

CATHOLIC COMMUNITY FOUNDATION
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019



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**CATHOLIC COMMUNITY FOUNDATION
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INDEPENDENT AUDITORS' REPORT

The Most Reverend Barry C. Knestout
Bishop of the Catholic Diocese of Richmond
Catholic Community Foundation
Richmond, Virginia

We have audited the accompanying financial statements of Catholic Community Foundation (the Foundation), which comprise the statements of financial position as of June 30, 2020 and 2019, 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
September 10, 2020

**CATHOLIC COMMUNITY FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019**

	2020	2019
ASSETS		
Cash	\$ 38,670	\$ 37,574
Receivable from Catholic Diocese of Richmond	982,221	1,907,580
Charitable Gift Annuity Investments	1,397,348	1,384,740
Investments	161,247,004	158,541,204
Total Assets	\$ 163,665,243	\$ 161,871,098
LIABILITIES AND NET ASSETS		
LIABILITIES		
Agency Funds	\$ 93,099,451	\$ 92,788,528
Charitable Gift Annuity Obligation	826,600	847,593
Total Liabilities	93,926,051	93,636,121
NET ASSETS		
Without Donor Restrictions	65,512	65,391
With Donor Restrictions:		
To Be Spent for Specific Purpose	52,652,814	51,176,619
Maintained in Perpetuity	17,020,866	16,992,967
Total Net Assets	69,739,192	68,234,977
Total Liabilities and Net Assets	\$ 163,665,243	\$ 161,871,098

See accompanying Notes to Financial Statements.

**CATHOLIC COMMUNITY FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020			2019		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
REVENUES						
Contributions	\$ 40,052	\$ 1,514,119	\$ 1,554,171	\$ 26,394	\$ 1,460,080	\$ 1,486,474
Contributions - Charitable Gift Annuities	-	6,185	6,185	-	-	-
Fee for General Support	251,307	-	251,307	229,467	-	229,467
Net Investment Income	549	1,308,904	1,309,453	147	1,387,269	1,387,416
Net Unrealized/Realized Gain on Investments	253	696,532	696,785	715	1,944,514	1,945,229
Change in Value - Split Interest Agreement	-	(3,693)	(3,693)	-	(5,784)	(5,784)
Release from Restrictions	2,017,953	(2,017,953)	-	1,602,389	(1,602,389)	-
Total Revenues	<u>2,310,114</u>	<u>1,504,094</u>	<u>3,814,208</u>	<u>1,859,112</u>	<u>3,183,690</u>	<u>5,042,802</u>
EXPENSES						
Administrative Expenses	432,364	-	432,364	358,700	-	358,700
Program Expenses	1,877,629	-	1,877,629	1,473,231	-	1,473,231
Total Expenses	<u>2,309,993</u>	<u>-</u>	<u>2,309,993</u>	<u>1,831,931</u>	<u>-</u>	<u>1,831,931</u>
CHANGE IN NET ASSETS	121	1,504,094	1,504,215	27,181	3,183,690	3,210,871
Net Assets - Beginning of Year	<u>65,391</u>	<u>68,169,586</u>	<u>68,234,977</u>	<u>38,210</u>	<u>64,985,896</u>	<u>65,024,106</u>
NET ASSETS - END OF YEAR	<u><u>\$ 65,512</u></u>	<u><u>\$ 69,673,680</u></u>	<u><u>\$ 69,739,192</u></u>	<u><u>\$ 65,391</u></u>	<u><u>\$ 68,169,586</u></u>	<u><u>\$ 68,234,977</u></u>

See accompanying Notes to Financial Statements.

**CATHOLIC COMMUNITY FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,504,215	\$ 3,210,871
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Net Unrealized and Realized Gain on Investments	(696,785)	(1,945,229)
Change in Value - Split Interest Agreement	3,693	5,784
Contributions Restricted to Endowment	(27,900)	(22,045)
Decrease in Receivable from Catholic Diocese of Richmond	925,359	1,676,828
Increase in Agency Funds	310,923	5,637,138
Net Cash Provided by Operating Activities	2,019,505	8,563,347
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments on Charitable Gift Annuity Obligations	(33,501)	(5,697)
Purchase of Investments	(9,000,823)	(14,056,212)
Proceeds from Sale of Investments	6,979,200	5,476,442
Net Cash Used by Investing Activities	(2,055,124)	(8,585,467)
CASH FLOWS FROM FINANCING ACTIVITIES		
Additions to Charitable Gift Annuity Obligations	8,815	-
Collections of Contributions Restricted to Endowment	27,900	22,045
Net Cash Provided by Financing Activities	36,715	22,045
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,096	(75)
Cash and Cash Equivalents - Beginning of Year	37,574	37,649
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 38,670	\$ 37,574

See accompanying Notes to Financial Statements.

**CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 ORGANIZATION

The Catholic Community Foundation of the Catholic Diocese of Richmond (the Foundation) was established as of September 23, 2014, to build a dynamic force of Catholic philanthropy in the Catholic Diocese of Richmond (the Diocese) that enables donors to make a significant impact in the lives of others by helping to perpetuate the work of its parishes, schools, and ministries. By contributing major endowment gifts, bequests, charitable gift annuities, trusts, and/or other legacy gifts through the Foundation, donors build long-term financial stability for the Catholic causes they hold dear while making a profound impact on the future generations of the Church.

The Foundation is a corporation sole. The Bishop of the Catholic Diocese of Richmond, Virginia, or his successor in office, is the sole member of the corporation. The affairs of the Foundation are managed by a board of directors appointed by the sole member of the corporation subject to the powers reserved exclusively for the sole member.

The Foundation accomplishes its mission through the following activities:

Endowments

Endowment funds are recorded as net assets on the statements of financial position. Endowments originate from donor contributions and from the Living Our Mission Campaign (the Campaign).

The Living Our Mission Campaign is currently being administered by the Administrative Offices of the Diocese to raise funds to benefit the Diocese. Many of the case elements included in the Living Our Mission Campaign are for the benefit of the Foundation.

Charitable Gift Annuities

Charitable gift annuities are offered to donors wishing to make a deferred gift to the Foundation for the benefit of the Diocese or its affiliates. Donors receive life income payments and the gift remainders are restricted for Foundation endowments or other charitable causes. Net earnings on charitable gift annuities in excess of the payments made to donors are restricted for Foundation endowment programs or other charitable causes selected by the donor in the original gift instrument.

Agency Funds

The Foundation manages and invests funds as an agent for the Administrative Offices of the Diocese, parishes, schools, and other affiliated entities within the Diocese. Deposits and withdrawals are made at the direction of the respective organization. Either party may cancel an agency agreement at any time.

**CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting. As such, revenues are recognized when earned and expenses are recognized when the underlying obligations are incurred.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent asset and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Income Tax Status

The Foundation is exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and has been classified by the Internal Revenue Service as other than a private foundation under Section 509(a)(3).

The Foundation believes it has appropriate support for any tax positions taken and, therefore, does not have any uncertain income tax positions that are material to the financial statements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments, without donor restriction, with an initial maturity of three months or less to be cash equivalents.

Pledges Receivable

Unconditional promises to give are recorded as receivables and revenue when received and allowances are provided for amounts estimated to be uncollectible.

Investments

Investments are composed of debt and equity securities. Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Realized and unrealized gains and losses for investments, other than agency obligations, are reflected in the statements of activities. Investment income and gains and losses on agency obligations are reported as a direct increase or decrease to the obligations on the statements of financial position. Investment income and gains and losses for charitable gift annuities are recorded within the trust activity.

**CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

The Foundation's investments for endowments, agency funds, and charitable gift annuities are managed by various investment managers exclusively for the Foundation. Investment income and realized and unrealized gains and losses from investments as well as investment costs are allocated monthly to the individual funds based on the calculated net asset value of the total market value of the investment pool as adjusted for additions to or distributions from those funds.

Fair Value Measurements

The Foundation accounts for investments, including agency funds and charitable gift annuity investments, at their fair value.

Fair Value Hierarchy

The Foundation has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Financial assets and liabilities recorded on the statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Foundation has the ability to access.

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

- quoted prices for similar assets or liabilities in active markets;
- pricing models whose inputs are observable for substantially the full term of the asset or liability; and
- pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

**CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

For financial statement purposes, net assets consist of the following:

Net Assets Without Donor Restrictions – Net assets that are currently available for use at the discretion of the Foundation.

Net Assets with Donor Restrictions – Net assets that are subject to donor-imposed stipulations. This includes net assets that may or will be met, either by action of the Foundation and/or the passage of time or will be maintained in perpetuity by the Foundation, the income from which is expendable in accordance with the conditions of each specific donation. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Restricted revenue whose restrictions are met in the same year are reflected as revenue without donor restrictions.

Contributions

Contributions received are recorded as with donor restrictions or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in net assets with restrictions.

Uniform Prudent Management of Institutional Funds Act

During 2008, the Commonwealth of Virginia enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). In August 2008, an accounting standard was passed which provides guidance on the classification of endowment fund net assets for states that have enacted versions of UPMIFA. Under UPMIFA all unappropriated endowment fund assets are considered restricted.

Change in Accounting Principle

In May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, the FASB has issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity and understandability of revenue recognition and provide sufficient information to enable financial statement users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The financial statements reflect the application of ASC 606 guidance beginning in fiscal year 2019. No cumulative-effect adjustment in net assets was recorded because the adoption of ASU 2014-09 did not significantly impact the Organization's reported historical revenue.

Additionally, ASU 2018-08 was issued to clarify accounting guidance for contributions received and contributions made.

**CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle (Continued)

The amendments to this ASU assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as an exchange (reciprocal) transaction subject to other guidance and (2) determining whether a contribution is conditional. The financial statements reflect the application of ASU 2018-08 beginning July 1, 2019. The new guidance does not require prior period results to be restated.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through September 10, 2020, the date the financial statements were available for issuance.

Revenue Recognition

Revenue is recognized as the performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Foundation. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided and the Foundation does not believe they are required to provide additional goods or services to the client. Fee for General Support revenue is recognized over time, within the fiscal year, as investment management services are rendered.

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets.

NOTE 3 CONCENTRATION OF CREDIT AND MARKET RISK

The Foundation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation also invests in a variety of investments. These investments are exposed to various risks, such as fluctuations in market value and credit risk. It is at least reasonably possible that changes in risk in the near term could materially affect investment balances and the amounts reported in the financial statements.

**CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 4 FUNCTIONAL EXPENSES

The table below presents expenses by both their nature and function for the fiscal years ended June 30:

	2020			Total
	Program	Management	Fundraising	
Contributions to Elderly Housing Facilities	\$ 1,344,538	\$ -	\$ -	\$ 1,344,538
Contributions to Catholic Diocese of Richmond	191,208	-	-	191,208
Awards to Catholic Schools	341,883	-	-	341,883
Salaries and Benefits	-	185,917	118,648	304,565
Services and Professional Fees	-	23,685	37,193	60,878
Travel and Donor Meetings	-	6,176	8,896	15,072
Supplies and Office Expenses	-	49,195	2,500	51,695
Fees and Bank Charges	-	154	-	154
Total Expenses	<u>\$ 1,877,629</u>	<u>\$ 265,127</u>	<u>\$ 167,237</u>	<u>\$ 2,309,993</u>

	2019			Total
	Program	Management	Fundraising	
Contributions to Elderly Housing Facilities	\$ 1,070,494	\$ -	\$ -	\$ 1,070,494
Contributions to Catholic Diocese of Richmond	99,868	-	-	99,868
Awards to Catholic Schools	302,869	-	-	302,869
Salaries and Benefits	-	171,960	100,600	272,560
Services and Professional Fees	-	22,290	9,984	32,274
Travel and Donor Meetings	-	10,784	2,763	13,547
Supplies and Office Expenses	-	40,244	-	40,244
Fees and Bank Charges	-	75	-	75
Total Expenses	<u>\$ 1,473,231</u>	<u>\$ 245,353</u>	<u>\$ 113,347</u>	<u>\$ 1,831,931</u>

Nonpersonnel expenses have been classified as administrative or fundraising expenses based on a review of the expense and the purpose for which the expense was incurred. Salary and benefit expenses were allocated between fundraising and administrative expenses based on an estimate of the time spent by each employee on these categories. No other allocation of expenses has occurred other than expenses that have been allocated to the Foundation by the Catholic Diocese of Richmond through the relationship described in Note 11.

NOTE 5 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. The Foundation receives minimal support without donor restrictions; therefore, annual program funding needs are typically funded by appropriated earnings from gifts with donor restrictions as well as a quarterly fee for general support from investors.

**CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 5 LIQUIDITY AND AVAILABILITY (CONTINUED)

The Foundation considers investment income without donor restrictions, appropriated earnings from donor-restricted endowments, contributions without donor restrictions and contributions with donor restrictions for use in current programs to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses and fundraising expenses expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation's fiscal year.

The Foundation manages its cash available to meet general expenditures based on the following guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Ensuring investments are managed in a manner that will sustain the Foundation and provide for grants in perpetuity in accordance with donor restrictions.

The Foundation's Board reviews the spending policy on an annual basis and reviews investment performance and allocations quarterly to ensure liquid assets are available as needed. The Foundation strives to maintain at least 1% of its investments in cash or cash equivalents in order to meet the liquidity needs of the upcoming fiscal year. Based on the timing of contributions to the pooled investment fund the actual cash, cash equivalents, or highly liquid money market funds, are normally higher than the 1% goal.

The table below presents financial assets available for general expenditures within one year at June 30, 2020 and 2019.

	2020	2019
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 38,670	\$ 37,574
Receivable from Catholic Diocese of Richmond	982,221	1,907,580
Charitable Gift Annuity Investments	1,397,348	1,384,740
Investments	161,247,004	158,541,204
Total Financial Assets	163,665,243	161,871,098
Less Amounts Not Available to be Used Within One Year:		
Charitable Gift Annuity Obligation Due After One Year	(826,600)	(847,593)
Net Assets with Donor Restrictions	(52,652,814)	(51,176,619)
Agency Funds	(93,099,451)	(92,788,528)
Endowments Held in Perpetuity	(17,020,866)	(16,992,967)
Financial Assets Not Available to be Used Within One Year	(163,599,731)	(161,805,707)
Financial Assets Available to Meet General Expenditures Within One Year	\$ 65,512	\$ 65,391

**CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 6 INVESTMENTS

Investments are stated at their readily determinable fair value and are summarized as follows as of June 30:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Money Market	\$ 8,360,648	\$ 8,360,648	\$ 8,111,472	\$ 8,111,472
U.S. Government Obligations	15,906,847	16,946,333	18,022,723	18,298,860
Corporate Obligations	14,427,200	15,283,381	11,275,197	11,567,537
Common Stocks	99,051,549	119,113,940	95,323,371	116,931,470
Preferred Securities	26,350	23,707	21,895	26,700
Mutual Funds - Equity	2,750,000	2,916,343	4,658,952	4,989,905
Total Investment Securities	140,522,594	162,644,352	137,413,610	159,925,944
Less Amounts Presented Separately on the Statements of Financial Position:				
Charitable Gift Annuity Investments	1,176,525	1,397,348	1,171,182	1,384,740
Total Investments	<u>\$ 139,346,069</u>	<u>\$ 161,247,004</u>	<u>\$ 136,242,428</u>	<u>\$ 158,541,204</u>

The following tables present the balances of assets and liabilities measured at fair value on a recurring basis as of June 30, 2020 and 2019 by level within the fair value hierarchy:

	2020			
	Level 1	Level 2	Level 3	Total
Money Market	\$ 8,360,648	\$ -	\$ -	\$ 8,360,648
U.S. Government Obligations	16,946,333	-	-	16,946,333
Corporate Obligations	15,283,381	-	-	15,283,381
Common Stocks	119,113,940	-	-	119,113,940
Preferred Securities	23,707	-	-	23,707
Mutual Funds - Equity	2,916,343	-	-	2,916,343
Total	<u>\$ 162,644,352</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 162,644,352</u>

	2019			
	Level 1	Level 2	Level 3	Total
Money Market	\$ 8,111,472	\$ -	\$ -	\$ 8,111,472
U.S. Government Obligations	18,298,860	-	-	18,298,860
Corporate Obligations	11,567,537	-	-	11,567,537
Common Stocks	116,931,470	-	-	116,931,470
Preferred Securities	26,700	-	-	26,700
Mutual Funds - Equity	4,989,905	-	-	4,989,905
Total	<u>\$ 159,925,944</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 159,925,944</u>

The Foundation has evaluated the various types of investment funds in its investment portfolio to determine an appropriate fair value hierarchy level based on trading activity and the observability of market inputs.

**CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 6 INVESTMENTS (CONTINUED)

Total net investment earnings for the years ended June 30, 2020 and 2019, consist of the following:

	2020	2019
Catholic Community Foundation:		
Net Investment Income	\$ 1,309,453	\$ 1,387,416
Net Unrealized/Realized Gain on Investments	696,785	1,945,229
Total	2,006,238	3,332,645
Agency Funds:		
Investment Earnings Allocated to Agency Funds	2,749,467	4,620,476
Total Net Investment Earnings - Catholic Community Foundation and Agency Funds	\$ 4,755,705	\$ 7,953,121

Investment management expenses, which have been netted within Investment Income and Funds held for other Diocesan entities, totaled \$525,924 and \$419,431 for the years ended June 30, 2020 and 2019, respectively.

NOTE 7 PLEDGES RECEIVABLE

The receivable from the Administrative Offices of the Catholic Diocese of Richmond is related to pledges receivable from the Living Our Mission Campaign. The amount of the receivable was calculated based on pledges received by the Diocese for the Living Our Mission Campaign, net of allowance and discount. The Diocese allocated the net pledges received as of year-end to the various cases included in the Campaign. The net pledges allocated to the cases that benefit the Foundation are \$977,221 and \$1,907,580 as of June 30, 2020 and 2019, respectively.

The pledges receivable will be paid to the Foundation as cash is collected by the Diocese. There is no set schedule for payments as the Diocese must distribute the parishes' share and administrative expenses prior to making distributions to the cases. Additionally, the Diocese has discretion as to which order the cases of the Campaign will be funded.

NOTE 8 CHARITABLE GIFT ANNUITY OBLIGATIONS

The Foundation has entered into seven charitable gift annuities with its donors. The Foundation is obligated to make payments to the annuitants for the remainder of their lives. The contributed funds for charitable gift annuities immediately become part of the general assets and liabilities of the Foundation.

Assets received are recorded at fair value on the date the agreement is recognized, and a liability is recorded equal to the present value of the estimated future obligations based on mortality rates derived from ordinary life annuity tables.

Contribution revenue on charitable gift annuity agreements totaled \$6,185 and \$0 for the years ended June 30, 2020 and 2019, respectively.

**CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 8 CHARITABLE GIFT ANNUITY OBLIGATIONS (CONTINUED)

The seven deferred gift obligations have imputed interest rates between 4.6% and 7.5%. The change in the charitable gift annuity liabilities consist of the following for the years ended June 30:

	2020	2019
Beginning Gift Annuity Liabilities	\$ 847,593	\$ 847,506
Contributions	8,815	-
Net Actuarial Changes in Liabilities	3,693	5,784
Payments to Beneficiaries	(33,501)	(5,697)
Ending Gift Annuity Liabilities	\$ 826,600	\$ 847,593

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of June 30:

	2020	2019
Subject to Expenditure for Specific Purpose		
St. Mary's Woods Rental Assistance Fund	\$ 10,545,257	\$ 10,121,832
Our Lady of Peace Rental Assistance Fund	8,316,946	8,108,552
Our Lady of the Valley Rental Assistance Fund	8,372,756	7,999,397
Marian Manor Rental Assistance Fund	7,853,943	7,641,212
Our Lady of Hope Rental Assistance Fund	5,532,534	5,619,588
Our Lady of Perpetual Help Rental Assistance Fund	5,521,280	5,242,631
IT Initiatives	5,000	-
Womens' Giving Circle Donor Advised Fund	4,414	-
Total	\$ 46,152,130	\$ 44,733,212
Expendable Income of Investments in Perpetuity		
MPFE: Catholic School Tuition Assistance	\$ 4,873,787	\$ 4,889,630
LOM - Seminarian Education and Advanced Education Endowment	284,004	281,304
LOM - Youth, Young Adult and Campus Ministry Endowment	262,084	256,644
LOM - Social Ministry Outreach and Mission Parish Endowment	243,358	238,867
E & E Scholarship Endowment for St. Joseph Catholic School	83,580	70,761
MPFE: Catholic School Teacher Development	52,525	54,178
MPFE: Catholic School Academic Innovations	52,525	54,178
LOM - CCF Tuition Assistance	30,449	27,268
JBH Fund for Tuition Assistance	24,862	18,295
Bishop DiLorenzo Memorial Fund for Priests	13,310	8,597
James F. Kauffmann Endowment Fund for Seminarians	9,452	6,539
Total	5,929,936	5,906,261

**CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

	<u>2020</u>	<u>2019</u>
Subject to Death of Annuity Beneficiary:		
Harlan Seymour Charitable Gift Annuity for the Benefit of St. Michael Catholic Church	521,078	493,196
Bernard and Nancy Goehring Charitable Gift Annuity for the Benefit of St. Francis of Assisi Church, Rocky Mount	32,600	26,394
Colette Petitt Charitable Gift Annuity for the Benefit of St. John the Evangelist, Wayseboro Building Fund	4,511	-
Steve Huppert Charitable Gift Annuity for the Benefit of Holy Spirit Church, Christiansburg	3,786	4,854
Fr. Benoit Charitable Gift Annuity for the benefit of the Diocese	3,756	4,661
Christine McGrath Charitable Gift Annuity for the Benefit of Music Ministry with the Office of Worship, Pastoral Center	2,863	4,323
Sal LaPaglia Charitable Gift Annuity for the Benefit of St. Joseph Church, Richmond	2,154	3,718
Total	<u>570,748</u>	<u>537,146</u>
Investments in Perpetuity Subject to Foundation Spending Policy (Excluding Expendable Income):		
MPFE: Catholic School Tuition Assistance	7,414,539	7,277,938
LOM - Youth, Young Adult and Campus Ministry Endowment	3,023,561	3,087,683
LOM - Seminarian Education and Advanced Education Endowment	2,906,583	2,956,907
LOM - Social Ministry Outreach and Mission Parish Endowment	2,433,222	2,484,520
E & E Scholarship Endowment for St. Joseph Catholic School	436,174	404,134
JBH Fund for Tuition Assistance	191,996	166,996
Bishop DiLorenzo Memorial Fund for Priests	159,985	159,985
MPFE: Catholic School Teacher Development	127,025	127,025
MPFE: Catholic School Academic Innovations	127,025	127,025
James F. Kauffmann Endowment Fund for Seminarians	100,756	100,754
LOM - CCF Tuition Assistance	100,000	100,000
Total	<u>17,020,866</u>	<u>16,992,967</u>
Total Net Assets with Donor Restrictions	<u>\$ 69,673,680</u>	<u>\$ 68,169,586</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specific by the donors as follows for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Purpose Restrictions Accomplished:		
Elderly Housing Facility Distributions	\$ 1,344,538	\$ 1,070,494
Fee Charged for General Support	140,325	129,158
Total	<u>1,484,863</u>	<u>1,199,652</u>
Appropriation of Endowment Earnings		
Catholic School Tuition Assistance	341,882	302,869
Seminarian Education	70,380	37,032
Youth, Young Adult, and Campus Ministries	66,624	35,648
Social Ministry Outreach	54,204	27,188
Total	<u>533,090</u>	<u>402,737</u>
Total Restrictions Released	<u>\$ 2,017,953</u>	<u>\$ 1,602,389</u>

**CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
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NOTE 10 ENDOWMENTS

The Foundation endowments consist of various funds established for the purpose that the principal is to be held indefinitely and income from which is expendable to fund as many sponsorships as possible. As required by GAAP, net assets associated with endowment funds, including funds (if any) designated by the Foundation to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (the Act) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, investments to be held in perpetuity at the donor's instruction are classified as net assets with donor restrictions.

This includes (a) the original value of the gift donated to the endowment, (b) the original value of subsequent gifts (if any) to the endowment, (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, and (d) investment return earned on the gift until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the Act.

The Foundation has interpreted the Act as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary.

As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater when the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted the Act to permit spending from underwater funds in accordance with prudent measures required under the law.

In accordance with the Act, the Foundation considers the following factors in making a determination to appropriate or accumulate endowment funds with donor restrictions:

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. The investment policies of the Foundation

**CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 10 ENDOWMENTS (CONTINUED)

Endowment net asset composition by type of fund was as follows as of June 30, 2020 and 2019:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-Designated Endowment Funds	\$ -	\$ 3,453,928	\$ 3,453,928
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Any Amounts Required to be Retained by Donor	-	17,020,866	17,020,866
Portion Subject to Appropriation Under UPMIFA	-	2,476,009	2,476,009
Total Funds, June 30, 2020	<u>\$ -</u>	<u>\$ 22,950,803</u>	<u>\$ 22,950,803</u>
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-Designated Endowment Funds	\$ -	\$ 3,465,594	\$ 3,465,594
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Any Amounts Required to be Retained by Donor	-	16,992,967	16,992,967
Portion Subject to Appropriation Under UPMIFA	-	2,440,667	2,440,667
Total Funds, June 30, 2019	<u>\$ -</u>	<u>\$ 22,899,228</u>	<u>\$ 22,899,228</u>

Changes in endowment net assets for the years ended June 30, 2020 and 2019, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, June 30, 2018	\$ -	\$ 22,275,100	\$ 22,275,100
Investment Return:			
Investment Income	-	367,481	367,481
Net Appreciation	-	637,339	637,339
Total Return	-	1,004,820	1,004,820
Contributions	-	22,045	22,045
Appropriation of Endowment Assets for Expenditure	-	(402,737)	(402,737)
Endowment Net Assets, June 30, 2019	-	22,899,228	22,899,228
Investment Return:			
Investment Income	-	351,419	351,419
Net Appreciation	-	205,346	205,346
Total Return	-	556,765	556,765
Contributions	-	27,900	27,900
Appropriation of Endowment Assets for Expenditure	-	(533,090)	(533,090)
Endowment Net Assets, June 30, 2020	<u>\$ -</u>	<u>\$ 22,950,803</u>	<u>\$ 22,950,803</u>

CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 10 ENDOWMENTS (CONTINUED)

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 the Act requires the Foundation to retain as a fund of perpetual duration. No funds have a deficiency as of June 30, 2020 and 2019.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for sponsorship supported by its endowment 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.

Under this policy, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a balanced investment portfolio comprised of 72.5% equities, 21.5% fixed incomes, 5% alternatives, and 1% cash, while assuming a moderate level of investment risk.

The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 6% – 7% annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objective within prudent risk constraints.

The Foundation has adopted a policy of appropriating for distribution each year, a percent the Foundation deems prudent, of its endowment fund's fair value through the fiscal year-end preceding the fiscal year in which the distribution is planned. 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 an average of 3% annually. This is consistent with the Foundation's objective to 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 11 RELATED PARTY TRANSACTIONS

During the years ended June 30, 2020 and 2019, the Foundation had a receivable from the Administrative Offices of the Catholic Diocese of Richmond of \$982,221 and \$1,907,580, respectively (see Note 7).

During the years ended June 30, 2020 and 2019, the Foundation incurred management fee expenses of \$426,210 and \$358,625, respectively. This fee is charged by the Administrative Offices of the Catholic Diocese of Richmond. During the year ended June 30, 2020, the Administrative Offices contributed \$33,402 of these expenses as an in-kind contribution to the Foundation.

**CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 11 RELATED PARTY TRANSACTIONS (CONTINUED)

During the years ended June 30, 2020 and 2019, the Foundation contributed \$329,043 and \$283,869, respectively, to the McMahon Parater Scholarship Foundation.

NOTE 12 RISKS AND UNCERTAINTIES

The World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Foundation, COVID-19 may impact various parts of its 2021 operations and financial results, including investment performance and potential loss of revenue due to a reduction in contributions. Management believes the Foundation is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.