

Foundations in Charity, Inc.

Financial Statements with Independent Auditor's Report

Years Ended June 30, 2022 and 2021

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Independent Auditor's Report

To the Board of Trustees
Foundations in Charity, Inc.

Opinion

We have audited the accompanying financial statements of Foundations in Charity, Inc. (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Foundations in Charity, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in conformity with the accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Foundations in Charity, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Foundations in Charity, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundations in Charity, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Foundations in Charity, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Nanavaty, Davenport, Studley & White, LLP

February 22, 2023

Foundations in Charity, Inc.

Statements of Financial Position

As of June 30,

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 73,018	\$ 208,977
Investments	4,726,611	3,130,833
Contributions receivable, net	1,906,000	3,155,155
Total Assets	<u>\$ 6,705,629</u>	<u>\$ 6,494,965</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,068	\$ 7,555
Funds held on behalf of another	500,000	-
Distributions payable	-	10,000
Total Liabilities	<u>501,068</u>	<u>17,555</u>
Net Assets (Deficit):		
Without donor restrictions	(232,974)	(224,180)
With donor restrictions	6,437,535	6,701,590
Total Net Assets	<u>6,204,561</u>	<u>6,477,410</u>
Total Liabilities and Net Assets	<u>\$ 6,705,629</u>	<u>\$ 6,494,965</u>

The accompanying notes are an integral part of this financial statement.

Foundations in Charity, Inc.

Statements of Activities

Years Ended June 30,

	2022			2021		
	Without Donor	With Donor	Total	Without Donor	With Donor	Total
	Restrictions	Restrictions		Restrictions	Restrictions	
Support and Revenues:						
Contributions from We Stand with Christ, Inc.	\$ -	\$ 280,265	\$ 280,265	\$ -	\$ 414,755	\$ 414,755
Contributions	33,773	348,538	382,311	4,785	192,117	196,902
Investment return, net	-	(544,320)	(544,320)	-	258,643	258,643
Total support and revenues	33,773	84,483	118,256	4,785	865,515	870,300
Net Assets Released From Restrictions	348,538	(348,538)	-	832,314	(832,314)	-
Expenses:						
Program services	347,114	-	347,114	305,897	-	305,897
Management and general	26,210	-	26,210	67,949	-	67,949
Development and fundraising	17,781	-	17,781	58,329	-	58,329
Total expenses	391,105	-	391,105	432,175	-	432,175
Change in net assets before other change	(8,794)	(264,055)	(272,849)	404,924	33,201	438,125
Other Change in Net Assets:						
Change in estimate for uncollectible contributions receivable	-	-	-	(538,187)	-	(538,187)
Other change in net assets	-	-	-	(538,187)	-	(538,187)
Total change in net assets	(8,794)	(264,055)	(272,849)	(133,263)	33,201	(100,062)
Net assets (deficit) at the beginning of the year	(224,180)	6,701,590	6,477,410	(90,917)	6,668,389	6,577,472
Net assets (deficit) at the end of the year	\$ (232,974)	\$ 6,437,535	\$ 6,204,561	\$ (224,180)	\$ 6,701,590	\$ 6,477,410

The accompanying notes are an integral part of this financial statement.

Foundations in Charity, Inc.

Statements of Functional Expenses

Years Ended June 30,

	2022				2021			
	Program Services	Management and General	Development and Fundraising	Total Expenses	Program Services	Management and General	Development and Fundraising	Total Expenses
Distributions for program support	\$ 344,345	\$ -	\$ -	\$ 344,345	\$ 294,127	\$ -	\$ -	\$ 294,127
Salaries and benefits	2,769	12,459	12,459	27,687	11,770	52,967	52,967	117,704
Professional fees	-	11,000	5,322	16,322	-	12,670	5,362	18,032
Bank charges	-	1,370	-	1,370	-	964	-	964
Office supplies	-	699	-	699	-	560	-	560
Miscellaneous	-	556	-	556	-	179	-	179
Telephone	-	126	-	126	-	609	-	609
	<u>\$ 347,114</u>	<u>\$ 26,210</u>	<u>\$ 17,781</u>	<u>\$ 391,105</u>	<u>\$ 305,897</u>	<u>\$ 67,949</u>	<u>\$ 58,329</u>	<u>\$ 432,175</u>

The accompanying notes are an integral part of this financial statement.

Foundations in Charity, Inc.

Statements of Cash Flows

Years Ended June 30,

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (272,849)	\$ (100,062)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net depreciation (appreciation) in fair value of securities	711,840	(174,528)
In-kind donations of securities	(35,856)	(22,190)
Decrease in contributions receivable, net	1,249,155	1,361,016
Decrease in accounts payable and accrued expenses	(6,487)	(17,435)
Increase in funds held on behalf of another	500,000	-
Decrease in distributions payable	(10,000)	(72,451)
Net cash provided by operating activities	<u>2,135,803</u>	<u>974,350</u>
Cash flows from investing activities:		
Purchase of investments	<u>(2,271,762)</u>	<u>(2,934,115)</u>
Net cash used in investing activities	<u>(2,271,762)</u>	<u>(2,934,115)</u>
Net decrease in cash and cash equivalents	(135,959)	(1,959,765)
Cash and cash equivalents at beginning of year	<u>208,977</u>	<u>2,168,742</u>
Cash and cash equivalents at end of year	<u>\$ 73,018</u>	<u>\$ 208,977</u>

The accompanying notes are an integral part of this financial statement.

Notes to the Financial Statements

NOTE 1 - ORGANIZATION

Foundations in Charity, Inc. ('Foundations') is a Connecticut nonprofit, non-stock corporation formed on August 9, 2018 by The Bridgeport Roman Catholic Diocesan Corporation (the 'Diocese'). Members of Foundations shall include that person holding the office of the Bishop, or in the event of a vacancy of the office of the Bishop, the Administrator of the Diocese, and such other persons as may be appointed by the Bishop of the Diocese. The members of the corporation shall elect the Board of Trustees.

Foundations was incorporated to promote and support the work of catholic charitable organizations throughout Fairfield County. The mission of Foundations is to improve the lives of those most in need in Fairfield County through dedicated fundraising, stewardship, and distribution of funds, both operational and endowed, in support of Catholic Charities of Fairfield County, Inc. and other similar catholic entities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation - The financial statements of Foundations have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Accordingly, the accounts of Foundations are reported in the following net asset categories:

Net Assets Without Donor Restrictions - Net assets without donor restrictions represent available resources other than donor-restricted contributions. These resources may be expended at the discretion of the Board of Trustees. Undesignated net assets represent the portion of expendable funds that is available for support of operations. Designated net assets represent reserves or special designations established by the Board of Trustees.

Net Assets With Donor Restrictions - Net assets with donor restrictions represent contributions that are restricted by the donor as to purpose or time of expenditure. Foundations reports different categories of net assets with donor restrictions including donor contributions with purpose or time restrictions.

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 certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Cash and Cash Equivalents - Cash and cash equivalents are defined as highly liquid investments with original maturities of up to 90 days, except for money market accounts held with investment brokers, which are considered to be investments.

Investment Valuation and Income Recognition - Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 6 for a discussion of fair value measurements. Purchases and sales of securities are recorded on a trade date basis. Interest income is recorded on an accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains include gains and losses on investments bought and sold as well as held during the year.

Notes to the Financial Statements (continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition - Contributions are recognized when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest; is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the condition on which they depend has been met.

Contributions receivable that are expected to be collected in more than one year are discounted to their present value. An allowance for uncollectible contributions receivable is provided in the net asset category in which the contribution receivable resides based on an assessment of the credit worthiness of the respective donor, when deemed necessary.

Foundations reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with restrictions are reclassified to net assets released from restrictions. Contributions received whose restrictions are met in the same period are recognized as net assets without donor restrictions.

Contributed services are recognized in the financial statements if they enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. While many individuals volunteer their time, and perform a variety of tasks that assist Foundations, no amounts have been recognized in the accompanying financial statements for such services because the criteria for recognition of such volunteer efforts have not been met.

Allowance for Uncollectible Contributions - Contributions receivable are stated net of an allowance for doubtful accounts. Amounts due from the We Stand With Christ, Inc. campaign include a general allowance of 10% recorded by We Stand With Christ, Inc. when the pledge was received. During the prior year, the management of We Stand With Christ, Inc. changed to estimating the allowance based on an analysis of specific donors, taking into consideration the aging of the past due amounts and an assessment of the donor's ability to pay. This change resulted in a \$538,187 decrease in the change in net assets for the year ended June 30, 2021. This change has been reflected as an other change in net assets in the statement of activities.

Distributions Payable - Foundations makes distributions to Catholic Charities of Fairfield County, Inc., and other charitable organizations to continue to provide much needed social services to the needy and vulnerable across Fairfield County. The minimum amount for which Foundations is obligated is recorded upon the Board of Trustees' approval. Distributions that are expected to be paid within one year are recorded as liabilities at their full value. Distributions that are expected to be paid in more than one year are recorded at the present value of their estimated cash flows. The discounts on the distributions are computed using treasury rates applicable to the years in which the promises were made.

Notes to the Financial Statements (continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes - Foundations is a nonprofit organization and is exempt from federal and state income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. Foundations recognize the benefits of income tax positions only if those positions are more likely than not of being sustained. Foundations is subject to routine audits by the Internal Revenue Service. There are currently no audits for any tax periods in progress since inception.

Agency Transactions - Foundations has received funds to hold and invest for Catholic Charities of Fairfield County, Inc. The amount has been deposited into a separate investment account and an offsetting liability account "Funds held on behalf of another." It is Foundations' policy to recognize the fair value of the investment received and any subsequent changes in the investment, and an offsetting liability until the funds are distributed or returned.

Functional Expenses and Cost Allocation - The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated may include personnel expenses, development and fundraising expenses, and operations expenses. These expenses, if any, are allocated on the basis of time and effort spent in the applicable functions and are determined by Foundations' management.

Subsequent Events - In preparing these financial statements, management has evaluated subsequent events through February 22, 2023, which represents the date the financial statements were available to be issued. There are no subsequent events that require disclosure.

NOTE 3 - CONCENTRATIONS

Cash and Cash Equivalents

Foundations maintains a single bank account with one local financial institution. Accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, during the year the balance may exceed federally insured limits. Foundations has not experienced any losses on such an account.

Investments

Foundations investments include a diversified portfolio of securities managed by professional investment advisors, designed to minimize market concentration risks.

Contributions Receivable

Credit risk for contributions revenues and contributions receivable is concentrated as well because substantially all of the balances are from either affiliated organizations, or individuals located within the same geographic region.

Notes to the Financial Statements (continued)

NOTE 4 - LIQUIDITY AND AVAILABILITY OF RESOURCES

Foundations financial assets available within one-year of June 30 for general expenditure are as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 73,018	\$ 208,977
Investments	4,726,611	3,130,833
Contributions receivable, net (due within one-year)	<u>385,014</u>	<u>637,342</u>
Total financial assets	5,184,643	3,977,152
Less amounts not available to be used within one year:		
Funds held on behalf of another	(500,000)	-
Net assets with donor restrictions	<u>(4,897,481)</u>	<u>(4,152,226)</u>
Financial assets available to management to meet general expenditures within one year	<u>\$ (212,838)</u>	<u>\$ (175,074)</u>

Liquidity Management

Foundations operates within a balanced budget and is in the process of seeking unrestricted revenue to cover general expenditures and eliminate the deficit in net assets without donor restrictions.

NOTE 5 - CONTRIBUTIONS RECEIVABLE

Contributions receivable, net, consist of the following unconditional promises to give from individual donors at June 30:

	<u>2022</u>	<u>2021</u>
Amounts expected to be received in:		
Less than one year	\$ 385,014	\$ 637,342
One to four years	<u>1,540,054</u>	<u>2,549,364</u>
	1,925,068	3,186,706
Less: discount to net present value	<u>(19,068)</u>	<u>(31,551)</u>
Contributions receivable, net	<u>\$ 1,906,000</u>	<u>\$ 3,155,155</u>

Contributions that are expected to be collected after one year have been discounted at .5% and are reflected in the financial statements at their net present value.

Contributions receivable represent amounts due from We Stand With Christ, Inc., a Diocesan-wide campaign benefiting the parishes within the Diocese and its three Foundations: Foundations in Faith, Inc., Foundations in Charity, Inc., and Foundations in Education, Inc.

Notes to the Financial Statements (continued)

NOTE 6 - FAIR VALUE MEASUREMENTS

The Financial Accounting Standards Board (“FASB”) Topic 820, under the FASB Accounting Standards Codification (“ASC”) defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This standard provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the respective asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is categorized into three levels based on the transparency of inputs as follows:

- Level 1** - Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.
- Level 2** - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities includes investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed. Also included in Level 2 are investments measured using a net asset value (“NAV”) per share, or its equivalent, which may be redeemed at NAV at the date of the statement of financial position or in the near term, which Foundations has determined to be within 90 days.
- Level 3** - Assets that have little to no pricing observability as of the report date. These assets are measured using management’s best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation. Also included in Level 3 are investments measured using a NAV per share, or its equivalent, which can never be redeemed at NAV or for which redemption at NAV is uncertain due to lockup periods or other investment restrictions.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes “observable” requires significant judgment by Foundations.

Notes to the Financial Statements (continued)

NOTE 6 - FAIR VALUE MEASUREMENTS (continued)

Foundations consider observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to Foundations perceived risk of that instrument. Foundations' policy is to recognize transfers in and transfers out of levels at the end of the reporting period.

The following is a description of the valuation methodologies used for assets measured at fair value at June 30, 2022 and 2021:

Money Market Funds - Money market funds are valued at the quoted net asset value of shares reported in the active market in which money market funds are traded.

Equity and Bond Mutual Funds - Equity and bond mutual funds are valued at the quoted net asset value of shares held by Foundations at year-end.

There have been no changes in the methodologies used at June 30, 2022 and 2021.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Foundations believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Assets Measured at Fair-Value on a Recurring Basis - The following is a summary of the source of fair-value measurements (all Level 1 investments) for assets that are measured at fair-value on a recurring basis as of June 30:

	<u>2022</u>	<u>2021</u>
Money market funds	\$ 57,625	\$ 21,992
Equity mutual funds	3,537,217	2,367,632
Bond mutual funds	1,131,769	741,209
	<u>\$ 4,726,611</u>	<u>\$ 3,130,833</u>

Investment return consists of the following at June 30:

	<u>2022</u>	<u>2021</u>
Dividend and interest	\$ 169,384	\$ 58,845
Net realized (loss) gain	(225,287)	25,844
Net unrealized (loss) gain	(486,556)	174,528
Total investment (loss) gain	(542,459)	259,217
Less: investment expenses	(1,861)	(574)
Investment return, net	<u>\$ (544,320)</u>	<u>\$ 258,643</u>

Notes to the Financial Statements (continued)

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes or time periods at June 30:

	<u>2022</u>	<u>2021</u>
Restricted in perpetuity:		
Endowment funds restricted in perpetuity		
WSWC Capital Campaign	<u>\$ 6,723,212</u>	<u>\$ 6,442,947</u>
Purpose restricted:		
Accumulated (loss) gain and income on		
donor-restricted endowment assets	<u>(285,677)</u>	<u>258,643</u>
Total purpose restricted	<u>(285,677)</u>	<u>258,643</u>
Total Net Assets With Donor Restrictions	<u><u>\$ 6,437,535</u></u>	<u><u>\$ 6,701,590</u></u>

NOTE 8 - ENDOWMENT

Foundations endowment includes only donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The Board of Trustees of Foundations has interpreted the Connecticut Prudent Management of Institutional Funds Act (CTPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, Foundations classifies as restricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (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.

The portion of the endowment fund that is not classified as net assets with donor restrictions in perpetuity is classified as net assets with donor restrictions for future periods until those amounts are appropriated for expenditure by Foundations in a manner consistent with the standard of prudence prescribed by CTPMIFA.

Notes to the Financial Statements (continued)

NOTE 8 - ENDOWMENT (continued)

In accordance with CTPMIFA, Foundations considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of Foundations and the donor-restricted endowment fund
- The investment policies of Foundations
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of Foundations

Net Assets - Endowment net assets (all with donor restrictions) are as follows as of June 30:

	<u>2022</u>	<u>2021</u>
Endowment funds	<u>\$ 6,437,535</u>	<u>\$ 6,701,590</u>

Changes in endowment net assets (all with donor restrictions) for the year ended June 30, 2022 and 2021 are as follows:

Endowment net assets - June 30, 2020	\$ 6,668,389
Contributions	312,745
Investment return, net	258,643
Other change in endowment for uncollectible contributions receivable	<u>(538,187)</u>
Endowment net assets - June 30, 2021	6,701,590
Contributions	280,265
Investment return, net	<u>(544,320)</u>
Endowment net assets - June 30, 2022	<u>\$ 6,437,535</u>

At June 30, 2021, funds with original gift value of \$6,701,590, and a fair value of \$6,477,410 were reported in net assets with donor restrictions. During the year ended June 30, 2021, the Board of Trustees recorded an adjustment of \$538,187 for uncollectible contributions receivable included in endowment funds, which resulted in a deficiency in the fund of \$224,180.

At June 30, 2022, funds with original gift value of \$6,437,535, fair value of \$6,204,561, and a deficiency of \$232,974 were reported in net assets with donor restrictions.

Notes to the Financial Statements (continued)

NOTE 8 - ENDOWMENT (continued)

Funds with Deficiencies - From time to time, the fair value of investments associated with donor-restricted endowment funds may fall below the level that the donor or CTPMIFA requires Foundations to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in net assets with donor restrictions.

Return Objectives and Risk Parameters - Foundations has adopted an investment policy for endowment assets with the objective of achieving investment results over the long term that compare favorably with those of other endowments, professionally managed portfolios, and appropriate benchmark indices. All investments are invested in accordance with the investment policy.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, Foundations engages a professional investment advisor and has adopted a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Consistent with that strategy, Foundations targets a diversified asset allocation emphasizing long-term investment performance and targets 70% to equity-type investments, 24% to fixed income, and 6% to real estate.

Spending Policy and How the Investment Objectives Relate to Spending Policy - Foundations Board of Trustees has approved a spending policy that evaluates an annual spending target of 4.00% of the average quarterly ending market value over the preceding twelve quarters. This is consistent with Foundations 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.