

CATHOLIC COMMUNITY FOUNDATION
FINANCIAL REPORT
DECEMBER 31, 2019 and 2018

CATHOLIC COMMUNITY FOUNDATION

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Independent Auditors' Report

To the Board of Directors
Catholic Community Foundation

We have audited the accompanying financial statements of Catholic Community Foundation (the "Foundation") (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, 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 of 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 auditors consider 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 Foundation as of December 31, 2019 and 2018, 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.



Cleveland, Ohio
April 21, 2020

CATHOLIC COMMUNITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 5,678,718	\$ 4,799,891
Custodial cash and cash equivalents	514,808	213,064
Investments (Note 4)	124,252,061	108,612,115
Custodial investments (Note 4)	49,514,693	37,558,764
Contributions and accounts receivable:		
Heart of a Shepherd pledges (Note 3)	6,406,800	-
Grants and pledges (Note 6)	272,142	619,738
The Catholic Charities Corporation of Cleveland (Note 10)	64,723	446
Furniture and equipment at cost, less accumulated depreciation of \$1,006,728 in 2019 and \$1,003,828 in 2018	21,090	4,562
Assets held for charitable gift annuity agreements	1,425,843	1,294,312
Other	<u>137,309</u>	<u>115,285</u>
 Total assets	 <u>\$ 188,288,187</u>	 <u>\$ 153,218,177</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable:		
Trade	\$ 261,441	\$ 74,690
Rooted in Faith distributions	251,534	1,211,048
Beneficiaries of charitable gift annuity agreements	589,843	617,818
Accrued expenses	74,723	97,485
#weGiveCatholic liability	77,453	91,231
Funds held for others	<u>49,952,048</u>	<u>37,680,597</u>
Total liabilities	51,207,042	39,772,869
 <u>NET ASSETS</u>		
Without donor restrictions (Note 8)	9,956,255	8,402,748
With donor restrictions (Note 9)	<u>127,124,890</u>	<u>105,042,560</u>
Total net assets	<u>137,081,145</u>	<u>113,445,308</u>
 Total liabilities and net assets	 <u>\$ 188,288,187</u>	 <u>\$ 153,218,177</u>

The accompanying notes are an integral part of these financial statements.

CATHOLIC COMMUNITY FOUNDATION

STATEMENT OF ACTIVITIES

Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Fundraising, support and grants	\$ 15,612,348	\$ 3,943,855	\$ 19,556,203
Less funds raised for others (Note 10):			
Annual appeal	(13,801,117)		(13,801,117)
Bequests and gifts	(1,337,282)		(1,337,282)
Net fundraising, support and grants	473,949	3,943,855	4,417,804
Interest and dividend income	205,880	2,323,313	2,529,193
Net realized (loss) gain on investments, net	(93,449)	3,231,441	3,137,992
Net unrealized gain on investments	1,091,121	13,329,682	14,420,803
Fundraising support (Note 10)	2,300,000		2,300,000
Other support	908,003		908,003
Net change in value of annuity agreements	2,526	156,980	159,506
Reclassification and transfers of net assets	19,914	(718,947)	(699,033)
Net assets released from restrictions pursuant to endowment spending-rate distribution formula	1,925,688	(1,925,688)	-
Net assets released from restrictions - other	6,660,310	(6,660,310)	-
Total revenue and support	13,493,942	13,680,326	27,174,268
DISTRIBUTIONS AND EXPENSES			
Distributions	8,749,390		8,749,390
Operating expenses:			
Fundraising	1,944,558		1,944,558
Other operating	1,047,319		1,047,319
Administrative expenses	199,168		199,168
Total distributions and expenses	11,940,435		11,940,435
CHANGE IN NET ASSETS BEFORE CAMPAIGN ACTIVITY AND TRANSFERS			
	1,553,507	13,680,326	15,233,833
Campaign activity (Note 3):			
Heart of a Shepherd - support		8,452,475	8,452,475
Heart of a Shepherd - expenses	(480,809)		(480,809)
Heart of a Shepherd - distributions	(380,540)		(380,540)
Net assets released from restrictions - Heart of a Shepherd	861,349	(861,349)	-
Reclassification to Heart of a Shepherd		699,033	699,033
Transfers from Diocesan entities		111,845	111,845
	-	8,402,004	8,402,004
CHANGE IN NET ASSETS	1,553,507	22,082,330	23,635,837
NET ASSETS – BEGINNING OF YEAR	8,402,748	105,042,560	113,445,308
NET ASSETS – END OF YEAR	\$ 9,956,255	\$ 127,124,890	\$ 137,081,145

The accompanying notes are an integral part of these financial statements.

CATHOLIC COMMUNITY FOUNDATION

STATEMENT OF ACTIVITIES

Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Fundraising, support and grants	\$ 17,088,257	\$ 3,047,836	\$ 20,136,093
Less funds raised for others (Note 10):			
Annual appeal	(13,818,801)		(13,818,801)
Bequests and gifts	(1,835,886)		(1,835,886)
Net fundraising, support and grants	1,433,570	3,047,836	4,481,406
Interest and dividend income	185,487	2,205,071	2,390,558
Net realized gain on investments	358,245	6,827,503	7,185,748
Net unrealized loss on investments, net	(1,085,119)	(13,258,009)	(14,343,128)
Fundraising support (Note 10)	2,250,000		2,250,000
Other support	921,451		921,451
Net change in value of annuity agreements	(2,921)	(167,899)	(170,820)
Reclassification and transfers of net assets	(15,625)	358,423	342,798
Net assets released from restrictions pursuant to endowment spending-rate distribution formula	1,690,245	(1,690,245)	-
Net assets released from restrictions - other	6,093,775	(6,093,775)	-
Total revenue and support	11,829,108	(8,771,095)	3,058,013
DISTRIBUTIONS AND EXPENSES			
Distributions	8,830,214		8,830,214
Operating expenses:			
Fundraising	1,957,865		1,957,865
Other operating	958,534		958,534
Administrative expenses	202,921		202,921
Total distributions and expenses	11,949,534		11,949,534
CHANGE IN NET ASSETS BEFORE CAMPAIGN ACTIVITY AND TRANSFERS			
	(120,426)	(8,771,095)	(8,891,521)
Campaign activity:			
Rooted in Faith - support		(1,283,277)	(1,283,277)
Rooted in Faith - change in allowance		717,424	717,424
Rooted in Faith - expenses	(105,139)		(105,139)
Rooted in Faith - distributions	(1,216,847)		(1,216,847)
Net assets released from restrictions	1,321,986	(1,321,986)	-
Reclassification from Rooted in Faith		(342,798)	(342,798)
Transfers from Diocesan entities		20,787	20,787
	-	(2,209,850)	(2,209,850)
CHANGE IN NET ASSETS	(120,426)	(10,980,945)	(11,101,371)
NET ASSETS – BEGINNING OF YEAR	8,523,174	116,023,505	124,546,679
NET ASSETS – END OF YEAR	\$ 8,402,748	\$ 105,042,560	\$ 113,445,308

The accompanying notes are an integral part of these financial statements.

CATHOLIC COMMUNITY FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended December 31, 2019

	Program Services	Administrative	Fundraising	2019 Totals
Distributions	\$ 9,129,930			\$ 9,129,930
Salaries and wages	639,681	\$ 153,050	\$ 935,673	1,728,404
Consulting fees			391,500	391,500
Other employee benefits	92,600	12,769	111,024	216,393
Printing	2,259	3,332	208,769	214,360
Postage	798	280	210,830	211,908
Bank fees	3,439		168,695	172,134
Payroll taxes	48,962	9,897	69,803	128,662
Information technology	90,578	727	25,529	116,834
Professional fees	51,361		65,004	116,365
Pension expense	36,128	6,348	51,992	94,468
Occupancy	67,388	117	1,672	69,177
Creative services			59,403	59,403
Travel	306	569	47,380	48,255
Advertising and promotion	1,204	2,236	41,962	45,402
Conferences, conventions, and meetings	1,840	1,193	22,118	25,151
Miscellaneous expenses	6,475	5,858	7,354	19,687
Office expenses	4,300	907	5,644	10,851
Depreciation		1,885	1,015	2,900
Total expenses	<u>10,177,249</u>	<u>199,168</u>	<u>2,425,367</u>	<u>12,801,784</u>
Less: Heart of a Shephard expenses and distributions	<u>(380,540)</u>		<u>(480,809)</u>	<u>(861,349)</u>
Total expenses included in the distributions and expenses section of the statements of activities	<u>\$ 9,796,709</u>	<u>\$ 199,168</u>	<u>\$ 1,944,558</u>	<u>\$ 11,940,435</u>

The accompanying notes are an integral part of these financial statements.

CATHOLIC COMMUNITY FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended December 31, 2018

	Program Services	Administrative	Fundraising	Totals
Distributions	\$ 10,047,061			\$ 10,047,061
Salaries and wages	568,135	\$ 147,778	\$ 1,005,691	1,721,604
Postage	334	259	225,190	225,783
Printing	784	5,336	218,201	224,321
Other employee benefits	75,387	14,229	107,603	197,219
Bank fees	3,557		153,715	157,272
Professional fees	51,771		80,807	132,578
Payroll taxes	41,781	9,574	75,418	126,773
Information technology	95,391	1,275	20,035	116,701
Pension expense	33,343	6,189	56,493	96,025
Occupancy	77,145			77,145
Advertising and promotion		3,568	34,262	37,830
Creative services		983	28,903	29,886
Conferences, conventions, and meetings	1,518	1,385	25,009	27,912
Travel		1,569	16,928	18,497
Miscellaneous expenses	5,332	5,023	4,873	15,228
Office expenses	4,056	1,218	7,434	12,708
Depreciation		4,535	2,442	6,977
Total expenses	<u>11,005,595</u>	<u>202,921</u>	<u>2,063,004</u>	<u>13,271,520</u>
Less: Rooted in Faith expenses and distributions	<u>(1,216,847)</u>		<u>(105,139)</u>	<u>(1,321,986)</u>
Total expenses included in the distributions and expenses section of the statements of activities	<u>\$ 9,788,748</u>	<u>\$ 202,921</u>	<u>\$ 1,957,865</u>	<u>\$ 11,949,534</u>

The accompanying notes are an integral part of these financial statements.

CATHOLIC COMMUNITY FOUNDATION

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 23,635,837	\$ (11,101,371)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized gain on investments	(3,137,992)	(7,185,748)
Net unrealized (gain) loss on investments	(14,420,803)	14,343,128
Change in value of annuity agreements	(53,248)	(83,469)
Depreciation	2,900	6,977
Contributions permanently restricted	(321,061)	(220,343)
Changes in operating assets and liabilities:		
Pledges and accounts receivable	(6,123,481)	1,615,572
Other assets	(22,024)	91,175
Accounts payable	(772,763)	328,046
Accrued expenses	<u>(22,762)</u>	<u>12,307</u>
Total adjustments	<u>(24,871,234)</u>	<u>8,907,645</u>
Net cash used in operating activities	(1,235,397)	(2,193,726)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	86,233,367	79,951,647
Purchase of investments	(84,314,518)	(78,513,490)
Purchase of furniture and equipment	<u>(19,428)</u>	<u>(320)</u>
Net cash provided by investing activities	1,899,421	1,437,837
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments to beneficiaries of charitable gift annuities	(106,258)	(120,961)
Proceeds from beneficiaries of charitable gift annuities	-	253,719
Contributions permanently restricted	<u>321,061</u>	<u>220,343</u>
Net cash provided by financing activities	<u>214,803</u>	<u>353,101</u>
CHANGE IN CASH AND CASH EQUIVALENTS	878,827	(402,788)
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	<u>4,799,891</u>	<u>5,202,679</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 5,678,718</u>	<u>\$ 4,799,891</u>

The accompanying notes are an integral part of these financial statements.

CATHOLIC COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

- A. Organization – The Catholic Community Foundation (the "Foundation") was created and incorporated on January 1, 2000 to centralize and enhance fundraising and fund management for the Roman Catholic Diocese of Cleveland (the "Diocese"). The Foundation receives unrestricted contributions, certain restricted contributions, bequests, and special gifts and it allocates funds to the various operating secretariats of the Diocese.
- B. Accounting Method – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, certain net assets for a board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

- C. 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- D. Cash and Cash Equivalents – The Foundation considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to endowments that are perpetual in nature, or other long-term purposes, are excluded from this definition.
- E. Investments – Marketable securities are carried at fair value based on quoted market prices with realized and unrealized gains and losses reported in the statements of activities. Realized gains or losses on the sale of investments are determined on the specific identification method and are recorded net of investment fees. Investment income or loss on net assets with donor restrictions, including unrealized and realized gains or losses net of investment expenses, is reported in changes in net assets.

CATHOLIC COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

- F. Charitable Annuity Agreements – The Foundation, as trustee, holds assets from donors under charitable remainder trust agreements that designate the Foundation as a significant charitable beneficiary. The terms of the agreements require that the trust pay from the assets of the trust an annuity to the annuitant, the donor, or specified beneficiary, for the remainder of the designated individual's life or specified term. Upon the death of the individual or the expiration of the term, the Foundation may use the remaining assets as specified in the trust agreement. The Foundation reports the assets held by these trusts at fair value in the statements of financial position as assets held in trust under charitable gift annuity agreements. The Foundation also records a liability for the actuarial present value of the future annuity payments. The discount rates used to compute the liability range from 4.1% to 8.8%.
- G. #weGiveCatholic – In 2019 and 2018, the Foundation conducted its annual Giving Tuesday online fundraising effort called #weGiveCatholic in which 229 and 197 Catholic agencies, respectively, participated. Gifts made to #weGiveCatholic are deposited to a special purpose bank account with the proceeds subsequently distributed to each of the participating agencies. The related liability represents undistributed funds at December 31, 2019 and 2018.
- H. Funds Held for Others – The Foundation's custodial cash and investments are funds that are held for various entities that are affiliated with the Catholic Diocese of Cleveland. The Foundation pools the balances for these entities with its investments so it can receive a higher rate of return. Income and losses attributable to the funds are not included in the accompanying statements of activities but are recorded as adjustments to the liability.
- I. Fair Value of Financial Instruments – The carrying values of cash and equivalents, accounts receivable, and accounts payable are reasonable estimates of fair value due to the short-term nature of these financial instruments.

The Foundation estimates the fair value of financial instruments using available market information and other generally accepted valuation methodologies. Fair value is defined as the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction in accordance with accounting principles generally accepted in the United States of America. These standards establish a three level hierarchy that prioritizes the inputs and defines valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described below:

Level 1 – Uses quoted market prices in active markets for identical assets and liabilities.

Level 2 – Uses observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3 – Uses unobservable inputs in which little or no market data exists.

CATHOLIC COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

I. Fair Value of Financial Instruments (Continued)

The following tables set forth by level the Foundation's assets that are accounted for at a fair value on a recurring basis as of December 31:

<u>2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Cash and cash equivalents	\$ 4,665,375	\$ -	\$ 4,665,375
Common stocks	105,917,175	-	105,917,175
Corporate and international bonds	27,805,775	-	27,805,775
Government and muni bonds	23,380,111	-	23,380,111
Asset backed and agency bonds	-	11,998,318	11,998,318
Total	<u>\$ 161,768,436</u>	<u>\$ 11,998,318</u>	<u>\$ 173,766,754</u>
<u>2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Cash and cash equivalents	\$ 5,903,140	\$ -	\$ 5,903,140
Common stocks	80,382,655	-	80,382,655
Corporate and international bonds	34,004,396	-	34,004,396
Government and muni bonds	16,489,648	-	16,489,648
Asset backed and agency bonds	-	9,391,040	9,391,040
Total	<u>\$ 136,779,839</u>	<u>\$ 9,391,040</u>	<u>\$ 146,170,879</u>

Common stocks – Common stocks consist of marketable equity securities of domestic and international corporations in a variety of industries that are valued based on quoted prices in active markets and are classified as Level 1.

Corporate and international bonds – These bonds consist of investments in U.S. and foreign corporations and are valued based on quoted prices in active markets. These are classified as Level 1.

Government and muni bonds – Government and muni bonds consist of investments in U.S. Treasuries and government related securities that are valued based on quoted prices in active markets. These are classified as Level 1.

Asset backed securities and agency bonds – These securities are valued based on the market value of the underlying investments and related interest rates; values that, while observable in the market, are subject to adjustment due to pricing considerations for the specific instruments and are classified as Level 2.

- J. Contributions – Contributions received, including unconditional promises to give, are recognized as revenues in the period received at their fair values. All contributions are considered to be available without donor restriction unless specifically restricted by the donor. Funds set aside by the Board of the Foundation or by the Bishop of Cleveland, to be used at their discretion, and funds that are donor advised are included in net assets without donor restrictions.

CATHOLIC COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

- K. Distributions – Payments are disbursed to the various operating secretariats of the Diocese for allocation to agencies and institutions. Periodically, additional special allocations are approved and disbursed to other agencies and institutions.
- L. Depreciation – Depreciation is provided for on a straight-line method over the estimated useful lives of ten years for furniture and equipment and five years for computer and office equipment.
- M. Income Taxes – The Foundation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code. The Foundation believes that there is appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements.
- N. Functional Allocation of Expenses – The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Expenses are allocated based on estimates of time and effort.
- O. Concentration of Credit Risk – The Foundation places its cash and cash equivalents with financial institutions. Deposits with financial institutions may exceed Federal Depository Insurance Corporation insurance limits of \$250,000 per financial institution.

The Foundation holds investment securities which are exposed to various risks including 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 changes could materially affect the Foundation's investment account balances and the amounts reported in the statements of financial position.
- P. Change in Accounting Principle – In June 2018, the Financial Accounting Standards Board issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance clarifies the definition of an exchange transaction and the criteria for evaluating whether contributions are unconditional or conditional. Effective January 1, 2019, the Foundation adopted ASU 2018-08 using the modified prospective transition method. The guidance did not have an impact on the Foundation's financial statements.
- Q. Reclassification – Certain amounts in the prior year consolidated financial statements have been reclassified to conform to current year presentation.
- R. Subsequent Events – The Foundation has evaluated subsequent events through April 21, 2020, which is the date the financial statements were available to be issued. See Note 11 for subsequent event disclosure.

Note 2. Liquidity and Availability

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. In addition, the Foundation receives support without donor restrictions; such support has historically supported annual program funding needs, with the remainder funded by investment income without donor restrictions and appropriated earnings from gifts with donor restrictions.

CATHOLIC COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 2. Liquidity and Availability (Continued)

General expenditures include administrative and general expenses and fundraising expenses. Annual operations are defined as activities occurring during the Foundation's calendar year. The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within the fundraising agreement between The Catholic Charities Corporation of Cleveland (the "Corporation"), the Diocese, and the Foundation,
- Maintaining adequate liquid assets, and
- Adhering to the distribution policies as set forth for the various funds managed by the Foundation.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,070,025	\$ 726,589
Investments	<u>880,391</u>	<u>770,783</u>
	<u>\$ 1,950,416</u>	<u>\$ 1,497,372</u>

The Foundation's endowment funds consist of donor-restricted endowments and funds designated by the Board as endowments. Income from donor-restricted endowments is restricted and is not available for general expenditure. The Foundation's board-designated endowment of \$2,135,993 is subject to an annual spending-rate of 5% as described in Note 5. As described in Note 11, in 2020, the Foundation established an Emergency Response Fund to assist persons in need during the COVID-19 health crisis and the Board committed \$500,000 from the board-designated endowment fund to this Emergency Response Fund. Likewise, the Foundation could consider investment income and contributions without donor restrictions to be available to meet cash needs for general expenditures. However, the Foundation has historically made these funds available for philanthropic purposes, and there is no foreseeable need to use them for general expenditures.

The Foundation annually receives a commitment of fundraising support from both the Corporation and the Diocese as further described in Note 10. This support totaled \$3,174,000 and \$3,124,000 for 2019 and 2018, respectively, and is expected to total approximately \$3,065,000 in 2020.

Note 3. Heart of a Shepherd and Rooted in Faith Campaigns

The Foundation initiated the Heart of a Shepherd campaign in 2019 to fund the urgent need for capital renovations of Borromeo Seminary and St. Mary Seminary, to add to the priests' retirement fund, and to provide relief to newly ordained priests who have student loans outstanding.

CATHOLIC COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 3. Heart of a Shepherd and Rooted in Faith Campaigns (Continued)

Campaign pledges receivable at year end were \$6,406,800 (see Note 6). A total of approximately \$1,800,000 has been received by the Foundation for the campaign's objectives. Cash received from this campaign initially will be provided to fund seminary renovations with the remainder prorated between the priests' retirement fund and a new endowment to provide relief to newly ordained priests with student loans outstanding. Also, certain parishes have elected to support this campaign by committing a predetermined goal with any additional funds raised applied to their own predetermined use. Distributions for capital renovations and campaign costs totaled \$380,540 and \$480,809, respectively, for the year ending December 31, 2019. During the first quarter of 2020, the campaign has been paused due to the COVID-19 health crisis as described in Note 11.

The Foundation initiated the Rooted in Faith - Forward in Hope campaign in 2010 to provide a solid base for meeting urgent needs and investing in the long-term development of diocesan ministries. Approximately \$170,000,000 had been pledged, including revocable planned gifts, contingent gifts, and combined parish campaigns, that is not recognized in the financial statements under accounting principles generally accepted in the United States of America.

Rooted in Faith - Forward in Hope pledges receivable at December 31, 2019 were \$39,300 and are included in grants and pledges receivable. Approximately \$148,600,000 has been received by the Foundation and parishes for the campaign's Case for Support. Distributions payable at December 31, 2019 were \$251,534 and are included in accounts payable. Now that the campaign has concluded, all monies received in 2020 and subsequent years will be distributed annually to the donors' parishes.

Note 4. Investments and Custodial Investments

Investments are comprised of the following at December 31:

	2019		2018	
	Fair Value	Cost	Fair Value	Cost
CASH HELD FOR INVESTMENT PURPOSES	\$ 4,665,375	\$ 4,665,375	\$ 5,903,140	\$ 5,903,140
INVESTMENTS				
Common stocks	105,917,175	82,280,139	80,382,655	75,268,700
Corporate and international bonds	27,805,775	27,421,834	34,004,396	34,550,758
Government and muni bonds	23,380,111	23,560,533	16,489,648	16,446,230
Asset backed securities and agency bonds	11,998,318	11,343,298	9,391,040	9,388,529
	<u>169,101,379</u>	<u>144,605,804</u>	<u>140,267,739</u>	<u>135,654,217</u>
	<u>\$ 173,766,754</u>	<u>\$ 149,271,179</u>	<u>\$ 146,170,879</u>	<u>\$ 141,557,357</u>

Note 5. Endowment Funds

The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act 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.

CATHOLIC COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 5. Endowment Funds (Continued)

The Foundation places great importance on risk reduction through asset allocation and style diversification. Investment results are measured using a rolling three to five year period or a market cycle. The following are the investment performance objectives, in order of importance, for the portfolio:

- To generate a real annual compound rate of return, inclusive of interest income, dividends, and net capital appreciation over the measurement period, at least equal to the sum of the annual payout percentage provided for in the distribution policy plus inflation (for example 5% distribution policy + inflation + investment management cost).
- To obtain a total return on the portfolio, net of all investment related fees, that exceeds the total return of the policy benchmark.
- Performance will be evaluated versus achievement of distribution policy and comparisons to a similar set of investments.

The goals of the strategic asset allocation policy are to establish a long-term asset allocation plan for the Foundation's portfolio that is consistent with objectives and guidelines contained in this policy and carried out in an efficient manner. To that end, this policy establishes an acceptable range, defined to be any percentage above a minimum and below a maximum percentage of the portfolio allocated to a particular asset class, and a target percentage, defined to be the percentage goal for the investment of the portfolio in that asset class.

Market value fluctuations and operational needs may cause variations from the strategic asset allocation policy ranges stated in this policy. To ensure allocations are consistent with the allocation policy, rebalancing the portfolio is done quarterly using the quarter end portfolio values. The Foundation does not deem it acceptable to time the market with tactical allocation shifts. The intention of this policy is to avoid short-term judgments that introduce significant unplanned risk.

Distributions from endowment funds are spent in compliance with the donor's restrictions applicable to the funds being distributed. Annual distributions from endowment funds are limited to not more than 5% of the average weighted market value of investable assets of the past three years in the permanently restricted fund.

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. The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. The Foundation's spending policy does not permit spending from underwater endowments. At December 31, 2019 and 2018, the Foundation had no underwater endowment funds.

CATHOLIC COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 5. Endowment Funds (Continued)

Endowment net asset composition by type of fund as of December 31, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment fund	\$ 2,135,993	\$ -	\$ 2,135,993
Donor-restricted endowment funds:			
Corpus	-	31,043,654	31,043,654
Accumulated endowment earnings	<u>-</u>	<u>15,375,397</u>	<u>15,375,397</u>
	<u>\$ 2,135,993</u>	<u>\$ 46,419,051</u>	<u>\$ 48,555,044</u>

Changes in endowment net assets for the year ended December 31, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment investments, beginning of year	\$ 1,800,743	\$ 39,442,815	\$ 41,243,558
Investment return:			
Investment income	44,027	1,053,700	1,097,727
Net appreciation (realized and unrealized)	<u>289,219</u>	<u>7,401,007</u>	<u>7,690,226</u>
Total investment return	333,246	8,454,707	8,787,953
Contributions	2,004	447,217	449,221
Appropriation of endowment assets for distribution	<u>-</u>	<u>(1,925,688)</u>	<u>(1,925,688)</u>
Endowment investments, end of year	<u>\$ 2,135,993</u>	<u>\$ 46,419,051</u>	<u>\$ 48,555,044</u>

Endowment net asset composition by type of fund as of December 31, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment fund	\$ 1,800,743	\$ -	\$ 1,800,743
Donor-restricted endowment funds:			
Corpus	-	30,596,437	30,596,437
Accumulated endowment earnings	<u>-</u>	<u>8,846,378</u>	<u>8,846,378</u>
	<u>\$ 1,800,743</u>	<u>\$ 39,442,815</u>	<u>\$ 41,243,558</u>

CATHOLIC COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 5. Endowment Funds (Continued)

Changes in endowment net assets for the year ended December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment investments, beginning of year	\$ 1,885,645	\$ 42,877,085	\$ 44,762,730
Investment return:			
Investment income	40,357	1,008,628	1,048,985
Net depreciation (realized and unrealized)	<u>(125,709)</u>	<u>(3,063,840)</u>	<u>(3,189,549)</u>
Total investment return	(85,352)	(2,055,212)	(2,140,564)
Contributions	450	311,187	311,637
Appropriation of endowment assets for distribution	<u>-</u>	<u>(1,690,245)</u>	<u>(1,690,245)</u>
Endowment investments, end of year	<u>\$ 1,800,743</u>	<u>\$ 39,442,815</u>	<u>\$ 41,243,558</u>

Note 6. Contributions Receivable

Contributions receivable are unconditional promises to give to the Foundation under multi-year commitments. An allowance for uncollectible receivables has been established. Contributions receivable are comprised of the following at December 31:

	Heart of a Shepherd	Other	Total 2019	2018
Amounts due in:				
Less than one year	\$ 2,988,441	\$ 259,815	\$ 3,248,256	\$ 659,160
One to five years	4,208,845	60,000	4,268,845	100,000
Less: allowance for uncollectible receivables	<u>(370,367)</u>	<u>(35,273)</u>	<u>(405,640)</u>	<u>(133,764)</u>
Total	6,826,919	284,542	7,111,461	625,396
Less: discount to present value at 3%-5%	<u>(420,119)</u>	<u>(12,400)</u>	<u>(432,519)</u>	<u>(5,658)</u>
Present value of estimated future cash flows	<u>\$ 6,406,800</u>	<u>\$ 272,142</u>	<u>\$ 6,678,942</u>	<u>\$ 619,738</u>

CATHOLIC COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 7. Retirement Plan

The Foundation participates in a defined contribution plan which covers substantially all non-hourly employees. Pension expense was \$94,468 in 2019 and \$96,024 in 2018.

Note 8. Net Assets Without Donor Restrictions

Net assets without donor restrictions are designated as follows:

	<u>2019</u>	<u>2018</u>
Donor advised funds	\$ 6,076,027	\$ 5,187,356
Board-designated funds	2,135,993	1,800,743
Other donor funds	1,355,296	1,061,398
Operating	367,849	348,689
Furniture and equipment	<u>21,090</u>	<u>4,562</u>
	<u>\$ 9,956,255</u>	<u>\$ 8,402,748</u>

Donor advised funds are donations or bequests received by the Foundation, over which the donor has reserved the right to periodically submit recommendations regarding distribution.

Board-designated funds are distributed only upon specific Board approval and are typically invested for the long term.

Note 9. Net Assets With Donor Restrictions

Net assets with donor restrictions are designated for the following purposes:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Education	\$ 55,505,920	\$ 46,482,965
Health and Human Services	23,658,128	19,429,328
Heart of a Shepherd	8,292,611	-
Catholic Community Foundation	5,654,371	4,754,589
Parish Life and Development	1,758,662	1,272,915
Clergy and Religious	1,154,476	1,626,400
Rooted in Faith	<u>57,068</u>	<u>879,926</u>
	96,081,236	74,446,123
Subject to endowment spending policy and appropriation:		
Education	15,377,680	15,239,499
Health and Human Services	10,634,347	10,626,414
Catholic Community Foundation	3,518,427	3,217,324
Parish Life and Development	1,417,500	1,417,500
Clergy and Religious	<u>95,700</u>	<u>95,700</u>
	<u>31,043,654</u>	<u>30,596,437</u>
Total net assets with donor restrictions	<u>\$ 127,124,890</u>	<u>\$ 105,042,560</u>

CATHOLIC COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 10. Related Party Transactions

The Foundation has an agreement with the Corporation to provide operational support for the Corporation's annual appeal and other fundraising efforts. Accordingly, the Foundation has received fundraising fee revenues of \$2,300,000 and \$2,250,000 in 2019 and 2018, respectively, in the accompanying statements of activities. A total of \$15,138,399 and \$15,654,687 was raised in 2019 and 2018, respectively, for the Corporation's annual appeal and various bequests and gifts. These amounts have been presented as funds raised for others.

As of December 31, 2019 and 2018, the Corporation owed the Foundation \$64,723 and \$446, respectively.

The Diocese of Cleveland Finance Office pays the Foundation for administrative support that amounted to \$874,000 for each of the years ended December 31, 2019 and 2018 and is included in other support in the statements of activities.

On November 19, 2019, the Foundation entered into a Shared Services Agreement with the Diocese to provide various professional and administrative services as necessary. The Shared Services Agreement also provides for the Foundation to perform fundraising services for the Diocese. In December 2019, the Foundation reimbursed the Diocese \$80,287 for services provided in 2019 and in future years a donated service revenue and expense will be recognized in accordance with the terms of the agreement. The value of the services provided by the Diocese is based on the employee costs and the time spent on Foundation matters.

Note 11. Subsequent Events

On January 30, 2020, the World Health Organization declared the outbreak of the coronavirus disease 2019 ("COVID-19") a global health emergency and subsequently declared the COVID-19 outbreak a global pandemic in March 2020. The pandemic has adversely affected domestic and global economic activity and the full impact continues to evolve as of the date of this report. As a result, the Foundation's investment portfolio has incurred a significant decline in fair value since December 31, 2019. Because the values of the Foundation's individual investments have and will fluctuate in response to changing market conditions, the amount of losses that will be recognized in subsequent periods, if any, and related impact on the Foundation's liquidity cannot be determined at this time. In addition, it is uncertain what effect the COVID-19 outbreak may have on the Foundation's revenues in 2020 and future periods.

In light of the uncertainty resulting from the COVID-19 health crisis, in early 2020, the Heart of a Shepherd campaign referenced in Note 3 has been paused and its resumption will be re-evaluated in future months.

In March 2020, the Emergency Response Fund was established by the Foundation to allow parishes to respond to families and individuals in their parish communities who are struggling to cover the costs of food, rent, utilities, and health care. The Foundation initiated this fund with \$500,000 of board-designated endowment funds so that the fund would have an immediate benefit in helping people get through this unprecedented critical time.