

Foundations in Education, Inc.

**Financial Statements with Independent Auditor's Report**

Years Ended June 30, 2021 and 2020

# CONTENTS

|   | <u>Page</u> |
|---|-------------|
| Independent Auditor's Report .....      | 1           |
| Financial Statements:                   |             |
| Statements of Financial Position .....  | 3           |
| Statements of Activities.....           | 4           |
| Statements of Functional Expenses ..... | 5           |
| Statements of Cash Flows.....           | 6           |
| Notes to the Financial Statements.....  | 7           |

## Independent Auditor's Report

To the Board of Trustees  
Foundations in Education, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of Foundations in Education, Inc., (a nonprofit corporation), 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Foundations in Education, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Nanavaty, Davenport, Studley & White, LLP*

February 9, 2022

Foundations in Education, Inc.

**Statements of Financial Position**

As of June 30,

| <u>ASSETS</u>   | <u>2021</u>         | <u>2020</u>         |
|---|---------------------|---------------------|
| Cash and cash equivalents                                   | \$ 6,809,233        | \$ 7,004,932        |
| Investments   | 23,361,192          | 17,543,735          |
| Contributions receivable, net                               | 5,265,839           | 5,580,288           |
| Due from The Bridgeport Roman Catholic Diocesan Corporation | 500,756             | 185,882             |
| Due from Foundations in Faith, Inc.                         | -                   | 510,019             |
| Other assets  | -                   | 10,655              |
| Total Assets  | <u>\$35,937,020</u> | <u>\$30,835,511</u> |

LIABILITIES AND NET ASSETS

|                                       |                     |                     |
|---------------------------------------|---------------------|---------------------|
| Liabilities:                          |                     |                     |
| Accounts payable and accrued expenses | \$ 18,296           | \$ 24,471           |
| Scholarships payable                  | 3,619,465           | 2,720,000           |
| Grants payable                        | 97,024              | 137,502             |
| Deferred revenue                      | -                   | 34,166              |
| Note payable                          | -                   | 63,717              |
| Total Liabilities                     | <u>3,734,785</u>    | <u>2,979,856</u>    |
| Net Assets:                           |                     |                     |
| Without donor restrictions            | 1,896,075           | 1,095,482           |
| With donor restrictions               | 30,306,160          | 26,760,173          |
| Total Net Assets                      | <u>32,202,235</u>   | <u>27,855,655</u>   |
| Total Liabilities and Net Assets      | <u>\$35,937,020</u> | <u>\$30,835,511</u> |

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

Foundations in Education, Inc.

**Statements of Activities**

Years Ended June 30,

|   | 2021                |                      |                      | 2020                |                      |                      |
|---|---------------------|----------------------|----------------------|---------------------|----------------------|----------------------|
|   | Without Donor       | With Donor           | Total                | Without Donor       | With Donor           | Total                |
|   | Restrictions        | Restrictions         |                      | Restrictions        | Restrictions         |                      |
| <b>Support and Revenues:</b>  |                     |                      |                      |                     |                      |                      |
| Contributions   | \$ 3,053,666        | \$ 943,539           | \$ 3,997,205         | \$ 925,376          | \$ 1,056,089         | \$ 1,981,465         |
| Contributions from We Stand with Christ, Inc.                         | -                   | 384,105              | 384,105              | -                   | 1,728,287            | 1,728,287            |
| Contributions from The Bridgeport Roman Catholic Diocesan Corporation | 556,516             | 500,000              | 1,056,516            | 1,249,243           | 190,702              | 1,439,945            |
| Special events  | 683,569             | 210,000              | 893,569              | -                   | -                    | -                    |
| Investment return, net  | 663                 | 5,608,137            | 5,608,800            | 10,106              | (39,090)             | (28,984)             |
| Other revenue   | 65,873              | -                    | 65,873               | -                   | -                    | -                    |
| Total support and revenues  | 4,360,287           | 7,645,781            | 12,006,068           | 2,184,725           | 2,935,988            | 5,120,713            |
| <b>Net Assets Released From Restrictions</b>                          | 4,099,794           | (4,099,794)          | -                    | 2,645,589           | (2,645,589)          | -                    |
| <b>Expenses:</b>  |                     |                      |                      |                     |                      |                      |
| Program services  | 6,696,858           | -                    | 6,696,858            | 4,699,318           | -                    | 4,699,318            |
| Management and general  | 172,389             | -                    | 172,389              | 204,652             | -                    | 204,652              |
| Development and fundraising   | 163,519             | -                    | 163,519              | 119,545             | -                    | 119,545              |
| Total expenses  | 7,032,766           | -                    | 7,032,766            | 5,023,515           | -                    | 5,023,515            |
| Change in net assets before other change                              | 1,427,315           | 3,545,987            | 4,973,302            | (193,201)           | 290,399              | 97,198               |
| <b>Other Change in Net Assets:</b>                                    |                     |                      |                      |                     |                      |                      |
| Change in estimate for uncollectible contributions receivable         | (626,722)           | -                    | (626,722)            | -                   | -                    | -                    |
| Other change in net assets  | (626,722)           | -                    | (626,722)            | -                   | -                    | -                    |
| Total change in net assets  | 800,593             | 3,545,987            | 4,346,580            | (193,201)           | 290,399              | 97,198               |
| <b>Net assets at the beginning of the year</b>                        | 1,095,482           | 26,760,173           | 27,855,655           | 1,288,683           | 14,058,081           | 15,346,764           |
| Transfer of net assets from Foundations in Faith, Inc.                | -                   | -                    | -                    | -                   | 12,411,693           | 12,411,693           |
| <b>Net assets at the end of the year</b>                              | <b>\$ 1,896,075</b> | <b>\$ 30,306,160</b> | <b>\$ 32,202,235</b> | <b>\$ 1,095,482</b> | <b>\$ 26,760,173</b> | <b>\$ 27,855,655</b> |

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

Foundations in Education, Inc.

Statements of Functional Expenses

Years Ended June 30,

|                                  | 2021                |                        |                             |                     | 2020                |                        |                             |                     |
|----------------------------------|---------------------|------------------------|-----------------------------|---------------------|---------------------|------------------------|-----------------------------|---------------------|
|                                  | Program Services    | Management and General | Development and Fundraising | Total Expenses      | Program Services    | Management and General | Development and Fundraising | Total Expenses      |
| Scholarships                     | \$ 4,765,402        | \$ -                   | \$ -                        | \$ 4,765,402        | \$ 2,745,812        | \$ -                   | \$ -                        | \$ 2,745,812        |
| Innovation and leadership grants | 1,173,305           | -                      | -                           | 1,173,305           | 1,799,317           | -                      | -                           | 1,799,317           |
| We Stand With Christ grants      | 612,122             | -                      | -                           | 612,122             | -                   | -                      | -                           | -                   |
| Salaries and benefits            | 145,049             | 121,528                | 125,447                     | 392,024             | 130,341             | 132,649                | 92,303                      | 355,293             |
| Professional fees                | -                   | 33,138                 | -                           | 33,138              | -                   | 33,039                 | 3,300                       | 36,339              |
| Fundraising event - gala         | -                   | -                      | 26,704                      | 26,704              | -                   | -                      | 15,375                      | 15,375              |
| Marketing                        | 600                 | 5,913                  | 7,585                       | 14,098              | -                   | 4,471                  | 750                         | 5,221               |
| Printing                         | -                   | 3,111                  | 2,961                       | 6,072               | 8,936               | 22,476                 | -                           | 31,412              |
| Office supplies                  | -                   | 3,601                  | -                           | 3,601               | -                   | 6,696                  | -                           | 6,696               |
| Professional development         | -                   | 3,105                  | -                           | 3,105               | -                   | 3,600                  | -                           | 3,600               |
| Miscellaneous                    | -                   | 1,993                  | -                           | 1,993               | -                   | 1,531                  | -                           | 1,531               |
| Software license fee             | -                   | -                      | 822                         | 822                 | -                   | -                      | 7,817                       | 7,817               |
| Other events                     | 380                 | -                      | -                           | 380                 | 14,912              | -                      | -                           | 14,912              |
| Office equipment                 | -                   | -                      | -                           | -                   | -                   | 190                    | -                           | 190                 |
|                                  | <u>\$ 6,696,858</u> | <u>\$ 172,389</u>      | <u>\$ 163,519</u>           | <u>\$ 7,032,766</u> | <u>\$ 4,699,318</u> | <u>\$ 204,652</u>      | <u>\$ 119,545</u>           | <u>\$ 5,023,515</u> |

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

**Statements of Cash Flows**

Years Ended June 30,

|  | <u>2021</u>        | <u>2020</u>         |
|--|--------------------|---------------------|
| <b>Cash flows from operating activities:</b>   |                    |                     |
| Change in net assets   | \$4,346,580        | \$ 97,198           |
| Adjustments to reconcile change in net assets<br>to net cash provided by operating activities:       |                    |                     |
| Net (appreciation) depreciation in fair value of securities  | (4,210,062)        | 696,559             |
| In-kind donations of securities  | (64,366)           | (40,550)            |
| Change in operating assets and liabilities:  |                    |                     |
| Decrease in contributions receivable   | 314,449            | 6,442,990           |
| Net (increase) decrease in amounts due from/to The<br>Bridgeport Roman Catholic Diocesan Corporation | (314,874)          | 705,349             |
| Net decrease (increase) in amounts due from Foundations in Faith, Inc.                               | 510,019            | (510,019)           |
| Decrease (increase) in other assets  | 10,655             | (10,488)            |
| Decrease in accounts payable and accrued expenses  | (6,175)            | (15,349)            |
| Increase in scholarships payable   | 899,465            | 253,550             |
| (Decrease) increase in grants payable  | (40,478)           | 137,502             |
| (Decrease) increase in deferred revenue  | (34,166)           | 34,166              |
| <b>Net cash provided by operating activities</b>   | <u>1,411,047</u>   | <u>7,790,908</u>    |
| <b>Cash flows from investing activities:</b>   |                    |                     |
| Proceeds from sales of investments   | 4,396,142          | 8,060,855           |
| Purchases of investments   | <u>(5,939,171)</u> | <u>(12,924,895)</u> |
| <b>Net cash used in investing activities</b>   | <u>(1,543,029)</u> | <u>(4,864,040)</u>  |
| <b>Cash flows from financing activities:</b>   |                    |                     |
| Forgiveness of note payable  | (63,717)           | -                   |
| Proceeds from note payable   | -                  | 63,717              |
| <b>Net cash (used in) provided by financing activities</b>   | <u>(63,717)</u>    | <u>63,717</u>       |
| <b>Net (decrease) increase in cash and cash equivalents</b>  | (195,699)          | 2,990,585           |
| <b>Cash and cash equivalents at beginning of year</b>  | <u>7,004,932</u>   | <u>4,014,347</u>    |
| <b>Cash and cash equivalents at end of year</b>  | <u>\$6,809,233</u> | <u>\$ 7,004,932</u> |

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



**Notes to the Financial Statements**

**NOTE 1 - ORGANIZATION**

Foundations in Education, Inc. ("Foundations") is a Connecticut nonprofit, non-stock corporation formed in July 2015 by The Bridgeport Roman Catholic Diocesan Corporation, Inc. (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 Catholic education in diocesan schools throughout Fairfield County. The mission of Foundations is to strengthen and transform the mission of Catholic education in the Diocese of Bridgeport by:

- Providing scholarship assistance to families in need.
- Promoting innovation in academic and extra-curriculum programs.
- Fostering opportunities for the professional development of school leaders in innovation and leadership.

**Scholarships, Innovation and Leadership Grants**

Foundations provides the following:

Scholarships

- Bishop's Scholarship Fund provides tuition assistance to low-income K-8 students, so they may attend Diocese of Bridgeport Catholic Schools.
- Other scholarship funds as designated by various donors.

Innovation and Leadership Grants

- Innovation and Leadership Grants program promotes excellence in teaching by providing educators in Diocese of Bridgeport Catholic Schools a competitive grant program to support innovative programs in the classroom and leadership development.
- Other Innovation Grants for transformative educational initiatives as designated by various donors.

**Notes to the Financial Statements (continued)**

**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 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 has 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 the trade date basis. Interest income is recorded on the 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.

**Revenue Recognition** - Foundations adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 605), as management believes the standard improves the usefulness and understandability of its financial statements. Analysis of various provisions of this standard resulted in no significant changes in the way the organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

**Notes to the Financial Statements (continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 donor 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.

Foundations records special events revenue equal to the fair value of direct benefits to donors and contribution income for the excess received when the event takes place.

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 current 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 \$626,722 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.

**Scholarships and Grants Payable** - Foundations makes awards for scholarships, education, and innovation in teaching and leadership. The minimum amount for which Foundations is obligated is recorded upon the board of trustees' approval. Scholarships and grants that are expected to be paid within one year are recorded as liabilities at their full value. Scholarships and grants 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 awards 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 not-for-profit 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 recognizes 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 prior to 2017.

**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 include personnel expenses, area and program expenses, and operations expenses. These expenses are allocated on the basis of time and effort spent in the applicable functions and are determined by Foundations management.

**Deferred Revenue** - Deferred revenue consists of funds received in advance for special events, which will be recognized as revenue when the related events are held.

**Reclassifications** - Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These reclassifications have no effect on previously reported change in net assets.

**Subsequent Events** - In preparing these financial statements, management has evaluated subsequent events through February 9, 2022, 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.

*Investments*

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

*Contributions Receivable*

Contributions receivable are generally from donors who have previously contributed to Foundations, and, therefore, management considers the pledges to represent minimal credit risk. 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.

**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>2021</u>         | <u>2020</u>         |
|--|---------------------|---------------------|
| Cash and cash equivalents  | \$ 6,809,233        | \$ 7,004,932        |
| Investments  | 23,361,192          | 17,543,735          |
| Contributions receivable, net (due within one-year)  | 1,562,286           | 1,290,264           |
| Due from The Bridgeport Roman Catholic Diocesan Corporation                                    | 500,756             | 185,882             |
| Due from Foundations in Faith, Inc.  | -                   | 510,019             |
| Other assets   | -                   | 10,655              |
| Total financial assets   | <u>32,233,467</u>   | <u>26,545,487</u>   |
| Less: amounts not available to be used within one year:  |                     |                     |
| Net assets with donor restrictions   | <u>(30,306,160)</u> | <u>(26,760,173)</u> |
| Total financial assets available to management to meet<br>general expenditures within one year | <u>\$ 1,927,307</u> | <u>\$ (214,686)</u> |

*Liquidity Management*

Foundations maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition to financial assets available to meet general expenditures over the next 12 months, Foundations operates within a balanced budget and anticipates sufficient revenue to cover general expenditures.

**NOTE 5 - CONTRIBUTIONS RECEIVABLE**

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

|                                      | <u>2021</u>         | <u>2020</u>         |
|--------------------------------------|---------------------|---------------------|
| Amounts expected to be collected in: |                     |                     |
| Less than one year                   | \$ 1,562,286        | \$ 1,290,264        |
| One to four years                    | <u>3,783,752</u>    | <u>4,352,349</u>    |
|                                      | 5,346,038           | 5,642,613           |
| Less: discount to net present value  | <u>(80,199)</u>     | <u>(62,325)</u>     |
| Contributions receivable, net        | <u>\$ 5,265,839</u> | <u>\$ 5,580,288</u> |

Contributions that are expected to be collected after one year have been discounted at .5% to 1.5% and are reflected in the financial statements at their net present value.

Included in contributions receivable above are \$3,816,524 and \$5,056,044 for June 30, 2021 and 2020, respectively, representing amounts from We Stand With Christ, Inc. (“WSWC”). The funds are from a Diocesan-wide campaign benefitting 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, that 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, that 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 considers observable data to be that 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, 2021 and 2020:

**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.

**Common stocks** - these items are valued at the closing price reported in the active market in which the individual securities 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, 2021 and 2020.

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>2021</u>          | <u>2020</u>          |
|---------------------|----------------------|----------------------|
| Money market funds  | \$ 1,040,262         | \$ 975,383           |
| Common stocks       | 3,010                | -                    |
| Equity mutual funds | 17,686,576           | 12,921,250           |
| Bond mutual funds   | 4,631,344            | 3,647,102            |
| Total investments   | <u>\$ 23,361,192</u> | <u>\$ 17,543,735</u> |

**Notes to the Financial Statements (continued)**

**NOTE 7 - NOTE PAYABLE**

On April 27, 2020, Foundations received loan proceeds in the amount of \$63,717 under the Paycheck Protection Program (“PPP Loan”). The PPP Loan, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loan and accrued interest are forgivable after eight or twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, as described in the CARES Act. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period. The loan was forgiven on May 12, 2021, and has been recognized as income in other revenue in the statement of activities.

**NOTE 8 - RELATED PARTY TRANSACTIONS**

Foundations has recorded amounts due from the Diocese totaling \$500,756 and \$185,882 at June 30, 2021 and 2020, respectively, representing contributions from the Annual Catholic Appeal.

The Diocese contributed \$1,056,516 and \$1,439,945 for the year ended June 30, 2021 and 2020, respectively, in donations received towards scholarships. Foundations has a participation agreement with the Diocese to provide accounting, legal, human resources, and other services for \$20,000 per year. During the year ended June 30, 2021 and 2020, Foundations reimbursed the Diocese \$55,760 and \$5,500, respectively, for expenses incurred on behalf of Foundations.

**NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS**

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

|  | <u>2021</u>          | <u>2020</u>          |
|--|----------------------|----------------------|
| Restricted in perpetuity:                |                      |                      |
| Endowment funds restricted in perpetuity |                      |                      |
| Diocesan High School Funds               | \$ 10,702,981        | \$ 10,702,981        |
| WSWC Capital Campaign                    | 3,250,701            | 3,250,701            |
|  | <u>13,953,682</u>    | <u>13,953,682</u>    |
| Purpose restricted:                      |                      |                      |
| Diocesan High School Funds               | 5,854,190            | 1,999,137            |
| Designated scholarships and grants       | 4,392,386            | 4,760,076            |
| Leaders of Tomorrow scholarships         | 231,591              | 151,208              |
| Pathways grant                           | 107,716              | 125,000              |
|  | <u>10,585,883</u>    | <u>7,035,421</u>     |
| Time restricted:                         |                      |                      |
| Designated scholarships and grants       | 5,766,595            | 5,771,070            |
| Total Net Assets With Donor Restrictions | <u>\$ 30,306,160</u> | <u>\$ 26,760,173</u> |



**Notes to the Financial Statements (continued)**

**NOTE 10 - NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets were released from donor restrictions by incurring expenses satisfying the restrictions as follows during the year ended June 30:

|  | <u>2021</u>         | <u>2020</u>         |
|--|---------------------|---------------------|
| Purpose restricted:                                  |                     |                     |
| Diocesan High School Fund                            | \$ 1,366,466        | \$ 400,000          |
| Designated scholarships and grants                   | 538,307             | 454,176             |
| Leaders of Tomorrow scholarships                     | 616,799             | 231,667             |
| Innovations and Leadership                           | 17,284              | -                   |
|  | <u>2,538,856</u>    | <u>1,085,843</u>    |
| Time restricted:                                     |                     |                     |
| Designated scholarships and grants                   | 1,560,938           | 1,559,746           |
| Total Releases of Net Assets With Donor Restrictions | <u>\$ 4,099,794</u> | <u>\$ 2,645,589</u> |

**NOTE 11 - 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 (CIPMIFA) 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.

**Notes to the Financial Statements (continued)**

**NOTE 11 - ENDOWMENT (continued)**

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.

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) is as follows as of June 30:

|                        | <u>2021</u>          | <u>2020</u>          |
|------------------------|----------------------|----------------------|
| <b>Endowment funds</b> | <u>\$ 19,807,872</u> | <u>\$ 15,912,819</u> |

Changes in endowment net assets (all with donor restrictions) for the year ended June 30, 2021 and 2020 are as follows:

|   |                      |
|---|----------------------|
| <b>Endowment net assets - June 30, 2019</b> | \$ -                 |
| Endowment funds transferred in              | 12,411,693           |
| Investment return, net                      | (16,241)             |
| Contributions                               | 3,417,367            |
| Other transfers to endowment                | 500,000              |
| Appropriation of endowment assets           | <u>(400,000)</u>     |
| <b>Endowment net assets - June 30, 2020</b> | 15,912,819           |
| Investment return, net                      | 5,261,519            |
| Appropriation of endowment assets           | <u>(1,366,466)</u>   |
| <b>Endowment net assets - June 30, 2021</b> | <u>\$ 19,807,872</u> |

**Notes to the Financial Statements (continued)**

**NOTE 11 - 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 unrestricted net assets. There were no funds with deficiencies as of June 30, 2021 and 2020.

**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.

**NOTE 12 - RISKS AND UNCERTAINTY**

The recent COVID-19 outbreak has caused economic interruptions through mandated and voluntary closings of businesses and organizations throughout the United States. The extent of the impact of COVID-19 on Foundations operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impact on Foundations donors, employees, and vendors, all of which at present cannot be determined. Accordingly, the extent to which COVID-19 may impact Foundations financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.