

Foundations in Faith, Inc.

Financial Statements with Independent Auditor's Report

Years Ended June 30, 2020 and 2019

Foundations in Faith, Inc.

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Independent Auditor's Report

To the Board of Directors
Foundations in Faith, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Foundations in Faith, Inc., (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Faith, Inc. as of June 30, 2020 and 2019, 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 26, 2021

Statements of Financial Position

As of June 30,

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 503,750	\$ 111,538
Investments	18,871,923	26,725,889
Contributions receivable, net	7,381,081	10,333,482
Note receivable	1,389,124	1,389,124
Due from The Bridgeport Roman Catholic Diocesan Corporation	148,921	-
Interest receivable	-	16,905
Total assets	<u>\$ 28,294,799</u>	<u>\$ 38,576,938</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Liabilities:		
Accounts payable and accrued expenses	\$ 10,418	\$ 3,182
Distributions payable	519,198	1,340,226
Due to Foundations in Education, Inc.	510,019	-
Obligations due under split interest agreement	334,151	320,504
Total Liabilities	<u>1,373,786</u>	<u>1,663,912</u>
Net Assets:		
Without donor restrictions	-	-
With donor restrictions	26,921,013	36,913,026
Total Net Assets	<u>26,921,013</u>	<u>36,913,026</u>
Total Liabilities and Net Assets	<u>\$ 28,294,799</u>	<u>\$ 38,576,938</u>

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

Foundations in Faith, Inc.

Statements of Activities

Years Ended June 30,

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues:						
Contributions	\$ 210,000	\$ 323,665	\$ 533,665	\$ -	\$ 96,683	\$ 96,683
Contributions from We Stand With Christ	-	1,526,229	1,526,229	404,638	9,682,538	10,087,176
Other income	150,221	-	150,221	-	-	-
Investment return, net	-	1,112,352	1,112,352	-	1,345,838	1,345,838
Total support and revenues	<u>360,221</u>	<u>2,962,246</u>	<u>3,322,467</u>	<u>404,638</u>	<u>11,125,059</u>	<u>11,529,697</u>
Net assets released from restrictions	542,566	(542,566)	-	928,503	(928,503)	-
Expenses:						
Program services	836,698	-	836,698	1,284,062	-	1,284,062
Management and general	<u>66,089</u>	<u>-</u>	<u>66,089</u>	<u>49,079</u>	<u>-</u>	<u>49,079</u>
Total expenses	<u>902,787</u>	<u>-</u>	<u>902,787</u>	<u>1,333,141</u>	<u>-</u>	<u>1,333,141</u>
Change in net assets	-	2,419,680	2,419,680	-	10,196,556	10,196,556
Net assets at the beginning of the year	-	36,913,026	36,913,026	-	26,716,470	26,716,470
Transfer of net assets to Foundations in Education, Inc.	<u>-</u>	<u>(12,411,693)</u>	<u>(12,411,693)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets at the end of the year	<u>\$ -</u>	<u>\$ 26,921,013</u>	<u>\$ 26,921,013</u>	<u>\$ -</u>	<u>\$ 36,913,026</u>	<u>\$ 36,913,026</u>

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

Foundations in Faith, Inc.

Statements of Functional Expenses

Years Ended June 30,

	2020			2019		
	Program	Management and General	Total	Program	Management and General	Total
Mission parishes support	\$ 210,000	\$ -	\$ 210,000	\$ -	\$ -	\$ -
Elementary school support and programs	175,000	-	175,000	175,000	-	175,000
Religious education	160,000	-	160,000	119,500	-	119,500
Scholarships	123,842	-	123,842	49,924	-	49,924
Vocations and seminary education	95,000	-	95,000	95,000	-	95,000
Retired priests	40,000	-	40,000	40,000	-	40,000
Administrative expenses	-	33,929	33,929	-	12,916	12,916
Other programs	32,856	-	32,856	404,638	-	404,638
Professional fees	-	32,160	32,160	-	36,163	36,163
High school support and programs	-	-	-	400,000	-	400,000
Total expenses	<u>\$ 836,698</u>	<u>\$ 66,089</u>	<u>\$ 902,787</u>	<u>\$ 1,284,062</u>	<u>\$ 49,079</u>	<u>\$ 1,333,141</u>

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

Foundations in Faith, Inc.

Statements of Cash Flows

Year Ended June 30,

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,419,680	\$ 10,196,556
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized and unrealized gain on investments	(138,462)	(826,628)
Decrease (increase) in contribution receivable, net	2,952,401	(9,844,511)
Increase in amounts due from The Bridgeport Roman Catholic Diocesan Corporation	(148,921)	-
Decrease (increase) in interest receivable	16,905	(7,644)
Increase (decrease) in accounts payable and accrued expenses	7,236	(15,283)
(Decrease) increase in distributions payable	(821,028)	383,138
Increase in amounts due to Foundations in Education, Inc.	510,019	-
Increase (decrease) in obligations due under split interest agreement	13,647	(69,255)
Net cash provided by (used in) operating activities	<u>4,811,477</u>	<u>(183,627)</u>
Cash flows from investing activities:		
Proceeds from sale of investments, net of transfer to Foundations in Education, Inc.	228,521	36,945,692
Purchases of investments	(4,647,786)	(36,940,787)
Net cash (used in) provided by investing activities	<u>(4,419,265)</u>	<u>4,905</u>
Net increase (decrease) in cash	392,212	(178,722)
Cash and cash equivalents at beginning of year	111,538	290,260
Cash and cash equivalents at end of year	<u>\$ 503,750</u>	<u>\$ 111,538</u>

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

Notes to the Financial Statements

NOTE 1 - ORGANIZATION

Foundations in Faith, Inc. ('Foundations'), formerly Faith in the Future Fund, Inc., is a Connecticut nonprofit, non-stock corporation formed in February 1996 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 Directors.

Foundations was incorporated to raise, manage and administer funds, endowments and trusts to support and assist programs, operations and initiatives related to Diocesan pastoral needs. These needs include Catholic education, vocation and seminary education, priests' residence and retirement, faith formation and youth and young adult ministry, pastoral services for the elderly, parish evangelization efforts in parishes and schools, and individuals with disabilities.

The Foundations board approved the following endowment and other funds to fulfill its mission:

Diocesan High School Fund – to provide scholarships and financial stability to the five diocesan high schools. This fund for active Diocesan high schools was transferred to Foundations in Education during the year as part of the alignment of the three Diocesan foundations.

St. Elizabeth Ann Seton Education Fund – to provide special resources and help keep tuition affordable within Diocesan elementary schools.

The St. Charles Borromeo Seminary Fund – to support the cost of educating and forming young men for the Catholic priesthood within the Diocese.

St. John Vianney Retired Priest Fund – to meet the future care needs of retired priests who have faithfully served the people of God within the Diocese.

St. John Paul II Fund for Faith Formation – to support the work of faith formation and youth and young adult ministry, including parish religious education throughout the Diocese.

The Lourdes Pastoral Care Fund – to meet the growing need for pastoral care services for the elderly within the nursing homes of St. Joseph Center, St. Camillus Center and St. John Paul II Center. This fund currently has no endowments.

The Saint Therese Evangelization Fund – to increase participation in parish life and support the ongoing evangelization efforts on both the parish and Diocesan level. This fund currently has no endowments.

St. Catherine Center for Special Needs Fund – to support the mission of the Center as it provides pastoral and educational support for individuals with disabilities. This fund currently has no endowments.

St. Francis Xavier Fund – to provide resources to missionary parishes that are deemed vital to the Diocese, vibrant in their leadership and ministries yet struggle with economic burdens. This fund is supported from donor restricted contributions.

St. John Bosco Fund – to support children with special educational needs in our Catholic elementary and high schools. This fund currently has no endowments.

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 Directors. 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 Directors.

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. Other donor restrictions consist of funds that are subject to donor-imposed restrictions of gift instruments requiring that the principal be invested in perpetuity and the income be used for specific or general purposes. However, when restrictions on donor-restricted contributions are met in the same accounting period, such amounts are reported as part of without donor restriction net assets.

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 5 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 Foundations' gains and losses on investments bought and sold as well as held during the year.

Revenue recognition - Foundations has 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 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.

Intentions to give under various wills and trust agreements are recorded as bequests receivable when Foundations has an irrevocable right to the bequest and the proceeds are measurable.

Distributions Payable - Foundations makes distributions for pastoral needs of the Diocese. The minimum amount for which Foundations is obligated is recorded upon the Board of Directors' approval. Distributions 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.

Split-Interest Agreement - Foundations holds assets under a split-interest agreement consisting of an irrevocable trust for which Foundations serves as the trustee. The agreement provides for annual payments to the stipulated beneficiaries of all income earned on related investments. Assets held under this agreement are included in investments. As trustee, Foundations has recorded a liability for the present value of the estimated future obligations to the beneficiaries which approximates the fair value of the trust assets. The liability is adjusted during the term of the agreement for changes in the estimates of future payments.

The change in value of the split-interest agreement is an increase of \$13,647 and \$11,612 which are included in investment returns within the statement of activities for the years ended June 30, 2020 and 2019, respectively. Distributions of \$-0- and \$80,867 were made to organizations during the years ended June 30, 2020 and 2019, respectively. At June 30, 2020 and 2019, the amount of Foundations' obligations under this split-interest agreement totaled \$334,151 and \$320,504, respectively.

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 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 and Foundations believes that it is no longer subject to audits for years prior to 2016.

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 may be allocated include personnel 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 26, 2021, which represents the date the financial statements were available to be issued. There are no subsequent events that require disclosure.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES

Foundations financial assets available within one-year of the statements of financial position date for general expenditure are as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 503,750	\$ 111,538
Investments	18,871,923	26,725,889
Contributions receivable, net	7,381,081	10,333,482
Note receivable	1,389,124	1,389,124
Due from The Bridgeport Roman Catholic Diocesan Corporation	148,921	-
Interest receivable	-	16,905
Financial assets at year-end	<u>28,294,799</u>	<u>38,576,938</u>
Less amounts unavailable for general expenditures due to:		
Distributions payable	519,198	1,340,226
Due to Foundations in Education, Inc.	510,019	-
Obligations due under split interest agreement	334,151	320,504
Net assets with donor restrictions	<u>26,921,013</u>	<u>36,913,026</u>
	<u>28,284,381</u>	<u>38,573,756</u>
Total financial assets available to meet general expenditures within one year	<u>\$ 10,418</u>	<u>\$ 3,182</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 anticipates sufficient revenue to cover general expenditures.

Notes to the Financial Statements (continued)

NOTE 4 - SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

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.

NOTE 5 - 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.

Notes to the Financial Statements (continued)

NOTE 5 - FAIR VALUE MEASUREMENTS (continued)

Level 3 - Securities that have little to no pricing observability as of the report date. These securities 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. 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 Foundation’s perceived risk of that instrument.

Foundations’ policy is to recognize transfers in and transfers out of levels at the end of the reporting period.

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

<u>2020</u>				
<u>Investment Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income funds	\$ 4,445,520	\$ -	\$ -	\$ 4,445,520
Mutual funds	14,409,578	-	-	14,409,578
Alternative investments	-	-	16,825	16,825
Total Fair Value Measurements	<u>\$ 18,855,098</u>	<u>\$ -</u>	<u>\$ 16,825</u>	<u>\$ 18,871,923</u>

<u>2019</u>				
<u>Investment Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and money market funds	\$ 1,004	\$ -	\$ -	\$ 1,004
Fixed income funds	6,455,325	-	-	6,455,325
Mutual funds	20,159,268	-	-	20,159,268
Alternative investments	-	-	110,292	110,292
Total Fair Value Measurements	<u>\$ 26,615,597</u>	<u>\$ -</u>	<u>\$ 110,292</u>	<u>\$ 26,725,889</u>

There have been no changes in the methodologies used at June 30, 2020 and 2019.

Notes to the Financial Statements (continued)

NOTE 5 - FAIR VALUE MEASUREMENTS (continued)

Assets Measured at Fair-Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3) - The following is a summary of the changes in the balances of investments measured at fair-value on a recurring basis, using significant unobservable inputs for June 30:

	<u>Level 3 Investments</u>	
Balance at July 1, 2019 and 2018	\$ 110,292	\$ 115,493
Transfer to operating account	(78,389)	-
Total losses (realized and unrealized) included in the change in net assets	<u>(15,078)</u>	<u>(5,201)</u>
Balance at June 30, 2020 and 2019	<u>\$ 16,825</u>	<u>\$ 110,292</u>

Investment return consists of the following at June 30:

	<u>2020</u>	<u>2019</u>
Dividends and interest	\$ 986,568	\$ 603,542
Net realized gains	1,345,029	900,992
Net unrealized (loss) gains	(1,220,214)	(85,976)
Change in value of split-interest agreement	<u>13,647</u>	<u>11,612</u>
Total investment gains	1,125,030	1,430,170
Less: investment expenses	<u>(12,678)</u>	<u>(84,332)</u>
Investment return, net	<u>\$ 1,112,352</u>	<u>\$ 1,345,838</u>

NOTE 6 - RELATED PARTY TRANSACTIONS

Foundations has a participation agreement with the Diocese to provide accounting, legal, human resources, and other services for \$15,000 per year.

NOTE 7 - CONTRIBUTIONS RECEIVABLE

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

	<u>2020</u>	<u>2019</u>
Amounts expected to be collected in:		
Less than one year	\$ 1,513,576	\$ 2,287,609
One to four years	<u>5,941,032</u>	<u>8,150,437</u>
	7,454,608	10,438,046
Less: discount to net present value	<u>(73,527)</u>	<u>(104,564)</u>
Contributions receivable, net	<u>\$ 7,381,081</u>	<u>\$ 10,333,482</u>

Notes to the Financial Statements (continued)

NOTE 7 - CONTRIBUTIONS RECEIVABLE (continued)

Contributions receivable totaling \$-0- and \$250,000 for 2020 and 2019, respectively, are included within Net Assets With Donor Restrictions based on the donor's pledge agreement to support The St. John Paul II Fund for Faith Formation. The final \$250,000 payment of the donor's pledge agreement was paid in October 2019. Included in contributions receivable are \$28,318 for 2020, representing amounts for the Isabelle Farrington scholarship for high schools.

Also included in contributions receivable above are \$7,352,763 and \$10,083,482 for 2020 and 2019, respectively, representing amounts from We Stand With Christ, Inc. 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.

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.

NOTE 8 - NOTE RECEIVABLE

During January 2016, Foundations approved a loan to Trinity Catholic High School for field and capital improvements not to exceed \$1.9 million. Repayments of interest only at 4% on the outstanding balance was payable during the initial two years of the loan. Thereafter, annual interest and principal payments will be \$150,000 plus the amount distributed annually from Foundations. The outstanding balance is \$1,389,124 at June 30, 2020 and 2019, respectively.

Trinity Catholic High School ceased operations as of June 30, 2020. Subsequent to the closing of Trinity Catholic High School, the Diocese of Bridgeport has assumed responsibility for this loan that it previously guaranteed.

In June 2020, the Board of Directors approved extending the interest only period through June 30, 2021. Interest is accrued monthly. Interest payments totaling \$55,565 for fiscal years 2020 and 2019 were paid in full as of June 30, 2020 and 2019, respectively.

Notes to the Financial Statements (continued)

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
Restricted in perpetuity:		
Endowment funds restricted in perpetuity		
Diocesan High School Fund	\$ 2,513,609	\$ 12,549,923
St. Elizabeth Ann Seton Education Fund	4,321,792	4,321,792
St. Charles Borromeo Seminary Fund	2,250,668	2,149,422
St. John Vianney Retired Priest Fund	775,458	764,208
St. John Paul II Fund for Faith Formation	1,897,522	1,888,559
Board designated St. John Paul II Fund for Religious Education	274,066	274,066
Scholarships	1,200,941	1,176,591
Programs	10,212,335	9,682,538
Total funds restricted in perpetuity	<u>23,446,391</u>	<u>32,807,099</u>
Purpose restricted:		
Scholarships	-	7,802
Mission parishes support	1,290,000	-
Other	1,653	-
	<u>1,291,653</u>	<u>7,802</u>
Future periods:		
Accumulated gains and income on donor-restricted endowment assets restricted until appropriation for:		
Diocesan High School Fund	426,257	2,153,166
St. Elizabeth Ann Seton Education Fund	800,062	751,159
St. Charles Borromeo Seminary Fund	548,158	553,937
St. John Vianney Retired Priest Fund	164,225	129,017
St. John Paul II Fund for Faith Formation	242,502	292,557
Board designated St. John Paul II Fund for Religious Education	41,824	43,435
Scholarships	103,200	174,854
Accumulated losses on endowment funds	(143,259)	-
	<u>2,182,969</u>	<u>4,098,125</u>
	<u>\$ 26,921,013</u>	<u>\$ 36,913,026</u>

Net assets totaling \$542,566 and \$928,503 were released from restrictions by incurring expenses satisfying program expenses, grants and professional fees for the years ended June 30, 2020 and 2019, respectively.

Notes to the Financial Statements (continued)

NOTE 10 - 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 Directors 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.

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 asset composition by type of fund is as follows as of June 30, 2020:

	Without Donor Restriction	With Donor Restrictions	Total
Endowment funds	<u>\$ -</u>	<u>\$ 25,629,360</u>	<u>\$ 25,629,360</u>

Endowment net asset composition by type of fund is as follows as of June 30, 2019:

	Without Donor Restriction	With Donor Restrictions	Total
Endowment funds	<u>\$ -</u>	<u>\$ 36,905,224</u>	<u>\$ 36,905,224</u>

Notes to the Financial Statements (continued)

NOTE 10 - ENDOWMENT (continued)

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

	<u>Without Donor Restriction</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets - June 30, 2018	\$ -	\$ 26,708,668	\$ 26,708,668
Investment return, net	-	1,345,838	1,345,838
Contributions	-	9,779,221	9,779,221
Appropriation of endowment assets	-	(928,503)	(928,503)
Endowment net assets - June 30, 2019	<u>-</u>	<u>36,905,224</u>	<u>36,905,224</u>
Investment return, net	-	1,112,352	1,112,352
Contributions	-	558,241	558,241
Transfer of endowment net assets	-	(12,403,891)	(12,403,891)
Appropriation of endowment assets	-	(542,566)	(542,566)
Endowment net assets - June 30, 2020	<u>\$ -</u>	<u>\$ 25,629,360</u>	<u>\$ 25,629,360</u>

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. There were no funds with deficiencies as of June 30, 2020 and June 30, 2019.

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 Directors 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.

Notes to the Financial Statements (continued)

NOTE 11 - NET ASSET TRANSFERS

Foundations recognized net asset transfers totaling \$12,411,693 in the Statement of Activities for assets transferred to Foundations in Education, Inc. Foundations in Education, Inc. is a nonprofit organization that was originally established to promote and support Catholic education in diocesan schools throughout Fairfield County. The transfer occurred as part of an alignment of the three Diocesan foundations whereby Foundations transferred restricted net assets that it was managing for the active Diocesan high schools to Foundations in Education, Inc. Subsequent to year-end, \$510,019 which is included in the net asset transfer amount noted above was transferred to Foundations in Education, Inc.

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.