statements

NOTE 4: ENDOWMENT AND DESIGNATED INVESTMENT FUNDS (CONTINUED)

The Foundation’s spending policy reflects the fundamental objective of preserving and enhancing the resources of the Foundation, both at present and in the future. Current spending and the long-term objectives of preserving and enhancing the assets are balanced by considerations given to reasonable expectations of investment returns, contributions, operating expenses, and inflation. The Foundation has a policy of appropriating for distribution each year amounts that are required to be distributed under the terms of donor-restricted endowment agreements and amounts needed to fund grants and other distributions. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at a rate that will maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

NOTE 5: RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets and permanently restricted net assets, including donor-restricted endowment funds, are available for the following purposes at June 30, 2017:

<i>June 30, 2017</i>	Temporarily Restricted	Permanently Restricted	Total
Archdiocese	\$ 2,240,641	\$ 1,317,858	\$ 3,558,499
Campus ministry	59,805	169,485	229,290
Cemeteries	1,082,041	279,531	1,361,572
Community service	1,517,121	3,303,117	4,820,238
Education	1,610,274	11,869,986	13,480,260
Elderly and retired clergy	529,161	1,213,060	1,742,221
Operations	1,466,668	6,335,086	7,801,754
Parishes	1,428,463	4,360,628	5,789,091
Seminary	3,697,649	3,658,050	7,355,699
Total	\$ 13,631,823	\$ 32,506,801	\$ 46,138,624

The Catholic Foundation of North Georgia, Inc.
Notes to the Financial Statements

NOTE 5: RESTRICTIONS ON NET ASSETS (CONTINUED)

Temporarily restricted net assets and permanently restricted net assets, including donor-restricted endowment funds, are available for the following purposes at June 30, 2016:

<i>June 30, 2016</i>	Temporarily Restricted	Permanently Restricted	Total
Archdiocese	\$ 12,295	\$ 1,225,000	\$ 1,237,295
Campus ministry	41,741	168,345	210,086
Cemeteries	374,426	50,000	424,426
Community service	756,558	3,706,573	4,463,131
Education	1,451,784	11,217,565	12,669,349
Elderly and retired clergy	391,350	1,211,810	1,603,160
Operations	786,435	6,311,997	7,098,432
Parishes	890,129	4,276,974	5,167,103
Seminary	3,065,632	3,642,150	6,707,782
Total	\$ 7,770,350	\$ 31,810,414	\$ 39,580,764

NOTE 6: FINANCIAL INSTRUMENTS

The Foundation has cash deposits and investment accounts with financial institutions, which fluctuate from time to time in excess of the insured limitation of the Federal Deposit Insurance Corporation. If these financial institutions were not to honor their contractual liability, the Foundation could incur losses. Management is of the opinion that there is no risk of loss because of the financial strength of these financial institutions.

NOTE 7: FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be measured at fair value on a recurring basis. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1 - Valuations based on unadjusted quoted prices for identical instruments in active markets that are available as of the measurement date.

The Catholic Foundation of North Georgia, Inc.
Notes to the Financial Statements

NOTE 7: FAIR VALUE MEASUREMENTS (CONTINUED)

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Cash and cash equivalents, accounts receivable, accounts payable, custodian funds payable and beneficiary endowments - carrying amounts approximate fair value based upon the nature of the instrument.

The investment measured at net asset value practical expedient is composed of investments in private investment funds and is considered illiquid and designed for long-term growth.

Charitable gift annuities payable - carried at the present value of the total future payments to annuitants and approximate fair value. The fair value for these financial instruments was estimated by discounting the anticipated future cash flows.

The following table presents the Foundation's fair value hierarchy for the financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2017:

June 30, 2017	Level 1	Level 2	Level 3	Total
Short-term investments	\$ 4,098,330	\$ -	\$ -	\$ 4,098,330
Debt funds-domestic and international	17,839,484	-	-	17,839,484
Equity Securities - Domestic	4,834,013	-	-	4,834,013
Equity Securities - International	362,734	-	-	362,734
Equity funds-domestic	4,217,761	18,398,828	-	22,616,589
Equity funds-international	11,332,300	-	-	11,332,300
	\$ 42,684,622	\$ 18,398,828	\$ -	61,083,450
Investments measured at net asset value				
Institutional funds				2,167,822
				\$ 63,251,272
Charitable gift annuities	\$ -	\$ -	\$ 190,254	\$ 190,254

The Catholic Foundation of North Georgia, Inc.
Notes to the Financial Statements

NOTE 7: FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents the Foundation's fair value hierarchy for the financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2016:

<i>June 30, 2016</i>	Level 1	Level 2	Level 3	Total
Short-term investments	\$ 1,138,954	\$ -	\$ -	\$ 1,138,954
Debt funds-domestic and international	16,842,103	-	-	16,842,103
Equity Securities - Domestic	4,303,801	-	-	4,303,801
Equity Securities - International	369,189	-	-	369,189
Equity funds-domestic	3,464,724	17,290,980	-	20,755,704
Equity funds-international	6,871,601	-	-	6,871,601
	<u>\$ 32,990,372</u>	<u>\$ 17,290,980</u>	<u>\$ -</u>	<u>50,281,352</u>
Investments measured at net asset value				
Institutional funds				2,021,653
				<u>\$ 52,303,005</u>
Charitable gift annuities	\$ -	\$ -	\$ 189,614	\$ 189,614

The following is a reconciliation of the change in fair value for the years ended June 30, 2017 and 2016, for Level 3:

<i>Year ended June 30,</i>	2017	2016
Charitable gift annuities payable		
Payable at beginning of year	\$ 189,614	\$ 183,662
New contracts issued	14,506	12,231
Payments made to annuitants	(26,150)	(25,465)
Change in value of charitable gift annuities	12,284	19,186
Payable at end of year	<u>\$ 190,254</u>	<u>\$ 189,614</u>

Considerable judgment is required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the Foundation could realize in a current market exchange.

The Catholic Foundation of North Georgia, Inc.
Notes to the Financial Statements

NOTE 8: RELATED PARTY TRANSACTIONS

Employee Retirement Plan

The Foundation participates in a defined contribution plan (the Plan) which is administered by the Archdiocese and covers substantially all lay employees who are over the age of twenty-one and have completed one year of service. Contributions to the Plan are determined based on a percentage of covered employees' salaries, not in excess of amounts allowable under the Internal Revenue Code. The Foundation's contributions to the Plan on behalf of the employees were \$13,198 and \$13,648, for the years ended June 30, 2017 and 2016, respectively.

Health and Life Insurance

Health and life insurance for Foundation employees are provided under the Archdiocese's insurance plans. Expenses related to insurance premiums during the years ended June 30, 2017 and 2016, totaled \$52,691 and \$42,738, respectively.

At June 30, 2017 and 2016, The Foundation owed the Archdiocese \$25,223 and \$22,282, respectively, for retirement, health insurance, and other expenses.

During the fiscal years ended June 30, 2017 and 2016, the Foundation received endowment funds and other restricted investment funds from the Archdiocese and related organizations totaling \$2,282,406 and \$25,000, respectively.

NOTE 9: SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 5, 2017, which is the date that the financial statements were available to be issued.

INDEPENDENT AUDITORS' REPORT ON ACCOMPANYING INFORMATION

Board of Directors
The Catholic Foundation of North Georgia, Inc.

We have audited the financial statements of the Catholic Foundation of North Georgia, Inc. as of and for the years ended June 30, 2017 and 2016, and our report thereon dated December 5, 2017, which expressed an unmodified opinion on those financial statements, appears on pages 3 and 4. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules on pages 25 through 30 are presented for the purpose of additional analysis and are 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.

Carr, Riggs & Ingram, L.L.C.

Atlanta, Georgia
December 5, 2017

The Catholic Foundation of North Georgia, Inc.
Statement of Financial Position - Fund Basis

<i>June 30,</i>	2017						2016	
	Expendable Funds			Endowment Funds	Plant Fund	Custodian Funds	Total	Total
	Operating Funds	Designated Investment Funds	Total Expendable Funds					
Cash and cash equivalents	\$ 815,816	\$ -	\$ 815,816	\$ -	\$ -	\$ -	\$ 815,816	\$ 510,187
Investments at fair value	-	6,530,390	6,530,390	56,605,733	-	115,149	63,251,272	52,303,005
Accounts receivable	-	-	-	-	-	-	-	4,996
Prepaid expenses	3,743	-	3,743	-	-	-	3,743	1,400
Property and equipment, net	-	-	-	-	8,707	-	8,707	10,464
Due from other funds	257,743	-	257,743	-	-	-	257,743	420,254
Total assets	\$ 1,077,302	\$ 6,530,390	\$ 7,607,692	\$ 56,605,733	\$ 8,707	\$ 115,149	\$ 64,337,281	\$ 53,250,306
Accounts payable	\$ 19,758	\$ -	\$ 19,758	\$ -	\$ -	\$ -	\$ 19,758	\$ 6,250
Annuities payable	190,254	-	190,254	-	-	-	190,254	189,614
Due to Catholic Archdiocese of Atlanta	25,223	-	25,223	-	-	-	25,223	22,282
Custodian funds payable	-	-	-	-	-	115,149	115,149	1,129,344
Beneficiary endowments	-	-	-	10,432,472	-	-	10,432,472	6,918,824
Due to other funds	-	180,365	180,365	36,302	41,076	-	257,743	420,254
Total liabilities	235,235	180,365	415,600	10,468,774	41,076	115,149	11,040,599	8,686,568
Fund balances								
Unrestricted								
Designated investment funds	-	6,350,025	6,350,025	-	-	-	6,350,025	4,402,050
Undesignated	842,067	-	842,067	(1,665)	(32,369)	-	808,033	580,924
	842,067	6,350,025	7,192,092	(1,665)	(32,369)	-	7,158,058	4,982,974
Temporarily Restricted	-	-	-	13,631,823	-	-	13,631,823	7,770,350
Endowment	-	-	-	32,506,801	-	-	32,506,801	31,810,414
Total fund balances	842,067	6,350,025	7,192,092	46,136,959	(32,369)	-	53,296,682	44,563,738
Total liabilities and fund balances	\$ 1,077,302	\$ 6,530,390	\$ 7,607,692	\$ 56,605,733	\$ 8,707	\$ 115,149	\$ 64,337,281	\$ 53,250,306

See Independent Auditors' Report on Accompanying Information

The Catholic Foundation of North Georgia, Inc.
Statement of Support, Revenue, Expenses and Changes in Fund Balances - Fund Basis

<i>Year ended June 30,</i>	2017						2016	
	Expendable Funds							
	Operating Funds	Designated Investment Funds	Total Expendable Funds	Endowment Funds	Plant Funds	Eliminations	Total	Total
Revenues and support								
Donations and pledges	\$ 166,102	\$ 1,713,090	\$ 1,879,192	\$ 1,026,346	\$ -	\$ -	\$ 2,905,538	\$ 828,974
Investment income	77	62,856	62,933	593,237	-	-	656,170	665,980
In kind contributions	72,131	-	72,131	-	-	-	72,131	64,403
Fees	407,209	-	407,209	-	-	(332,568)	74,641	59,024
Donations from Archdiocese	40,000	-	40,000	-	-	-	40,000	60,000
Total revenue	685,519	1,775,946	2,461,465	1,619,583	-	(332,568)	3,748,480	1,678,381
Expenses								
Grants and distributions	-	219,700	219,700	1,025,451	-	-	1,245,151	1,134,414
Administrative support	-	38,185	38,185	294,383	-	(332,568)	-	-
Operating expenses	770,432	-	770,432	-	-	-	770,432	716,171
Depreciation and amortization	-	-	-	-	5,042	-	5,042	3,780
Total expenses	770,432	257,885	1,028,317	1,319,834	5,042	(332,568)	2,020,625	1,854,365
Excess (deficit) of support and revenue over expenses	(84,913)	1,518,061	1,433,148	299,749	(5,042)	-	1,727,855	(175,984)
Other gains and (losses)								
Realized and unrealized gain (loss) on investments	-	504,085	504,085	4,230,882	-	-	4,734,967	(1,468,584)
Change in value of charitable gift annuities	(9,845)	-	(9,845)	(2,439)	-	-	(12,284)	(19,186)
Total other gains and (losses)	(9,845)	504,085	494,240	4,228,443	-	-	4,722,683	(1,487,770)
Fund balances at beginning of year	718,691	4,402,050	5,120,741	39,470,324	(27,327)	-	44,563,738	46,202,492
Equity transfers	-	-	-	2,282,406	-	-	2,282,406	25,000
Interfund transfers	218,134	(74,171)	143,963	(143,963)	-	-	-	-
Fund balances at end of year	\$ 842,067	\$ 6,350,025	\$ 7,192,092	\$ 46,136,959	\$ (32,369)	\$ -	\$ 53,296,682	\$ 44,563,738

See Independent Auditors' Report on Accompanying Information