

**The Catholic  
Community Foundation  
of Santa Clara County**

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Financial Statements  
For the Years Ended  
December 31, 2019 and 2018



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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
The Catholic Community Foundation of Santa Clara County  
San Jose, California

We have audited the accompanying financial statements of The Catholic Community Foundation of Santa Clara County (a non-profit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Catholic Community Foundation of Santa Clara County as of December 31, 2019 and 2018, and the changes in net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Delucchi Hawn, LLP*

San Jose, California  
August 12, 2020

**THE CATHOLIC COMMUNITY FOUNDATION OF  
SANTA CLARA COUNTY**  
STATEMENTS OF FINANCIAL POSITION

	<u>Assets</u>	
	December 31,	
	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 568,343	\$ 534,017
Investments	81,516,089	51,919,570
Promises to give, net	5,842,166	408,696
Prepaid expenses	10,777	23,154
Other receivables	20,011	15,569
Deposit	4,100	4,100
	<u>\$ 87,961,486</u>	<u>\$ 52,905,106</u>

**Liabilities and Net Assets**

Liabilities:		
Accounts payable and accrued liabilities	\$ 119,843	\$ 113,944
Agency funds	116,839	99,144
Beneficial endowments	<u>29,459,027</u>	<u>9,109,051</u>
Total liabilities	<u>29,695,709</u>	<u>9,322,139</u>
Net assets:		
Without donor restrictions:		
Undesignated	12,535,291	8,326,047
Board designated	<u>25,488,983</u>	<u>22,423,910</u>
	38,024,274	30,749,957
With donor restrictions	<u>20,241,503</u>	<u>12,833,010</u>
	<u>58,265,777</u>	<u>43,582,967</u>
Total liabilities and net assets	<u>\$ 87,961,486</u>	<u>\$ 52,905,106</u>

See Notes to Financial Statements

**THE CATHOLIC COMMUNITY FOUNDATION OF SANTA CLARA COUNTY**  
**STATEMENTS OF ACTIVITIES**

	For the Years Ended					
	December 31, 2019			December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support						
Contributions	\$ 4,628,077	\$ 24,294,890	\$ 28,922,967	\$ 4,384,128	\$ 939,556	\$ 5,323,684
Less: amounts received for beneficial endowments	-	18,915,635	18,915,635	-	15,119	15,119
Net contributions	4,628,077	5,379,255	10,007,332	4,384,128	924,437	5,308,565
Interest and dividends, net	550,037	56,259	606,296	511,203	31,449	542,652
Realized and unrealized gains (losses) on investments, net	4,906,578	2,346,688	7,253,266	(2,865,234)	(1,258,706)	(4,123,940)
Special event, revenue	10,000	-	10,000	4,000	-	4,000
Special event, expense	(6,937)	-	(6,937)	(3,931)	-	(3,931)
Other income	11,537	-	11,537	1,140	470	1,610
Changes in donor restrictions	(73,350)	73,350	-	(193,500)	193,500	-
Net assets released from restrictions	447,059	(447,059)	-	400,887	(400,887)	-
	<u>10,473,001</u>	<u>7,408,493</u>	<u>17,881,494</u>	<u>2,238,693</u>	<u>(509,737)</u>	<u>1,728,956</u>
Grants and expenses						
Program	2,364,368	-	2,364,368	2,096,245	-	2,096,245
General and administrative	408,232	-	408,232	386,429	-	386,429
Development	426,084	-	426,084	452,968	-	452,968
Total expenses	<u>3,198,684</u>	<u>-</u>	<u>3,198,684</u>	<u>2,935,642</u>	<u>-</u>	<u>2,935,642</u>
Change in net assets	7,274,317	7,408,493	14,682,810	(696,949)	(509,737)	(1,206,686)
Net assets, beginning of year	<u>30,749,957</u>	<u>12,833,010</u>	<u>43,582,967</u>	<u>31,446,906</u>	<u>13,342,747</u>	<u>44,789,653</u>
Net assets, end of year	<u>\$ 38,024,274</u>	<u>\$ 20,241,503</u>	<u>\$ 58,265,777</u>	<u>\$ 30,749,957</u>	<u>\$ 12,833,010</u>	<u>\$ 43,582,967</u>

See Notes to Financial Statements

**THE CATHOLIC COMMUNITY FOUNDATION OF  
SANTA CLARA COUNTY**

**STATEMENT OF FUNCTIONAL EXPENSES**

For the Years Ended December 31, 2019

	Support Services				Total Expenses
	Program	Management and General	Development	Total Support Services	
Grants	\$ 2,249,533	\$ -	\$ -	\$ -	\$ 2,249,533
Salaries	81,484	179,423	279,900	459,323	540,807
Employee benefits	10,075	27,342	33,296	60,638	70,713
Legal and professional	2,896	52,031	6,756	58,787	61,683
Marketing	1,013	3,375	54,447	57,822	58,835
Financial and administrative	345	47,334	1,184	48,518	48,863
Payroll taxes	5,232	11,522	17,973	29,495	34,727
Computer expenses	5,953	38,052	13,889	51,941	57,894
Rent	4,786	15,956	11,168	27,124	31,910
Miscellaneous	-	12,981	-	12,981	12,981
Insurance	1,448	4,465	3,731	8,196	9,644
Telephone	-	3,925	-	3,925	3,925
Office supplies	709	2,363	1,654	4,017	4,726
Travel	-	5,997	-	5,997	5,997
Repair and maintenance	-	486	-	486	486
Printing and postage	894	2,980	2,086	5,066	5,960
	<u>\$ 2,364,368</u>	<u>\$ 408,232</u>	<u>\$ 426,084</u>	<u>\$ 834,316</u>	<u>\$ 3,198,684</u>

See Notes to Financial Statements

**THE CATHOLIC COMMUNITY FOUNDATION OF  
SANTA CLARA COUNTY**  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Years Ended December 31, 2018

	Support Services				Total Expenses
	Program	Management and General	Development	Total Support Services	
Grants	\$ 1,987,720	\$ -	\$ -	\$ -	\$ 1,987,720
Salaries	78,305	172,995	311,336	484,331	562,636
Employee benefits	8,847	24,316	32,982	57,298	66,145
Legal and professional	3,408	52,148	7,951	60,099	63,507
Marketing	828	2,759	51,766	54,525	55,353
Financial and administrative	336	34,243	1,337	35,580	35,916
Payroll taxes	4,737	10,465	18,834	29,299	34,036
Computer expenses	4,723	17,343	11,021	28,364	33,087
Rent	4,395	14,652	10,256	24,908	29,303
Uncollectible pledges	-	25,000	-	25,000	25,000
Miscellaneous	-	12,104	-	12,104	12,104
Insurance	1,500	4,584	4,111	8,695	10,195
Telephone	-	4,701	-	4,701	4,701
Office supplies	654	2,402	1,526	3,928	4,582
Travel	599	2,100	1,398	3,498	4,097
Repair and maintenance	-	3,667	-	3,667	3,667
Printing and postage	193	2,950	450	3,400	3,593
	<u>\$ 2,096,245</u>	<u>\$ 386,429</u>	<u>\$ 452,968</u>	<u>\$ 839,397</u>	<u>\$ 2,935,642</u>

See Notes to Financial Statements

**THE CATHOLIC COMMUNITY FOUNDATION OF  
SANTA CLARA COUNTY  
STATEMENTS OF CASH FLOWS**

	December 31,	
	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 14,682,810	\$ (1,206,686)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Net realized and unrealized (gains) losses on investments	(7,253,266)	4,123,940
Net unamortized discount on promises to give	(8,070)	(10,766)
Contributions restricted for long-term purposes	(5,088,384)	(990,974)
Changes in assets and liabilities:		
Promises to give, net	(5,425,399)	149,100
Prepaid expenses	12,377	(7,005)
Other receivable	(4,442)	(2,182)
Accounts payable and accrued liabilities	5,899	12,714
Beneficial interests payable, net	-	(29,240)
Agency funds	17,695	(9,528)
Beneficial endowments, net	20,349,976	(53,120)
Net cash provided by operating activities	17,289,196	1,976,253
Cash flows from investing activities:		
Proceeds from sale of investments	16,745,621	24,416,349
Purchase of investments	(39,088,875)	(26,941,992)
Net cash used by investing activities	(22,343,254)	(2,525,643)
Cash flows from financing activities:		
Contributions restricted for long-term purposes	5,088,384	990,974
Increase in cash and cash equivalents	34,326	441,584
Cash and cash equivalents, beginning of year	534,017	92,433
Cash and cash equivalents, end of year	\$ 568,343	\$ 534,017

See Notes to Financial Statements



**THE CATHOLIC COMMUNITY FOUNDATION OF  
SANTA CLARA COUNTY**  
STATEMENTS OF CASH FLOWS (CONTINUED)

	December 31,	
	2019	2018
<u>Cash paid during the year for:</u>		
Unrelated business income tax	\$ <u>6,815</u>	\$ <u>6,246</u>
<u>Supplemental disclosures of non-cash investing and financing transactions:</u>		
Investments received for beneficial endowments	\$ <u>1,914,110</u>	\$ <u>-</u>

See Notes to Financial Statements

# THE CATHOLIC COMMUNITY FOUNDATION OF SANTA CLARA COUNTY

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2019 and 2018

### **Note A - Organization**

#### Nature of Activities

The Catholic Community Foundation of Santa Clara County (the “Foundation”) was incorporated in March 2004 as a non-profit public benefit corporation. The Foundation develops, acquires, manages, and grants from endowed funds. These funds are designed to provide permanent financial support to parish, educational, religious, charitable, and other organizations comprising the Catholic Community of the county. In addition, we offer donor advised funds, tax advantaged vehicles allowing generous donors to execute their philanthropic strategy through the Foundation, granting to a broad range of non-profits whose work is in line with Catholic social teaching.

### **Note B - Summary of Significant Accounting Policies**

#### Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Fund Accounting

The accounts of the Foundation are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded by fund group. However, for the financial statements, transactions are reported by the net asset categories described below under “Net Assets.”

#### Functional Allocation of Expenses

Expenses are charged to program service and supporting activities based on periodic time and expense studies. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation. The expenses that are allocated primarily involve allocations based on estimate of time and effort.

# THE CATHOLIC COMMUNITY FOUNDATION OF SANTA CLARA COUNTY

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2019 and 2018

### **Note B - Summary of Significant Accounting Policies (Continued)**

#### Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

#### Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statements of Financial Position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

#### Investment Pools

The Foundation maintains master investment accounts for its donor-restricted endowments, board-designated endowments and donor advised funds. Realized and unrealized gains and losses from investments in the master investment accounts are allocated monthly to the individual funds based on the relationship of the market value of each fund to the total market value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

#### Promises to Give

Promises to give are either unconditional or conditional. Unconditional promises to give are promises that depend only on the passage of time or the demand by the promisee for performance, at which time the related revenue is recognized. A conditional promise to give is a promise that depends on the occurrence of a specified future and uncertain event to bind the promisee, at which time the revenue is recognized.

Promises to give include pledges and bequests and are recorded at fair value which requires management to reduce the contribution balance for amounts that are considered uncollectable at the time the contribution is recorded. In addition, if the promises to give will be satisfied in more than a year, the contributions have been discounted to present value.

Management establishes an allowance for uncollectible pledges that is based on management's analysis of the character of the pledges, current economic conditions and other such factors that deserve recognition in estimating losses. There was no allowance at December 31, 2019 and 2018.

One bequest comprised 88% of promise to give at December 31, 2019 and one pledge comprised 94% of promises to give at December 31, 2018.

# THE CATHOLIC COMMUNITY FOUNDATION OF SANTA CLARA COUNTY

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2019 and 2018

### Note B - Summary of Significant Accounting Policies (Continued)

#### Property and Equipment

Property and equipment are stated at cost or at their estimated fair value at date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Asset lives range from three to five years.

Additions and betterments are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred.

Property and equipment amounted to \$102,292 and was fully depreciated as of December 31, 2019 and 2018.

#### Net Assets

The net assets of the Foundation are reported in the following categories:

- *Net assets without donor restrictions* - Net assets available for use in general operations and not subject to donor restrictions. The board of directors has designated a portion of net assets without donor restrictions to board designated endowments and other board restrictions.
- *Net assets with donor restrictions* - Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### Revenue Recognition

On January 1, 2019, the Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue From Contracts with Customers (Topic 606) using the modified retrospective method applied to all contracts. There was no cumulative effect to opening net assets as of January 1, 2019 using the modified retrospective method. The adoption is not expected to have a material impact on future financial results, as the adoption did not change the recognition pattern for the Foundation's existing revenue streams.

The Foundation also adopted the provision of FASB ASU 2018-08, Not-for-Profit-Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, effective January 1, 2019, using the modified retrospective method. The adoption of this guidance did not have a significant impact on the financial statements.

# THE CATHOLIC COMMUNITY FOUNDATION OF SANTA CLARA COUNTY

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2019 and 2018

### **Note B - Summary of Significant Accounting Policies (Continued)**

#### Revenue Recognition (Continued)

Donor-restricted contributions are reported as increase in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. The Foundation has adopted the policy of reporting net assets released from restrictions upon completion of the donor purpose restrictions, regardless of whether the related cash has been received.

#### Fair Value Measurements

Generally accepted accounting principles require the Foundation to classify its financial assets and liabilities based on a valuation method using three levels. Level 1 value is based on quoted prices in active markets for identical securities. Level 2 values are based on significant observable market inputs, such as quoted prices for similar securities and quoted prices in inactive markets. Level 3 values are based on significant unobservable inputs that reflect the Foundation's determination of assumptions that market participants might reasonably use in valuing the securities. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying investments.

#### Fair Value of Financial Instruments

At December 31, 2019 and 2018, the carrying value of cash and cash equivalents approximate fair value due to the short term nature of these investments. The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

*Investments* – Investments, other than cash and cash equivalents, are carried at fair value. Publicly traded investments are valued at fair value based on quoted market prices. A substantial portion of the fair value measurements included within investments is provided to the Foundation by third parties and is not calculated by the Foundation. These valuations are based on the fair value based on quoted market prices, financial models of hypothetical transactions, or net asset value as determined by the fund manager. Some valuations may also be determined and approved by the managers or valuation committees of the funds in which the Foundation invests. The fair value assigned to a particular security by the fund management does not necessarily reflect the amount that would be realized. In addition, in light of the judgment involved in fair value decisions, there can be no assurance that a fair value assigned to a particular security by the fund management is accurate.

*Beneficial Endowments* – Carrying value, which approximates fair value, of obligations for beneficial endowments is based on the related fair values of investments discussed above and the beneficiaries' shares of the related investment assets. (See Note J)

# THE CATHOLIC COMMUNITY FOUNDATION OF SANTA CLARA COUNTY

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2019 and 2018

### **Note B - Summary of Significant Accounting Policies (Continued)**

#### Agency Funds

The Foundation manages and invests funds as an agent for a service organization within Santa Clara County Catholic Community. Deposits and withdrawals are made at the direction of the respective organization. Withdrawals are made no more than twice a year. Either party may cancel an agency agreement at any time with a 30-day written notice.

#### Reclassifications

Certain amounts were reclassified in the 2018 financial statements to conform to 2019 presentation. Such reclassifications had no impact on previously reported net assets or change in net assets.

#### Income Taxes

The Foundation is a not-for-profit corporation exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3), except as to unrelated business income. Additionally, the Foundation is exempt from state income taxes under similar tax regulations. The Foundation generates unrelated business taxable income through some of the investments they hold. The Foundation recorded unrelated business income tax expense of \$6,815 and \$6,246 for the years ending December 31, 2019 and 2018, respectively.

#### Recently Issued Accounting Pronouncements

The FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The FASB issued ASU 2020-05 in June 2020, deferring the effective date of the new leasing standard to years beginning after December 15, 2021. The Foundation is currently evaluating the impact of its pending adoption of the new standard on its financial statements for the lease agreements signed.

#### Concentrations

Cash, cash equivalents, and investments are exposed to interest rate, market, and credit risks. The Foundation maintains its cash and cash equivalents in various bank deposit accounts that, at times, exceeded amounts insured by the federally insured limits. To minimize risk, the Foundation's cash accounts are placed with high credit quality financial institutions and the Foundation's investment portfolio is diversified among a variety of asset categories, held by several investment managers.

Contributions from a board member comprised approximately 39%, and contribution from an individual comprised approximately 12% of contributions during the year ended December 31, 2019. Contributions from two individuals comprised approximately 41% during the year ended December 31, 2018.

**THE CATHOLIC COMMUNITY FOUNDATION OF SANTA CLARA COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

For the Years Ended December 31, 2019 and 2018

**Note C - Liquidity and Availability**

The following reflects the Foundation's financial assets as of the statement of financial position date, reduced by amounts not available for general expenditure within one year at December 31, 2018 and 2019:

	<u>2019</u>	<u>2018</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 568,343	\$ 534,017
Investments	81,516,089	51,919,562
Promise to give, current	5,635,400	100,000
Other receivables, without donor restriction	<u>14,635</u>	<u>14,393</u>
Total financial assets	<u>87,734,467</u>	<u>52,567,972</u>
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Donor designated endowment funds	19,518,132	12,282,213
Beneficial endowment funds	29,459,535	9,110,393
Agency funds	116,839	99,144
Others	75,697	165,632
Board designations:		
Board designated endowments not appropriated for expenditures	16,895,371	15,125,828
Other board designated restrictions	<u>7,184,684</u>	<u>6,202,071</u>
Total not available for general expenditures	<u>73,250,258</u>	<u>42,985,281</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$14,484,209</u>	<u>\$ 9,582,691</u>

The Foundation includes assets from donor advised funds (DAF) in financial assets available to meet general expenditures over the next twelve months because these do not have donor restrictions and are available to meet the Foundation's general expenditures, which predominately consist of grants. Assets from DAFs totaled \$12,678,263 and \$8,252,951 as of December 31, 2019 and 2018, respectively.

Financial assets are considered unavailable when illiquid or not convertible to cash within one year, assets held for others, endowments, and accumulated earnings net of appropriation within one year and board designated endowments.

In addition to these funds available for general expenditures, the Foundation charges management fees to all funds based on quarterly market value to cover general expenditures required to operate the Foundation.

**THE CATHOLIC COMMUNITY FOUNDATION OF SANTA CLARA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Years Ended December 31, 2019 and 2018

**Note D - Promises to Give**

Unconditional promises to give represent the remaining pledges due from the donors who have pledged funds to support the Foundation's mission as well as bequests.

Unconditional promises to give at December 31, 2019 and 2018 consist of the followings:

	2019	2018
Receivable in less than one year	\$ 5,635,400	100,000
Receivable in one to five years	214,500	324,500
Total unconditional promise to give	5,849,900	424,500
Less: unamortized discount on pledges	(7,734)	(15,804)
	<b>\$ 5,842,166</b>	<b>\$ 408,696</b>

The unamortized discounts on pledges were determined by applying an imputed interest rate ranging between 2.5% and 5% on outstanding pledges.

**Note E - Retirement Plan**

In 2019 the Foundation adopted a 403(b) retirement plan available to all eligible employees. During 2018 the Foundation had a SIMPLE IRA plan available to all eligible employees. In both years, all eligible employees can make elective deferral to the plan(s), up to the statutory limit. The Foundation makes safe harbor matching contributions up to 4% of total compensation, subject to the statutory limits in 2019; and up to 3% of total compensation, subject to the statutory limits in 2018. Total employer matching contribution to the plan(s) were \$20,001 and \$15,852 for the years ended December 31, 2019 and 2018, respectively.



**THE CATHOLIC COMMUNITY FOUNDATION OF SANTA CLARA COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

For the Years Ended December 31, 2019 and 2018

**Note F - Investments and Fair Value**

Investments, which are managed and held for safekeeping by others, are recorded at fair value. The majority of the investments are held in two investment pools, while the majority of the beneficial endowment funds are separately invested. The fair market value of investments consisted of the following (see Note B):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2019</u>				
Cash and cash equivalents	\$ 12,878,228	\$ -	\$ -	\$ 12,878,228
Corporate stock	8,733,464	-	-	8,733,464
Fixed income	6,750,382	6,416,766	-	13,167,148
Mutual funds	1,752,399	13,336,246	-	15,088,645
International mutual funds	15,049,821	7,507,866	-	22,557,687
International bond funds	-	2,301,642	-	2,301,642
Hedge funds	-	-	6,789,275	6,789,275
	<u>\$ 45,164,294</u>	<u>\$ 29,562,520</u>	<u>\$ 6,789,275</u>	<u>\$ 81,516,089</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2018</u>				
Cash and cash equivalents	\$ 2,892,110	\$ -	\$ -	\$ 2,892,110
Corporate stock	6,117,625	-	-	6,117,625
Fixed income	4,415,597	4,990,245	-	9,405,842
Mutual funds	936,418	9,182,375	-	10,118,793
International mutual funds	9,422,941	5,741,052	-	15,163,993
International bond funds	-	1,782,174	-	1,782,174
Hedge funds	-	-	6,439,033	6,439,033
	<u>\$ 23,784,691</u>	<u>\$ 21,695,846</u>	<u>\$ 6,439,033</u>	<u>\$ 51,919,570</u>

Investments as of December 31, are classified as follows:

	<u>2019</u>	<u>2018</u>
Investments-without donor restrictions	\$37,708,930	\$30,527,845
Investments-with donor restrictions	19,518,132	12,282,674
Investments-beneficial endowments	<u>24,289,027</u>	<u>9,109,051</u>
	<u>\$81,516,089</u>	<u>\$51,919,570</u>

**THE CATHOLIC COMMUNITY FOUNDATION OF SANTA CLARA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Years Ended December 31, 2019 and 2018

**Note F - Investments and Fair Value (Continued)**

Investment income for the years ended December 31, consisted of the following:

	2019	2018
Interest and dividend income	\$ 1,029,340	\$ 932,148
Realized gains	379,858	1,073,812
Unrealized gains (losses)	8,488,980	(5,801,873)
Investment expenses	(253,739)	(263,613)
	9,644,439	(4,059,526)
Less net investment income (loss) allocable to beneficial endowments, and agency funds	1,784,877	(478,238)
Net investment income (losses)	\$ 7,859,562	\$ (3,581,288)

Level 3 Assets

The following is a reconciliation of summarized activities and changes in the Level 3 assets which comprised three hedge funds during the years ended December 31:

	2019	2018
Fair value at beginning of year	\$ 6,439,033	\$ 6,376,925
Total investment income, gains	350,242	62,108
Redemption of investments	-	-
Purchases of investments, net	-	-
	\$ 6,789,275	\$ 6,439,033

The Foundation invests primarily in investment funds, limited partnerships, and non-U.S. corporations referred to collectively for this purpose as hedge funds. Hedge funds are presented in the accompanying financial statements at fair value as determined under FASB Accounting Standards Codification ASC 820, Fair Value Measurements and Disclosures. In situations where the hedge fund does not have a readily determinable fair value and meets other eligibility criteria, the Foundation measures fair value based on net asset value per share or its equivalent.

Hedge funds' objectives are to achieve consistent positive returns with reduced risk. Strategies include: (1) trading styles/strategies which are not dependent upon a rising equity market, while attempting to reduce risk and volatility, (2) employing a multi-manager approach to equity investment, and (3) use of traditional global, long-short investing strategies, often with a fundamental bottom-up investment style across both developed and emerging markets. The unobservable inputs used to determine fair value in this category have been estimated using the net asset value per share of the investments.

**THE CATHOLIC COMMUNITY FOUNDATION OF SANTA CLARA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Years Ended December 31, 2019 and 2018

**Note F - Investments and Fair Value (Continued)**

Level 2 and 3 Assets by Major Category

The following table lists level 2 and 3 investment funds by major category:

	<u>Net Asset Value</u>		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
	2019	2018			
Fixed income	\$ 6,416,766	\$ 4,990,245	\$ -	Daily	1 to 10 days
Mutual funds	13,336,246	9,182,375	-	Daily	1 to 10 days
International mutual funds	7,507,866	5,741,052	-	Daily-Monthly	1 to 30 days
International bond funds	2,301,642	1,782,174	-	Daily-Monthly	1 to 30 days
Hedge funds	1,092,013	1,119,677		Quarterly	1 to 30 days
Hedge funds	5,697,262	5,319,356	-	Annually	75 to 180 days

**Note G - Commitments**

The Foundation office lease expired in February 2018. The Foundation entered into an amended lease agreement in September 2017, extending the lease through February 2021. Total office rent expense was \$25,409 and \$25,308 for the years ended December 31, 2019 and 2018, respectively.

The Foundation renewed an office equipment lease agreement in December 2018, which will expire in March 2024. The office equipment lease expense was \$6,861 and \$3,995 for the years ended December 31, 2019 and 2018.

The future minimum annual combined lease payments required under the lease agreements are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 34,336
2021	10,196
2022	5,340
2023	5,340
2024	<u>1,335</u>
	<u>\$ 56,547</u>

**THE CATHOLIC COMMUNITY FOUNDATION OF SANTA CLARA COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

For the Years Ended December 31, 2019 and 2018

**Note H - Net Assets with Donor Restrictions**

The composition of net assets with donor restrictions are restricted by donors for the purposes or period described below as of December 31:

	<u>2019</u>		<u>2018</u>	
	<u>Subject to Passage of Time</u>	<u>Subject to Specified Purpose</u>	<u>Subject to Passage of Time</u>	<u>Subject to Specified Purpose</u>
Education endowments	\$ 620,193	\$ 6,402,725	\$ -	\$ 4,725,975
Fundraising match fund	-	-	123,051	-
Ministry endowments	157,562	4,210,985	-	1,733,829
New parish acquisition fund	132,372	-	125,164	-
Parish endowments	270,899	3,256,028	-	2,854,355
Vocation endowments	<u>524,432</u>	<u>4,666,307</u>	<u>-</u>	<u>3,270,636</u>
	<u>\$ 1,705,458</u>	<u>\$ 18,536,045</u>	<u>\$ 248,215</u>	<u>\$ 12,584,795</u>

**Note I - Board Designated Net Assets Without Donor Restrictions**

The Foundation's governing board has designated from net assets without donor restriction for the following purposes as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Board designated endowments	\$17,599,345	\$15,822,566
Other board restrictions	<u>7,889,638</u>	<u>6,601,344</u>
	<u>\$25,488,983</u>	<u>\$22,423,910</u>

**THE CATHOLIC COMMUNITY FOUNDATION OF SANTA CLARA COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

For the Years Ended December 31, 2019 and 2018

**Note J - Beneficial Endowments**

The Foundation accepts contributions from donors and agrees to transfer those assets and the return on investment of those assets or both, to another entity that is specified by the donor. The Foundation has agreements in place with the beneficiaries to currently retain the corpus and transfer funds in accordance with the Foundation's spending policy. (See Note K.) The Foundation refers to such funds as beneficial endowments. The terms of the contributions require funds to be segregated for Catholic Charities, Cathedral Basilica and Cristo Rey SJ Jesuit High School. The following table summarizes the activity in such funds:

	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 9,109,051	\$ 9,877,085
Contributions	18,916,136	15,777
Net investment income (loss)	1,767,119	(468,711)
Distributions	<u>(333,279)</u>	<u>(315,100)</u>
Ending balance	<u>\$29,459,027</u>	<u>\$ 9,109,051</u>

At December 31, 2019 and 2018, beneficial endowments consisted of the following:

	<u>2019</u>	<u>2018</u>
Catholic Charities	\$ 8,463,774	\$ 7,339,713
Cathedral Basilica	9,164,647	1,599,545
Cristo Rey SJ Jesuit High School	9,000,754	-
St. Christopher School	2,636,379	-
Catholic Extension	47,249	41,586
Notre Dame High School	99,811	87,663
Our Lady of Refuge	<u>46,413</u>	<u>40,544</u>
	<u>\$29,459,027</u>	<u>\$ 9,109,051</u>

# THE CATHOLIC COMMUNITY FOUNDATION OF SANTA CLARA COUNTY

## NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2019 and 2018

### **Note K - Endowments**

The Foundation's endowments consist of approximately 73 individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

#### Interpretation of Law

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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, the Foundation classifies as net assets with donor restrictions and retains in perpetuity (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the State of California in its enacted version of UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

**THE CATHOLIC COMMUNITY FOUNDATION OF SANTA CLARA COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

For the Years Ended December 31, 2019 and 2018

**Note K - Endowments (Continued)**

Investment Return Objectives, Risk Parameters and Strategies

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 3-5%, while growing the funds if possible. Therefore, the Foundation periodically reviews its investment strategy with the objective of earning a rate of return to cover grants and inflation. Actual returns in any one year may vary. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy

The Foundation has a policy of appropriating for distribution each year a sum not to exceed 5% and no less than 3% of the average market value of the endowment funds over the previous 16 quarters.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the amount required to be retained as a fund of perpetual duration. These deficiencies are reflected in net assets with donor restrictions.

Information with funds with the deficiencies at December 31, 2019 and 2018 is listed as below:

	<u>2019</u>	<u>2018</u>
The fair value of the endowment funds	\$ 695,467	\$12,282,674
Less original endowment gift amount	<u>(697,933)</u>	<u>(12,668,962)</u>
Total deficiencies	<u>\$ (2,466)</u>	<u>\$ (386,288)</u>

These deficiencies primarily resulted from unfavorable market fluctuations that occurred shortly after the investments of new contributions for donor-restricted funds.

**THE CATHOLIC COMMUNITY FOUNDATION OF SANTA CLARA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Years Ended December 31, 2019 and 2018

**Note K - Endowments (Continued)**

Endowment net asset compositions by type of funds as of December 31, 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Original donor restricted gift amount and amounts required to be maintained in perpetuity	\$ -	\$ 17,949,356	\$ 17,949,356
Accumulated investment gain	14,469	1,568,776	1,583,245
Board designated endowment funds	<u>17,599,345</u>	<u>-</u>	<u>17,599,345</u>
	<u>\$ 17,613,814</u>	<u>\$ 19,518,132</u>	<u>\$ 37,131,946</u>

Changes in endowment net assets for the year ended December 31, 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Beginning of year	\$ 15,823,309	\$ 12,282,674	\$ 28,105,983
Contributions	-	5,088,384	5,088,384
Changes in donor restrictions	-	217,162	217,162
Changes in board designation	(218,226)	-	(218,226)
Investment income, net	33,340	55,235	88,575
Net appreciation	2,673,450	2,321,712	4,995,162
Amounts appropriated for expenditure	<u>(698,059)</u>	<u>(447,035)</u>	<u>(1,145,094)</u>
	<u>\$ 17,613,814</u>	<u>\$ 19,518,132</u>	<u>\$ 37,131,946</u>



**THE CATHOLIC COMMUNITY FOUNDATION OF SANTA CLARA COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note K - Endowments (Continued)**

Endowment net asset compositions by type of funds as of December 31, 2018 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Original donor restricted gift amount and amounts required to be maintained in perpetuity	\$ -	\$ 12,643,810	\$ 12,643,810
Accumulated investment loss	443	(361,136)	(360,693)
Board designated endowment funds	<u>15,822,866</u>	<u>-</u>	<u>15,822,866</u>
	<u>\$ 15,823,309</u>	<u>\$ 12,282,674</u>	<u>\$ 28,105,983</u>

Changes in endowment net assets for the year ended December 31, 2018 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Beginning of year	\$ 18,546,193	\$ 12,638,418	\$ 31,184,611
Contributions	-	990,974	990,974
Changes in donor restrictions	-	266,650	266,650
Investment income, net	16,850	30,346	47,196
Net depreciation	(1,700,520)	(1,242,127)	(2,942,647)
Board designated transfer	(342,175)	-	(342,175)
Amounts appropriated for expenditure	<u>(697,039)</u>	<u>(401,587)</u>	<u>(1,098,626)</u>
	<u>\$ 15,823,309</u>	<u>\$ 12,282,674</u>	<u>\$ 28,105,983</u>

**Note L - Subsequent Events**

The Foundation has evaluated subsequent events through, August 12, 2020, the date which the financial statements were available to be issued.

Subsequent to December 31, 2019, the World Health Organization declared the novel coronavirus (COVID-19) outbreak a public health emergency. To the extent that coronavirus or any other epidemic harms the economy, the Foundation's results of operations could be adversely affected. Investments held by the Foundation at December 31, 2019, experienced declines in market value in the first and second quarter of 2020 as a result of market reaction to the coronavirus outbreak. The Foundation's diversified asset allocation and risk sensitive investment approach has offered some protection from this negative trend. However, the impact to the Foundation depends on the duration of the outbreak. The Foundation will continue to monitor the situation closely, but at this time, management believes the decline in fair value for these securities is temporary.

**THE CATHOLIC COMMUNITY FOUNDATION OF SANTA CLARA COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

For the Years Ended December 31, 2019 and 2018

**Note L - Subsequent Events (Continued)**

In April 2020, the Foundation was granted a loan under the Paycheck Protection Program offered by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), section 7(a)(36) of the Small Business Act for \$86,717. The loan bears interest at 1% with no payments for the first 6 months. The Foundation is expecting full forgiveness of the amount loaned as the Foundation uses all proceeds for eligible purposes; maintains certain employment levels; and maintains certain compensation levels in accordance with the CARES Act and the rules, regulations and guidance.