

CATHOLIC COMMUNITY FOUNDATION
FINANCIAL REPORT
DECEMBER 31, 2020 and 2019

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, 2020 and 2019, 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, 2020 and 2019, 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 20, 2021

CATHOLIC COMMUNITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 10,881,891	\$ 5,678,718
Custodial cash and cash equivalents	252,241	514,808
Investments (Note 4)	137,610,004	124,252,061
Custodial investments (Note 4)	54,567,674	49,514,693
Contributions and accounts receivable:		
Heart of a Shepherd campaign pledges (Note 3)	6,492,478	6,406,800
Grants and pledges (Note 6)	313,677	272,142
The Catholic Charities Corporation of Cleveland (Note 10)	16,775	64,723
Furniture and equipment, net	17,141	21,090
Assets held for charitable gift annuity agreements	1,502,897	1,425,843
Other	<u>184,910</u>	<u>137,309</u>
 Total assets	 <u>\$ 211,839,688</u>	 <u>\$ 188,288,187</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable:		
Trade	\$ 398,570	\$ 512,975
Heart of a Shepherd campaign distributions	967,143	-
Beneficiaries of charitable gift annuity agreements	561,217	589,843
Accrued expenses	73,500	74,723
Unearned revenue	200,000	-
Funds held for others	<u>54,819,915</u>	<u>50,029,501</u>
Total liabilities	57,020,345	51,207,042
 <u>NET ASSETS</u>		
Without donor restrictions (Note 8)	10,577,882	9,956,255
With donor restrictions (Note 9)	<u>144,241,461</u>	<u>127,124,890</u>
Total net assets	<u>154,819,343</u>	<u>137,081,145</u>
 Total liabilities and net assets	 <u>\$ 211,839,688</u>	 <u>\$ 188,288,187</u>

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

CATHOLIC COMMUNITY FOUNDATION

STATEMENT OF ACTIVITIES

Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Fundraising, support and grants	\$ 17,018,893	\$ 6,622,149	\$ 23,641,042
Less funds raised for others (Note 10):			
Annual appeal	(14,076,455)		(14,076,455)
Bequests and gifts	(2,275,761)		(2,275,761)
Net fundraising, support and grants	666,677	6,622,149	7,288,826
Interest and dividend income	166,707	2,079,343	2,246,050
Net realized gain on investments, net	98,897	5,866,211	5,965,108
Net unrealized gain on investments	575,933	7,877,955	8,453,888
Fundraising support (Note 10)	2,220,000		2,220,000
Other support	745,861		745,861
Net change in value of annuity agreements	1,678	104,001	105,679
Reclassification and transfers of net assets	(486,924)	42,485	(444,439)
Net assets released from restrictions pursuant to endowment spending-rate distribution formula	1,881,458	(1,881,458)	-
Net assets released from restrictions - other	6,813,170	(6,813,170)	-
Total revenue and support	12,683,457	13,897,516	26,580,973
DISTRIBUTIONS AND EXPENSES			
Distributions	9,096,065		9,096,065
Operating expenses:			
Fundraising	1,754,436		1,754,436
Other operating	894,894		894,894
Administrative expenses	316,435		316,435
Total distributions and expenses	12,061,830		12,061,830
CHANGE IN NET ASSETS BEFORE CAMPAIGN ACTIVITY AND TRANSFERS			
	621,627	13,897,516	14,519,143
Campaign activity (Note 3):			
Heart of a Shepherd - support		6,668,165	6,668,165
Heart of a Shepherd - expenses	(558,838)		(558,838)
Heart of a Shepherd - distributions	(3,363,020)		(3,363,020)
Net assets released from restrictions - Heart of a Shepherd	3,921,858	(3,921,858)	-
Reclassification to Heart of a Shepherd		444,439	444,439
Transfers from Diocesan entities		28,309	28,309
	-	3,219,055	3,219,055
CHANGE IN NET ASSETS	621,627	17,116,571	17,738,198
NET ASSETS – BEGINNING OF YEAR	9,956,255	127,124,890	137,081,145
NET ASSETS – END OF YEAR	\$ 10,577,882	\$ 144,241,461	\$ 154,819,343

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 FUNCTIONAL EXPENSES

Year Ended December 31, 2020

	Program Services	Administrative	Fundraising	Total
Distributions	\$ 12,459,085			\$ 12,459,085
Salaries and wages	562,749	\$ 156,121	\$ 825,479	1,544,349
Consulting fees			460,000	460,000
Professional fees	34,332	55,263	171,180	260,775
Printing			220,844	220,844
Other employee benefits	91,972	16,620	75,152	183,744
Postage	5,134	2,068	163,003	170,205
Bank fees	865	1,606	156,120	158,591
Information technology	82,212	345	26,923	109,480
Payroll taxes	44,923	11,407	52,912	109,242
Pension expense	33,814	7,241	51,070	92,125
Occupancy	27,867	49,556	4,432	81,855
Advertising and promotion	1,904	3,536	28,527	33,967
Creative services			32,001	32,001
Travel	242	450	30,136	30,828
Office expenses	5,683	4,228	7,365	17,276
Miscellaneous expenses	3,113	5,270	6,166	14,549
Depreciation		2,567	1,382	3,949
Conferences, conventions, and meetings	84	157	582	823
Total expenses	<u>13,353,979</u>	<u>316,435</u>	<u>2,313,274</u>	<u>15,983,688</u>
Less: Heart of a Shephard expenses and distributions	<u>(3,363,020)</u>		<u>(558,838)</u>	<u>(3,921,858)</u>
Total expenses included in the distributions and expenses section of the statement of activities	<u>\$ 9,990,959</u>	<u>\$ 316,435</u>	<u>\$ 1,754,436</u>	<u>\$ 12,061,830</u>

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

CATHOLIC COMMUNITY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2019

	Program Services	Administrative	Fundraising	Total
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 statement 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 CASH FLOWS

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 17,738,198	\$ 23,635,837
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized gain on investments	(5,965,108)	(3,137,992)
Net unrealized gain on investments	(8,453,888)	(14,420,803)
Change in value of annuity agreements	4,879	(53,248)
Depreciation	3,949	2,900
Contributions permanently restricted	(47,079)	(321,061)
Changes in operating assets and liabilities:		
Pledges and accounts receivable	(79,265)	(6,123,481)
Other assets	(47,601)	(22,024)
Accounts payable	852,738	(772,763)
Accrued expenses	(1,223)	(22,762)
Unearned revenue	200,000	-
Total adjustments	<u>(13,532,598)</u>	<u>(24,871,234)</u>
Net cash provided by (used in) operating activities	4,205,600	(1,235,397)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	87,489,871	86,233,367
Purchase of investments	(86,428,818)	(84,314,518)
Purchase of furniture and equipment	-	(19,428)
Net cash provided by investing activities	<u>1,061,053</u>	<u>1,899,421</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments to beneficiaries of charitable gift annuities	(110,559)	(106,258)
Contributions permanently restricted	<u>47,079</u>	<u>321,061</u>
Net cash (used in) provided by financing activities	<u>(63,480)</u>	<u>214,803</u>
CHANGE IN CASH AND CASH EQUIVALENTS	5,203,173	878,827
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	<u>5,678,718</u>	<u>4,799,891</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 10,881,891</u>	<u>\$ 5,678,718</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 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 another 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 for 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. Unearned Revenue – The Foundation conducts an annual fundraising event. The unearned revenue amount represents sponsorships received in advance.
- 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.

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>2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Cash and cash equivalents	\$ 18,311,281	\$ -	\$ 18,311,281
Common stocks	113,515,808	-	113,515,808
Corporate and international bonds	28,962,046	-	28,962,046
Government and muni bonds	18,522,521	-	18,522,521
Asset backed and agency bonds	-	12,866,022	12,866,022
Total	<u>\$ 179,311,656</u>	<u>\$ 12,866,022</u>	<u>\$ 192,177,678</u>

CATHOLIC COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

I. Fair Value of Financial Instruments (Continued)

<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	<u>-</u>	<u>11,998,318</u>	<u>11,998,318</u>
 Total	 <u>\$ 161,768,436</u>	 <u>\$ 11,998,318</u>	 <u>\$ 173,766,754</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.
- 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 expense is recognized 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. Fully depreciated assets totaling \$949,905 and no longer in service were written off in 2020. The Foundation had accumulated depreciation of \$60,772 and \$1,006,728 in 2020 and 2019, respectively

CATHOLIC COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

- 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 deposits 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. **Reclassification** – Certain amounts in the prior year financial statements have been reclassified to conform to current year presentation.
- Q. **Subsequent Events** – The Foundation has evaluated subsequent events through April 20, 2021, which is the date the financial statements were available to be issued.

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.

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.

CATHOLIC COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 2. Liquidity and Availability (Continued)

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, are as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 10,881,891	\$ 5,678,718
Investments	137,610,004	124,252,061
Less:		
Donor restricted cash and cash equivalents	(9,794,765)	(4,608,693)
Donor restricted investments	<u>(136,659,366)</u>	<u>(123,371,670)</u>
	<u>\$ 2,037,764</u>	<u>\$ 1,950,416</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 \$1,832,232 is subject to an annual spending rate of 5% as described in Note 5. 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 cash support totaled \$2,458,960 and \$3,174,000 for 2020 and 2019, respectively, and is expected to total approximately \$2,326,000 in 2021.

Note 3. Heart of a Shepherd Campaign

The Foundation initiated the Heart of a Shepherd campaign (the "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 create an endowment to provide relief to newly ordained priests who have student loans outstanding. In 2020, the Campaign was modified to also address local parish needs.

Campaign pledges receivable were \$6,492,478 and \$6,406,800 at December 31, 2020 and 2019, respectively (see Note 6). Cash received from this Campaign initially will be allocated to parish needs under an agreed-upon formula with each parish and to fund seminary renovations, and the remainder will be prorated between the priests' retirement fund and a new endowment to provide relief to newly ordained priests with student loans outstanding. The Foundation has received \$8,628,162 for the Campaign's objectives through December 31, 2020 of which \$158,623 was distributed and \$967,143 will be distributed to parishes for their local needs. Distributions for seminary renovations totaled \$2,237,254 and \$380,540 and Campaign costs totaled \$558,838 and \$480,809 for the years ending December 31, 2020 and 2019, respectively. During the first quarter of 2020, the Campaign was paused due to the COVID-19 health crisis as described in Note 11; the Campaign was restarted in the fourth quarter of 2020. The Campaign is anticipated to run throughout 2021.

CATHOLIC COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 4. 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.

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, 2020 and 2019, the Foundation had no underwater endowment funds.

CATHOLIC COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 4. Endowment Funds (Continued)

Endowment net asset composition by type of fund as of December 31, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment fund	\$ 1,832,232	\$ -	\$ 1,832,232
Donor-restricted endowment funds:			
Corpus	-	31,090,733	31,090,733
Accumulated endowment earnings	-	20,750,437	20,750,437
	<u>\$ 1,832,232</u>	<u>\$ 51,841,170</u>	<u>\$ 53,673,402</u>

Changes in endowment net assets for the year ended December 31, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment investments, beginning of year	\$ 2,135,993	\$ 46,419,051	\$ 48,555,044
Investment return:			
Investment income	32,482	963,534	996,016
Net appreciation (realized and unrealized)	161,685	6,292,964	6,454,649
Total investment return	194,167	7,256,498	7,450,665
Contributions	2,072	47,079	49,151
Appropriation of endowment assets for distribution	(500,000)	(1,881,458)	(2,381,458)
Endowment investments, end of year	<u>\$ 1,832,232</u>	<u>\$ 51,841,170</u>	<u>\$ 53,673,402</u>

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	-	15,375,397	15,375,397
	<u>\$ 2,135,993</u>	<u>\$ 46,419,051</u>	<u>\$ 48,555,044</u>

CATHOLIC COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 4. Endowment Funds (Continued)

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

	Without Donor Restrictions	With Donor Restrictions	Total
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>

Note 5. Contributions Receivable

Contributions receivable are unconditional promises to give to the Foundation under multi-year commitments. An allowance for uncollectible receivables has been established based upon historical results and the amounts pledged have been discounted to present value based on the expected timing of the cash receipts. Contributions receivable are comprised of the following at December 31:

	Heart of a Shepherd	Other	Total 2020	Total 2019
Amounts due in:				
Less than one year	\$ 3,189,693	\$ 180,898	\$ 3,370,591	\$ 3,248,259
One to five years	4,411,075	210,000	4,621,075	4,268,842
Less: allowance for uncollectible receivables	<u>(765,826)</u>	<u>(24,198)</u>	<u>(790,024)</u>	<u>(405,640)</u>
Total	6,834,942	366,700	7,201,642	7,111,461
Less: discount to present value at 3%-5%	<u>(342,464)</u>	<u>(53,023)</u>	<u>(395,487)</u>	<u>(432,519)</u>
Present value of estimated future cash flows	<u>\$ 6,492,478</u>	<u>\$ 313,677</u>	<u>\$ 6,806,155</u>	<u>\$ 6,678,942</u>

CATHOLIC COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 6. Retirement Plan

The Foundation participates in a defined contribution plan which covers substantially all non-hourly employees. Retirement expense was \$65,188 in 2020 and \$94,468 in 2019.

Note 7. Net Assets Without Donor Restrictions

Net assets without donor restrictions are designated as follows:

	<u>2020</u>	<u>2019</u>
Donor advised funds	\$ 6,970,505	\$ 6,076,027
Board-designated funds	1,832,232	2,135,993
Other donor funds	1,352,666	1,355,296
Operating	405,338	367,849
Furniture and equipment	<u>17,141</u>	<u>21,090</u>
	<u>\$ 10,577,882</u>	<u>\$ 9,956,255</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 8. Net Assets With Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Education	\$ 64,919,304	\$ 55,505,920
Health and Human Services	26,902,469	23,658,128
Heart of a Shepherd	11,504,109	8,292,611
Catholic Community Foundation	6,646,321	5,654,371
Parish Life and Development	2,199,745	1,758,662
Clergy and Religious	949,621	1,154,476
Rooted in Faith	<u>29,159</u>	<u>57,068</u>
	113,150,728	96,081,236
Subject to endowment spending policy and appropriation:		
Education	15,382,678	15,377,680
Health and Human Services	10,634,346	10,634,347
Catholic Community Foundation	3,560,509	3,518,427
Parish Life and Development	1,417,500	1,417,500
Clergy and Religious	<u>95,700</u>	<u>95,700</u>
	<u>31,090,733</u>	<u>31,043,654</u>
Total net assets with donor restrictions	<u>\$ 144,241,461</u>	<u>\$ 127,124,890</u>

CATHOLIC COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 9. 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 pursuant to which the Foundation received fundraising fee revenues of \$2,220,000 and \$2,300,000 in 2020 and 2019, respectively. A total of \$16,352,216 and \$15,138,399 was raised in 2020 and 2019, respectively, for the Corporation. These amounts have been presented as funds raised for others in the accompanying statements of activities.

As of December 31, 2020 and 2019, the Corporation owed the Foundation \$16,775 and \$64,723, respectively.

The Diocese paid support to the Foundation for administrative support of \$238,960 and \$874,000 for the years ended December 31, 2020 and 2019, respectively. These amounts are included in other support in the accompanying statements of activities.

In November 2019, the Foundation entered into a Shared Services Agreement with the Diocese pursuant to which the Diocese provides various professional and administrative services to the Foundation as necessary. The Shared Services Agreement also provides for the Foundation to perform fundraising services for the Diocese. Beginning in 2020, donated revenue and expense is recognized in accordance with the terms of the Shared Services Agreement and totaled \$460,108 in 2020. The value of the services provided by the Diocese is based on the employee cost and the time spent by Diocesan personnel on Foundation matters and is presented in other support, salaries and wages, and other employee benefits in the accompanying statement of functional expenses.

Note 10. COVID-19 Global Pandemic

On January 30, 2020, the World Health Organization declared the outbreak of 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. It is uncertain what effect the COVID-19 outbreak may have on the Foundation's revenues and valuation of the investment portfolio in 2021 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 was paused; the Campaign resumed during the fourth quarter of 2020.

In March 2020, the Foundation established the Emergency Response Fund to assist parishes responding to those in their parish communities 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 time. An additional \$620,500 was raised and \$835,141 was distributed through December 31, 2020.