

**The Catholic Community
Foundation**

Financial Statements
For the Years Ended
December 31, 2020 and 2019



TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	6
Notes to Financial Statements	8



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of The Catholic Community Foundation (a non-profit organization), which comprise the statements of financial position as of December 31, 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 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 as of December 31, 2020 and 2019, 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 11, 2021

THE CATHOLIC COMMUNITY FOUNDATION
STATEMENTS OF FINANCIAL POSITION

	<u>Assets</u>	
	December 31,	
	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 693,143	\$ 568,343
Investments	95,017,047	81,516,089
Promises to give, net	31,277,301	5,842,166
Prepaid expenses	15,529	10,777
Other receivables	16,882	20,011
Deposit	4,100	4,100
	<u>\$ 127,024,002</u>	<u>\$ 87,961,486</u>

Liabilities and Net Assets

Liabilities:		
Accounts payable and accrued liabilities	\$ 111,988	\$ 119,843
Grants payable	54,999	-
Agency funds	132,543	116,839
Beneficial endowments	32,624,782	29,459,027
	<u>32,924,312</u>	<u>29,695,709</u>
Total liabilities		
Net assets:		
Without donor restrictions:		
Undesignated	13,781,607	12,535,291
Board designated	26,408,330	25,488,983
	<u>40,189,937</u>	<u>38,024,274</u>
With donor restrictions	53,909,753	20,241,503
	<u>94,099,690</u>	<u>58,265,777</u>
	<u>\$ 127,024,002</u>	<u>\$ 87,961,486</u>
Total liabilities and net assets		

See Notes to Financial Statements

THE CATHOLIC COMMUNITY FOUNDATION
STATEMENTS OF ACTIVITIES

	For the Years Ended					
	December 31, 2020			December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support						
Contributions	\$ 3,433,991	\$ 34,228,620	\$ 37,662,611	\$ 4,628,077	\$ 24,294,890	\$ 28,922,967
Less: amounts received for beneficial endowments	-	1,033,718	1,033,718	-	18,915,635	18,915,635
Net contributions	3,433,991	33,194,902	36,628,893	4,628,077	5,379,255	10,007,332
Grant	86,717	-	86,717	-	-	-
Interest and dividends, net	715,171	82,511	797,682	550,037	56,259	606,296
Realized and unrealized gains on investments, net	2,411,123	896,588	3,307,711	4,906,578	2,346,688	7,253,266
Special event, revenue	-	-	-	10,000	-	10,000
Special event, expense	-	-	-	(6,937)	-	(6,937)
Other income	2,156	521	2,677	11,537	-	11,537
Changes in donor restrictions	(124,350)	124,350	-	(73,350)	73,350	-
Net assets released from restrictions	630,622	(630,622)	-	447,059	(447,059)	-
	<u>7,155,430</u>	<u>33,668,250</u>	<u>40,823,680</u>	<u>10,473,001</u>	<u>7,408,493</u>	<u>17,881,494</u>
Grants and expenses						
Program	4,104,778	-	4,104,778	2,364,368	-	2,364,368
General and administrative	383,389	-	383,389	408,232	-	408,232
Development	501,600	-	501,600	426,084	-	426,084
Total expenses	<u>4,989,767</u>	<u>-</u>	<u>4,989,767</u>	<u>3,198,684</u>	<u>-</u>	<u>3,198,684</u>
Change in net assets	2,165,663	33,668,250	35,833,913	7,274,317	7,408,493	14,682,810
Net assets, beginning 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>
Net assets, end of year	<u>\$ 40,189,937</u>	<u>\$ 53,909,753</u>	<u>\$ 94,099,690</u>	<u>\$ 38,024,274</u>	<u>\$ 20,241,503</u>	<u>\$ 58,265,777</u>

See Notes to Financial Statements

THE CATHOLIC COMMUNITY FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Years Ended December 31, 2020

	Support Services				Total Expenses
	Program	Management and General	Development	Total Support Services	
Grants	\$ 4,012,792	\$ -	\$ -	\$ -	\$ 4,012,792
Salaries	66,790	216,085	352,417	568,502	635,292
Employee benefits	6,307	22,767	32,944	55,711	62,018
Legal and professional	2,414	49,182	9,703	58,885	61,299
Marketing	1,052	3,219	38,020	41,239	42,291
Financial and administrative	312	30,519	1,644	32,163	32,475
Payroll taxes	4,464	14,442	23,554	37,996	42,460
Computer expenses	4,464	18,118	17,943	36,061	40,525
Rent	3,903	11,935	15,688	27,623	31,526
Miscellaneous	21	5,356	83	5,439	5,460
Insurance	1,349	4,197	5,944	10,141	11,490
Telephone	-	4,283	-	4,283	4,283
Office supplies	467	1,429	1,878	3,307	3,774
Travel	-	500	-	500	500
Printing and postage	443	1,357	1,782	3,139	3,582
	\$ 4,104,778	\$ 383,389	\$ 501,600	\$ 884,989	\$ 4,989,767

See Notes to Financial Statements

THE CATHOLIC COMMUNITY FOUNDATION

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
STATEMENTS OF CASH FLOWS

	December 31,	
	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 35,833,913	\$ 14,682,810
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Net realized and unrealized gains on investments	(3,307,711)	(7,253,266)
Net unamortized discount on promises to give	1,419,465	(8,070)
Contributions restricted for long-term purposes	(1,462,205)	(5,088,384)
Changes in assets and liabilities:		
Promises to give, net	(26,854,600)	(5,425,399)
Prepaid expenses	(4,752)	12,377
Other receivable	3,129	(4,442)
Accounts payable and accrued liabilities	(7,855)	5,899
Agency funds	15,704	17,695
Beneficial endowments, net	3,165,755	20,349,976
Net cash provided by operating activities	8,800,843	17,289,196
Cash flows from investing activities:		
Proceeds from sale of investments	95,286,555	16,745,621
Purchase of investments	(105,424,803)	(39,088,875)
Net cash used by investing activities	(10,138,248)	(22,343,254)
Cash flows from financing activities:		
Contributions restricted for long-term purposes	1,462,205	5,088,384
Increase in cash and cash equivalents	124,800	34,326
Cash and cash equivalents, beginning of year	568,343	534,017
Cash and cash equivalents, end of year	\$ 693,143	\$ 568,343

See Notes to Financial Statements

THE CATHOLIC COMMUNITY FOUNDATION
STATEMENTS OF CASH FLOWS (CONTINUED)

	December 31,	
	<u>2020</u>	<u>2019</u>
<u>Cash paid during the year for:</u>		
Unrelated business income tax	\$ <u>13,238</u>	\$ <u>6,815</u>
<u>Supplemental disclosures of non-cash investing and financing transactions:</u>		
Investments received for beneficial endowments	\$ <u>3,288,048</u>	\$ <u>1,914,110</u>

See Notes to Financial Statements

THE CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

Note A - Organization

Nature of Activities

The Catholic Community Foundation (the “Foundation”) was incorporated in March 2004 as a non-profit public benefit corporation. The Foundation recently updated their name and was formerly known as the Catholic Community Foundation of Santa Clara County. 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. 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
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

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.

Some restricted funds are required to be maintained in separate 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 uncollectible 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, 2020 and 2019.

One bequest comprised 99% of promises to give at December 31, 2020 and another bequest comprised 88% of promises to give at December 31, 2019.

THE CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

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, 2020 and 2019.

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; those restriction 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 those 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

Contributions, unconditional promises to give, and other assets are recognized at fair value and are recorded when received. Contributions received are recoded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and nature of any donor-imposed restrictions. At the expiration of the restriction, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restriction.

The Foundation charges each fund an administrative fee based upon the percentage of the value of a fund. This administrative fee is assessed quarterly, and payable at the beginning of the following quarter.

THE CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

Note B - Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Grants received are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

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, 2020 and 2019, 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
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

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.

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 \$13,238 and \$6,815 for the years ending December 31, 2020 and 2019, 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 bequest comprised approximately 89% of contributions for the year ended December 31, 2020. Three board members comprised approximately 62% of contributions for the year ended December 31, 2019.

THE CATHOLIC COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2020 and 2019

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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 693,143	\$ 568,343
Investments	95,017,045	81,516,089
Promise to give, current	<u>5,104,500</u>	<u>5,635,400</u>
Total financial assets	<u>100,814,688</u>	<u>87,722,832</u>
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Donor designated endowment funds	26,553,169	19,518,132
Beneficial endowment funds	32,625,290	29,459,535
Agency funds	132,543	116,839
Others	108,583	75,697
Board designations:		
Board designated endowments not appropriated for expenditures	17,023,375	16,895,371
Other board designated restrictions	<u>7,686,968</u>	<u>7,184,684</u>
Total not available for general expenditures	<u>84,129,928</u>	<u>73,250,258</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$16,684,760</u>	<u>\$14,469,574</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 \$14,137,382 and \$12,678,263 as of December 31, 2020 and 2019, 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
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

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 and considered Level 2.

Unconditional promises to give at December 31, 2020 and 2019 consisted of the following:

	2020	2019
Receivable in less than one year	\$27,600,000	\$ 5,635,400
Receivable in one to five years	5,104,500	214,500
Total unconditional promise to give	32,704,500	5,849,900
Less: unamortized discount on pledges	(1,427,199)	(7,734)
	<u>\$31,277,301</u>	<u>\$ 5,842,166</u>

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

The fair value of promises to give is determined using present value techniques that consider historical trends of collection, the type of donor, the type of underlying assets, general economic conditions, and market interest rate assumptions for individuals.

Note E - Retirement Plan

In 2019, the Foundation adopted a 403(b) retirement plan available to all eligible employees. Employees can make elective deferrals to the plan, up to the statutory limit. The Foundation makes safe harbor matching contributions up to 4% of total compensation, subject to the statutory limits. Total employer matching contributions to the plan were \$23,297 and \$20,001 for the years ended December 31, 2020 and 2019, respectively.

THE CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

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, 2020</u>				
Cash and cash equivalents	\$ 10,097,272	\$ -	\$ -	\$ 10,097,272
Corporate stock	33,889,275	-	-	33,889,275
Fixed income	1,119,537	27,986,025	-	29,105,562
Mutual funds	2,668,874	4,119,239	-	6,788,113
International mutual funds	10,235,055	1,368,996	-	11,604,051
Other commodities	-	1,138,642	-	1,138,642
Hedge funds	-	-	2,394,132	2,394,132
	<u>\$ 58,010,013</u>	<u>\$ 34,612,902</u>	<u>\$ 2,394,132</u>	<u>\$ 95,017,047</u>

	<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>

Investments as of December 31, are classified as follows:

	<u>2020</u>	<u>2019</u>
Investments-without donor restrictions	\$40,943,566	\$37,708,930
Investments-with donor restrictions	21,448,699	19,518,132
Investments-beneficial endowments	<u>32,624,782</u>	<u>24,289,027</u>
	<u>\$95,017,047</u>	<u>\$81,516,089</u>

THE CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

Note F - Investments and Fair Value (Continued)

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

	2020	2019
Interest and dividend income	\$ 1,420,490	\$ 1,029,340
Realized gains	4,901,729	379,858
Unrealized gains	1,495,002	8,488,980
Investment expenses	(271,177)	(253,739)
	7,546,044	9,644,439
Less net investment income allocable to beneficial endowments, and agency funds	3,440,651	1,784,877
Net investment income	\$ 4,105,393	\$ 7,859,562

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:

	2020	2019
Fair value at beginning of year	\$ 6,789,275	\$ 6,439,033
Total investment income, gains (losses)	(28,590)	350,242
Redemption of investments	(4,366,553)	-
Purchases of investments, net	-	-
	\$ 2,394,132	\$ 6,789,275

The Foundation invests in domestic and international common stocks, domestic and international mutual funds, exchange traded funds, cash and cash equivalent, 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.

THE CATHOLIC COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2020 and 2019

Note F - Investments and Fair Value (Continued)

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.

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>		<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
	<u>2020</u>	<u>2019</u>			
Fixed income	\$ 27,986,025	\$ 6,416,766	\$ -	Daily	1 to 10 days
Mutual funds	4,119,239	13,336,246	-	Daily	1 to 10 days
International mutual funds	1,368,996	7,507,866	-	Daily-Monthly	1 to 30 days
International bond funds	-	2,301,642	-	Daily-Monthly	1 to 30 days
Other commodities	1,138,642	-	-	Daily-Monthly	1 to 30 days
Hedge funds	144,738	1,092,013	-	Quarterly	1 to 30 days
Hedge funds	2,249,394	5,697,262	-	Annually	75 to 180 days

Note G - Commitments

The Foundation office lease expired in February 2021. The Foundation entered into an amended lease agreement in October 2020, extending the lease through May 2026. Total office rent expense was \$24,948 and \$25,049 for the years ended December 31, 2020 and 2019, respectively.

The Foundation renewed an office equipment lease agreement in December 2018, which will expire in March 2024. The office equipment lease expense was \$6,025 and \$6,861 for the years ended December 31, 2020 and 2019.

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

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 29,425
2022	38,878
2023	39,883
2024	36,919
2025	36,654
Thereafter	<u>15,460</u>
	<u>\$ 197,219</u>

THE CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

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>2020</u>		<u>2019</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 funds	\$ 1,815,624	\$ 6,521,723	\$ 620,193	\$ 6,402,725
Ministry endowments	272,066	36,069,761	157,562	4,210,985
New parish acquisition fund	138,692	-	132,372	-
Parish endowments	299,567	3,495,278	270,899	3,256,028
Vocation endowments	<u>625,531</u>	<u>4,671,511</u>	<u>524,432</u>	<u>4,666,307</u>
	<u>\$ 3,151,480</u>	<u>\$ 50,758,273</u>	<u>\$ 1,705,458</u>	<u>\$ 18,536,045</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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Board designated endowments	\$17,722,682	\$17,599,345
Other board restrictions	<u>8,685,648</u>	<u>7,889,638</u>
	<u>\$26,408,330</u>	<u>\$25,488,983</u>

THE CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

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>2020</u>	<u>2019</u>
Beginning balance	\$29,459,027	\$ 9,109,051
Contributions	1,033,718	18,916,136
Net investment income (loss)	3,424,943	1,767,119
Distributions	<u>(1,292,906)</u>	<u>(333,279)</u>
Ending balance	<u>\$32,624,782</u>	<u>\$29,459,027</u>

At December 31, 2020 and 2019, beneficial endowments consisted of the following:

	<u>2020</u>	<u>2019</u>
Catholic Charities	\$ 9,144,359	\$ 8,463,774
Cathedral Basilica	11,075,313	9,164,647
Cristo Rey SJ Jesuit High School	9,277,549	9,000,754
St. Christopher School	2,916,171	2,636,379
Catholic Extension	51,799	42,249
Notre Dame High School	109,288	99,811
Our Lady of Refuge	<u>50,303</u>	<u>46,413</u>
	<u>\$32,624,782</u>	<u>\$29,459,027</u>

THE CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

Note K - Endowments

The Foundation's endowments consist of approximately 96 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
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

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. As needs arise, the amount drawn on an annual basis may deviate from this target range at the recommendation of the Finance Committee and with approval of the Board.

The Board increased the distribution rate to 6% in 2020 to assist with the global health emergency.

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.

The funds with deficiencies at December 31, 2020 and 2019 are listed below:

	2020	2019
The fair value of the endowment funds	\$ 362,883	\$ 695,467
Less original endowment gift amount	(369,775)	(697,933)
Total deficiencies	\$ (6,892)	\$ (2,466)

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
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

Note K - Endowments (Continued)

Endowment net asset compositions by type of funds as of December 31, 2020 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	\$ -	\$ 19,535,910	\$ 19,535,910
Accumulated investment gain	7,675	1,912,789	1,920,464
Board designated endowment funds	<u>17,732,682</u>	<u>-</u>	<u>17,732,682</u>
	<u>\$ 17,740,357</u>	<u>\$ 21,448,699</u>	<u>\$ 39,189,056</u>

Changes in endowment net assets for the year ended December 31, 2020 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Beginning of year	\$ 17,613,814	\$ 19,518,132	\$ 37,131,946
Contributions	-	1,462,205	1,462,205
Other revenue	837	519	1,356
Changes in donor restrictions	-	124,350	124,350
Changes in board designation	(305,100)	-	(305,100)
Investment income, net	51,404	82,208	133,612
Net appreciation	1,083,737	891,907	1,975,644
Amounts appropriated for expenditure	<u>(704,335)</u>	<u>(630,622)</u>	<u>(1,334,957)</u>
	<u>\$ 17,740,357</u>	<u>\$ 21,448,699</u>	<u>\$ 39,189,056</u>

THE CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

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>

Note L - Subsequent Events

The United States is presently in the midst of a global health emergency related to a virus, commonly known as Novel Coronavirus (COVID-19). The overall consequences of COVID-19 on a national, regional, and local level are unknown, but it has the potential to result in a significant economic impact.

In February 2021, 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 \$104,473. The loan bears interest at 1% with no payments for the first ten months. The Foundation is expecting full forgiveness of the amount loaned as the Foundation used all proceeds for eligible purposes; maintained certain employment levels; and maintained certain compensation levels in accordance with the CARES Act and the rules, regulations and guidance.

The Foundation has evaluated subsequent events through, August 11, 2021, the date which the financial statements were available to be issued.