

CATHOLIC EDUCATION FOUNDATION, INC.

FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

CPAs / ADVISORS



CATHOLIC EDUCATION FOUNDATION, INC.

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Catholic Education Foundation, Inc.
Louisville, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of Catholic Education Foundation, Inc. (the Foundation), which comprise the statements of financial position as of June 30, 2021 and 2020, 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.

Auditor's 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 auditor's 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, 2021 and 2020, 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.

Blue & Co., LLC

Louisville, Kentucky

September 28, 2021

CATHOLIC EDUCATION FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2021 AND 2020

	ASSETS	
	<u>2021</u>	<u>2020</u>
Current assets		
Cash and cash equivalents	\$ 1,839,662	\$ 1,291,808
Advanced pledge receipts	275,348	355,000
Investments	30,514,686	21,297,912
Interest receivable	43,672	45,831
Pledges receivable, current portion	1,913,427	912,688
Prepaid expenses	<u>67,947</u>	<u>20,774</u>
Total current assets	34,654,742	23,924,013
Pledges receivable, less current portion	2,934,053	1,062,393
Net property and equipment	<u>11,068</u>	<u>20,679</u>
Total assets	<u>\$ 37,599,863</u>	<u>\$ 25,007,085</u>
	LIABILITIES AND NET ASSETS	
Current liabilities		
Accounts payable	\$ 203,790	\$ 195,110
Current portion of long-term debt	<u>0</u>	<u>55,239</u>
Total current liabilities	203,790	250,349
Long-term debt, less current portion	<u>0</u>	<u>70,361</u>
Total liabilities	203,790	320,710
Net assets		
Without donor restrictions	6,233,644	906,377
With donor restrictions:		
Restricted for specified purposes	7,584,946	2,479,531
Restricted in perpetuity - endowment	<u>23,577,483</u>	<u>21,300,467</u>
Total net assets with donor restrictions	<u>31,162,429</u>	<u>23,779,998</u>
Total net assets	<u>37,396,073</u>	<u>24,686,375</u>
Total liabilities and net assets	<u>\$ 37,599,863</u>	<u>\$ 25,007,085</u>

See accompanying notes to financial statements.

CATHOLIC EDUCATION FOUNDATION, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

	2021		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues and support			
Contributions	\$ 1,591,805	\$ 6,844,501	\$ 8,436,306
Special event revenue-Salute Dinner	1,116,801	7,500	1,124,301
Special event revenue-The Game Luncheon	358,200	0	358,200
In-kind donations	29,619	0	29,619
Total revenues and support	3,096,425	6,852,001	9,948,426
Net assets released from restrictions	<u>1,512,680</u>	<u>(1,512,680)</u>	<u>0</u>
Total revenues and support and net assets released from restrictions	4,609,105	5,339,321	9,948,426
Expenses			
Program services	3,868,116	0	3,868,116
Management and general	336,076	0	336,076
Fundraising	964,095	0	964,095
Total expenses	<u>5,168,287</u>	<u>0</u>	<u>5,168,287</u>
Revenues and support in (deficit) excess of expenses	(559,182)	5,339,321	4,780,139
Other support (expense)			
Gain on extinguishment of debt	125,600	0	125,600
Interest and dividend income, net of investment expenses	146,928	52,109	199,037
Realized / unrealized investment gains	5,613,921	1,991,001	7,604,922
Total other support	<u>5,886,449</u>	<u>2,043,110</u>	<u>7,929,559</u>
Change in net assets	5,327,267	7,382,431	12,709,698
Net assets, beginning of year	<u>906,377</u>	<u>23,779,998</u>	<u>24,686,375</u>
Net assets, end of year	<u>\$ 6,233,644</u>	<u>\$ 31,162,429</u>	<u>\$ 37,396,073</u>

See accompanying notes to financial statements.

CATHOLIC EDUCATION FOUNDATION, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

	2020		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues and support			
Contributions	\$ 1,097,266	\$ 3,119,008	\$ 4,216,274
Special event revenue-Salute Dinner	793,870	72,500	866,370
Special event revenue-The Game Luncheon	243,233	35,000	278,233
In-kind donations	55,023	0	55,023
Total revenues and support	2,189,392	3,226,508	5,415,900
Net assets released from restrictions	1,719,031	(1,719,031)	0
Total revenues and support and net assets released from restrictions	3,908,423	1,507,477	5,415,900
Expenses			
Program services	3,857,876	0	3,857,876
Management and general	334,727	0	334,727
Fundraising	913,096	0	913,096
Total expenses	5,105,699	0	5,105,699
Revenues and support in (deficit) excess of expenses	(1,197,276)	1,507,477	310,201
Other support (expense)			
Interest and dividend income, net of investment expenses	211,325	47,694	259,019
Realized / unrealized investment losses	(425,092)	(95,940)	(521,032)
Total other expenses	(213,767)	(48,246)	(262,013)
Change in net assets	(1,411,043)	1,459,231	48,188
Net assets, beginning of year	2,317,420	22,320,767	24,638,187
Net assets, end of year	\$ 906,377	\$ 23,779,998	\$ 24,686,375

See accompanying notes to financial statements.

CATHOLIC EDUCATION FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	2021							
	Program Services							
	Tuition Assistance	Technology Enhancements	Religious Education	Professional Development	Total Program Services Expense	Management and General	Fundraising	Total Expenses
Salaries, benefits, and taxes	\$ 154,992	\$ 8,357	\$ 18,796	\$ 10,439	\$ 192,584	\$ 189,117	\$ 644,450	\$ 1,026,151
Grants	3,412,077	100,919	87,710	66,069	3,666,775	0	0	3,666,775
Salute Dinner	0	0	0	0	0	0	61,228	61,228
The Game Luncheon	0	0	0	0	0	0	20,629	20,629
Office	0	0	0	0	0	101,143	0	101,143
Professional services	8,757	0	0	0	8,757	19,807	76,771	105,335
Newsletter and annual report	0	0	0	0	0	0	90,617	90,617
Advertising	0	0	0	0	0	0	70,400	70,400
Miscellaneous	0	0	0	0	0	26,009	0	26,009
	<u>\$ 3,575,826</u>	<u>\$ 109,276</u>	<u>\$ 106,506</u>	<u>\$ 76,508</u>	<u>\$ 3,868,116</u>	<u>\$ 336,076</u>	<u>\$ 964,095</u>	<u>\$ 5,168,287</u>

See accompanying notes to financial statements.

CATHOLIC EDUCATION FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	2020							
	Program Services				Total Program	Management	Fundraising	Total Expenses
	Tuition Assistance	Technology Enhancements	Religious Education	Professional Development	Services Expense	and General		
Salaries, benefits, and taxes	\$ 151,953	\$ 7,893	\$ 17,716	\$ 9,823	\$ 187,385	\$ 181,243	\$ 602,198	\$ 970,826
Grants	3,374,602	90,929	99,849	95,406	3,660,786	0	0	3,660,786
Salute Dinner	0	0	0	0	0	0	72,316	72,316
The Game Luncheon	0	0	0	0	0	0	92,344	92,344
Office	0	0	0	0	0	103,429	0	103,429
Professional services	9,705	0	0	0	9,705	14,460	6,284	30,449
Newsletter and annual report	0	0	0	0	0	0	84,013	84,013
Advertising	0	0	0	0	0	0	55,941	55,941
Miscellaneous	0	0	0	0	0	35,595	0	35,595
	<u>\$ 3,536,260</u>	<u>\$ 98,822</u>	<u>\$ 117,565</u>	<u>\$ 105,229</u>	<u>\$ 3,857,876</u>	<u>\$ 334,727</u>	<u>\$ 913,096</u>	<u>\$ 5,105,699</u>

See accompanying notes to financial statements.

CATHOLIC EDUCATION FOUNDATION, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Operating activities		
Cash received from contributions	\$ 3,366,542	\$ 1,832,439
Cash received from special events	1,440,301	1,090,620
Interest and dividends received	340,831	397,038
Cash paid to suppliers, employees, and others	(1,596,735)	(1,412,805)
Grants paid	<u>(3,666,775)</u>	<u>(3,660,786)</u>
Net cash flows from operating activities	(115,836)	(1,753,494)
Investing activities		
Purchase of property and equipment	(1,475)	(14,224)
Purchase of investments	(2,804,193)	(3,046,188)
Proceeds from sales of investments	<u>1,192,341</u>	<u>3,333,985</u>
Net cash flows from investing activities	(1,613,327)	273,573
Financing activities		
Proceeds from long-term debt	0	125,600
Proceeds from contributions received for investment in permanent endowment	<u>2,277,017</u>	<u>1,610,315</u>
Net cash flows from financing activities	<u>2,277,017</u>	<u>1,735,915</u>
Net change in cash and cash equivalents	547,854	255,994
Cash and cash equivalents, beginning of year	<u>1,291,808</u>	<u>1,035,814</u>
Cash and cash equivalents, end of year	<u>\$ 1,839,662</u>	<u>\$ 1,291,808</u>

See accompanying notes to financial statements.

CATHOLIC EDUCATION FOUNDATION, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2021 AND 2020

Reconciliation of change in net assets to net cash flows from operating activities

Change in net assets	\$ 12,709,698	\$ 48,188
Adjustment to reconcile change in net assets to net cash flows from operating activities		
Bad debt expense	2,238	0
Contributions restricted for long-term purposes	(2,277,017)	(1,610,315)
Depreciation	11,086	12,731
Gain on extinguishment of debt	(125,600)	0
Realized / unrealized investment (gains) losses	(7,604,922)	521,032
Change in discount on pledges receivable	93,566	(17,593)
Changes in operating assets and liabilities		
Advanced pledge receipts	79,652	49,459
Interest receivable	2,159	28,431
Pledges receivable	(2,968,203)	(805,386)
Prepaid expenses	(47,173)	(1,651)
Accounts payable	8,680	21,610
Net cash flows from operating activities	<u>\$ (115,836)</u>	<u>\$ (1,753,494)</u>

See accompanying notes to financial statements.

CATHOLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Catholic Education Foundation, Inc. (the Foundation) in Louisville, Kentucky was formed to promote the growth and vitality of Catholic education in the Archdiocese of Louisville (the Archdiocese). The Foundation supports Catholic education by offering grants and financial assistance to Catholic schools and parishes in the Archdiocese for tuition assistance, educators' professional development, technology, and religious education.

General Accounting Principles

The Foundation records unconditional promises to give (pledges) as receivables and revenues, and distinguishes between contributions received for each net asset category in accordance with donor imposed restrictions, if any. The Foundation classifies resources for accounting purposes into net asset categories according to donor-imposed restrictions. Accordingly, the net assets of the Foundation are classified and reported as follows:

Net assets without donor restrictions – Net assets that are currently available for operating purposes under the direction of the board or designated by the board for specific use.

Net assets with donor restrictions – Net assets subject to donor stipulations for specific operating purposes or time restrictions. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term with investment return available for operations or specific purposes.

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations limiting the use of the donated assets. When a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Management's 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 and the reported amounts of revenues and expenses. Actual results could vary from the estimates used.

Donated Professional Services and Goods

Donated materials, facilities, and services are shown as gifts, valued at their estimated value at the date of receipt with the offsetting expense reflected in administrative expenses. No amounts are recorded for donated services which are not objectively quantifiable.

CATHOLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

Allocation of Expenses

Operating expenses directly identifiable with a functional area are charged to that area and, where expenses affect more than one area, they are allocated on the basis of ratios determined by management. The expenses that are allocated include salaries and benefits which are allocated based on estimates of time and effort. While the methods of allocation are considered appropriate, other methods could produce different results.

Cash and Cash Equivalents

Cash equivalents primarily include highly liquid investment securities with maturities of three months or less at the time of purchase.

Advanced Pledge Receipts

When donors pre-fund multi-year pledges, they are recorded as advanced pledge receipts. The Foundation places these funds into a money market account. All advanced pledge receipts are available, if needed, to fund current operations. The Foundation regularly transfers scheduled amounts into operating cash.

Property and Equipment

Property and equipment is recorded at cost less accumulated depreciation. Depreciation is recorded using the straight-line method over the estimated useful lives of three to seven years.

Investments

Investments are carried at fair value, generally determined by quoted prices. Receipt of donated investments is recorded at the quoted value of the investment at the time of donation.

Date of Management's Review

The Foundation has evaluated all events or transactions occurring subsequent to the statement of financial position date for recognition and disclosure in the accompanying financial statements through the date the financial statements were available to be issued, which is September 28, 2021.

CATHOLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

2. INCOME TAXES

The Foundation is exempt from income taxes from related activities under Section 501(c)(3) of the United States Internal Revenue Code and corresponding state tax law. Accordingly, no provision has been made for federal or state income taxes. Additionally, the Foundation has been determined not to be a private foundation under Section 509(a) of the Internal Revenue Code.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Foundation, and has concluded that as of June 30, 2021 and 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements.

Accordingly, the Foundation is generally exempt from income taxes. However, the Foundation is required to file an informational return on Federal Form 990 – Return of Organization Exempt from Income Tax. The Foundation is subject to routine audits by taxing jurisdictions. However, as of the date the financial statements were available to be issued, there were no audits for any tax periods in progress.

3. INVESTMENTS

Investments are summarized as follows:

	<u>2021</u>	<u>2020</u>
	<u>Fair Value</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 3,889,533	\$ 1,249,920
Fixed income mutual funds	590,783	684,716
Equities and mutual funds	8,059,734	8,345,858
Proprietary funds	3,307,961	450,843
Pooled unit trusts	<u>14,666,675</u>	<u>10,566,575</u>
Total	<u>\$ 30,514,686</u>	<u>\$ 21,297,912</u>

CATHOLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

Fees netted with interest and dividends were \$139,635 and \$109,588 for the years ended June 30, 2021 and 2020, respectively.

4. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2021 and 2020.

- *Equities*: Valued at the closing price reported on the active market on which the individual securities are traded.
- *Mutual funds*: Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds are deemed to be actively traded.
- *Proprietary funds*: Valued at the NAV of the units of the funds, as provided by the investment managers. The NAV is based on the fair value of the underlying investments held by the funds less their liabilities.
- *Pooled unit trusts*: Valued at the NAV of the units of the funds, as provided by the investment managers. The NAV is based on the fair value of the underlying investments held by the funds less their liabilities.

CATHOLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

The following tables set forth by level, within the hierarchy, the Foundation's assets measured at fair value on a recurring basis as of the reporting date.

	Assets at Fair Value as of June 30, 2021			
	Level 1	Level 2	Level 3	Total
Foundation investments				
Mutual funds				
Emerging markets	\$ 1,705,578	\$ 0	\$ 0	\$ 1,705,578
Fixed income	590,783	0	0	590,783
Foreign large blend	5,068,718	0	0	5,068,718
Total mutual funds	7,365,079	0	0	7,365,079
Equities				
Consumer discretionary	122,257	0	0	122,257
Consumer staples	110,507	0	0	110,507
Energy	37,151	0	0	37,151
Financials	216,979	0	0	216,979
Healthcare	131,915	0	0	131,915
Industrials	108,203	0	0	108,203
Information technology	274,220	0	0	274,220
Materials	39,412	0	0	39,412
Real estate	102,549	0	0	102,549
Telecommunication services	33,361	0	0	33,361
Utilities	108,884	0	0	108,884
Total equities	1,285,438	0	0	1,285,438
Total assets at fair value	\$ 8,650,517	\$ 0	\$ 0	8,650,517
Proprietary funds*				3,307,961
Pooled unit trusts*				14,666,675
Cash and cash equivalents				3,889,533
Total investments				\$ 30,514,686

CATHOLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

	Assets at Fair Value as of June 30, 2020			
	Level 1	Level 2	Level 3	Total
Foundation investments				
Mutual funds				
Emerging markets	\$ 2,183,510	\$ 0	\$ 0	\$ 2,183,510
Fixed income	684,716	0	0	684,716
Blend	4,887,616	0	0	4,887,616
Global real estate	615,137	0	0	615,137
Total mutual funds	8,370,979	0	0	8,370,979
Equities				
Consumer discretionary	58,657	0	0	58,657
Consumer staples	59,049	0	0	59,049
Energy	23,832	0	0	23,832
Financials	98,056	0	0	98,056
Healthcare	69,284	0	0	69,284
Industrials	60,578	0	0	60,578
Information technology	133,305	0	0	133,305
Materials	26,533	0	0	26,533
Real estate	38,392	0	0	38,392
Telecommunication services	23,891	0	0	23,891
Utilities	68,018	0	0	68,018
Total equities	659,595	0	0	659,595
Total assets at fair value	\$ 9,030,574	\$ 0	\$ 0	9,030,574
Proprietary funds*				450,843
Pooled unit trusts*				10,566,575
Cash and cash equivalents				1,249,920
Total investments				\$ 21,297,912

* In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented at fair value in the statements of financial position.

CATHOLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

Fair Value of Investments in Entities that Use Net Asset Value

The following table summarizes investments measured at fair value based on net asset value (NAV) per share as of June 30, 2021 and 2020.

	2021	2020	Redemption Notice	Redemption Frequency
Proprietary funds				
Harvest MLP				
Income Fund II LLC	\$ 0	\$ 450,843	30 days	Daily
Boston Commons International				
Catholic SRI Fund	1,901,716	0	10 days	Monthly
Boston Commons Catholic				
Emerging Markets Fund	1,406,245	0	10 days	Monthly
Pooled unit trusts				
CUIT Intermediate				
Diversified Bond Class B	1,746,097	1,415,736	7 days	Daily
CUIT Core Equity				
Index Fund Class B	9,946,474	7,508,288	7 days	Daily
CUIT Small Cap Equity				
Index Class B	<u>2,974,104</u>	<u>1,642,551</u>	7 days	Daily
	<u>\$ 17,974,636</u>	<u>\$ 11,017,418</u>		

Proprietary funds allow withdrawals from the entities upon ten to 30 business days' prior written notice to the Investment Manager.

Harvest MLP Income Fund II LLC

Harvest MLP Income Fund II LLC's principal investment objective is to deliver to their clients both high yield and stable growth, through the disciplined application of our investment and trading strategies to MLP and energy infrastructure assets.

CATHOLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

Boston Common Asset Management

Boston Common Asset Management's primary objective is to combine rigorous analysis with research-driven conviction to build diversified portfolios of high-quality, sustainable companies and provide Catholic solutions, which adhere to the U.S. Conference of Bishops' guidelines.

Pooled unit trusts have no unfunded commitments, and are eligible for daily redemption with seven days notice required.

Christian Brothers Investment Services, Inc.

Christian Brothers Investment Services, Inc.'s primary objective is to deliver highly competitive risk-adjusted investment returns in a manner consistent with the moral and social teachings of the Catholic Church.

Due to the nature of the investments held by the unit trusts, hedge fund, and the proprietary funds, changes in market conditions and the economic environment may significantly impact the net asset value of the hedge fund and the proprietary funds and, consequently, the fair value of the Foundation's interests in the funds. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value. It is therefore reasonably possible that if the Foundation were to sell these investments in the secondary market, a buyer may require a discount to the reported net asset value, and the discount could be significant.

The Foundation holds investments which are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

5. PLEDGES RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE PLEDGES

Unconditional promises to give and expected to be collected within one year are recorded at net realizable value. Unconditional promises to give and expected to be collected after one year are recorded at the present value of their estimated cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenues. Conditional promises to give are not included as support and revenues until the conditions are substantially met.

CATHOLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

At June 30, 2021 and 2020, the promises to give are expected to be received as follows:

	<u>2021</u>	<u>2020</u>
Amounts due in		
One year or less	\$ 1,913,427	\$ 912,688
One to five years	3,026,600	1,056,374
More than five years	<u>15,000</u>	<u>20,000</u>
Subtotal	4,955,027	1,989,062
Less present value discount	(105,047)	(11,481)
Less allowance for uncollectible pledges	<u>(2,500)</u>	<u>(2,500)</u>
 Total	 <u>\$ 4,847,480</u>	 <u>\$ 1,975,081</u>

The Foundation provides an allowance for uncollectible pledges based upon the collectability of each specific pledge. The Foundation does not charge interest on pledges receivable.

6. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Furniture and fixtures	\$ 21,547	\$ 21,547
Computer hardware and software	31,724	31,724
Leasehold improvements	<u>1,475</u>	<u>0</u>
	54,746	53,271
Less accumulated depreciation	<u>43,678</u>	<u>32,592</u>
Net property and equipment	<u>\$ 11,068</u>	<u>\$ 20,679</u>

Depreciation expense was \$11,086 and \$12,731 for the years ended June 30, 2021 and 2020, respectively.

CATHOLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

7. LONG-TERM DEBT

Effective April 16, 2020, the Foundation received a low interest loan in the amount of \$125,600 under the Paycheck Protection Program (PPP) administered by the Small Business Administration. The PPP loan is unsecured, bears interest at 1% and funds advanced under the program are subject to forgiveness, if certain criteria are met, with the remaining balance repayable within two years of disbursement. The PPP loan may be forgivable to the extent that employers incur and spend the funds on qualified expenditures, which include payroll, employee health insurance, rent, utilities and interest costs during the covered period as defined by the PPP guidance. In addition, employers must maintain specified employment and wage levels during the COVID-19 health pandemic, and submit adequate documentation of such expenditures to qualify for loan forgiveness. The Company's full loan amount was forgiven by the SBA in April 2021. The Company has recorded the forgiveness of this debt of \$125,600 in other support on the accompanying statement of activities during the year ended June 30, 2021. Accordingly, there was no balance of long-term debt as of June 30, 2021.

8. NET ASSETS WITH DONOR RESTRICTIONS AND NET ASSETS RELEASED FROM RESTRICTIONS

Net assets with donor restrictions restricted for specific purposes are available for the following purposes or programs at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Program services		
Tuition assistance	\$ 2,047,325	\$ 984,945
Time restricted	5,329,242	1,463,144
Religious education	176,937	0
Evangelization	31,442	31,442
Total	<u>\$ 7,584,946</u>	<u>\$ 2,479,531</u>

Net assets with donor restrictions were released from restrictions due to satisfaction of purpose restrictions during the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Program services		
Tuition assistance	\$ 848,385	\$ 799,198
Time restricted	664,295	919,833
Total	<u>\$ 1,512,680</u>	<u>\$ 1,719,031</u>

CATHOLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

9. ENDOWMENT

The majority of the Foundation's funds consist of donor-restricted endowment funds established for a variety of purposes. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the historic gift value as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for granting purposes while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must use for a donor-specified purpose. The Foundation's investment policy, as approved by the Board of Directors, has a primary objective to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well diversified asset mix, including equity and debt securities, which are intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to fund annually the purposes of the Foundation.

Management continues to monitor the investments and endowment fund balances, including the consideration of additional fundraising and the necessity to adjust the annual grants distribution percentage.

The Foundation's spending policy has been to distribute income based upon a moving average of the market value for the prior three years ending December 31. The policy allows the Board of Directors to establish an annual distribution rate, not to exceed 7%.

CATHOLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

Endowed funds are donor restricted funds classified as net assets with donor restrictions as of June 30, 2021 and 2020. Contributions received for the endowed funds during the years ended June 30, 2021 and 2020 totaled \$2,277,017 and \$1,610,315, respectively.

10. LIQUIDITY AND AVAILABILITY

The following table reflects the Foundation's financial assets as of June 30, 2021 and 2020 reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual or other restrictions.

	2021	2020
Financial assets		
Cash and cash equivalents	\$ 1,839,662	\$ 1,291,808
Advanced pledge receipts	275,348	355,000
Pledges receivable	1,913,427	912,688
Investments	30,514,686	21,297,912
Interest receivable	<u>43,672</u>	<u>45,831</u>
Financial assets available in one year	34,586,795	23,903,239
Donor restricted	<u>(31,162,429)</u>	<u>(23,779,998)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,424,366</u>	<u>\$ 123,241</u>

The Foundation strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in money market funds and other short-term investments.

11. RETIREMENT PLAN

The Foundation participates in the Archdiocese of Louisville 401(k) plan, which covers the Foundation's eligible employees. The plan allows employee contributions, up to the statutory limit, and personal management of the employees' retirement accounts. The Foundation contributes 4% and matches up to 3% of the eligible employees' gross pay each pay period. The Foundation made contributions of \$58,257 and \$55,765 for the years ended June 30, 2021 and 2020, respectively.

CATHOLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

12. CONCENTRATIONS OF CREDIT RISK

The Foundation maintains its cash balances in bank deposit accounts which, at times, may exceed coverage provided by the Federal Deposit Insurance Corporation (FDIC). The Foundation has not experienced any losses in such accounts. At June 30, 2021, the Company's uninsured cash balances were approximately \$1,285,000.

Investments are maintained at investment firms. The balances exceed the Securities Investor Protection Corporation insured limits up to \$500,000.

13. IN-KIND CONTRIBUTIONS

In-kind contributions are donated goods and services. These goods and services consist of advertising, entertainment, formal wear, music and video production, postage services, and travel for the special events. In-kind contributions other than for the special events are rent expense, board meeting space, marketing support and information technology support. The in-kind contributions for the Salute Dinner and The Game Luncheon included in their respective revenues are:

	<u>2021</u>	<u>2020</u>
Salute Dinner	\$ 36,200	\$ 32,500
The Game Luncheon	6,000	21,483

14. CONTINGENCY

On March 11, 2020, the World Health Organization declared coronavirus (COVID-19) a pandemic. The continued spread of COVID-19, or any similar outbreaks in the future, may adversely impact the local, regional, national and global economies. The extent to which COVID-19 impacts the Foundation's operating results is dependent on the breadth and duration of the pandemic and could be affected by other factors management is not currently able to predict. Potential impacts include, but are not limited to, additional costs for responding to COVID-19, increased demand for grants, reduction to contributions and funding, and investment portfolio declines. Management believes the Foundation is taking appropriate actions to respond to the pandemic; however, the full impact is unknown and cannot be reasonably estimated at the date the financial statements were available to be issued.