

Financial Statements and Report of
Independent Certified Public
Accountants

The Catholic Foundation

December 31, 2020

	Page
Contents	
Report of Independent Certified Public Accountants	3
Financial Statements	
Statements of financial position	5
Statements of activities	6
Statements of cash flows	7
Notes to financial statements	8

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
The Catholic Foundation

We have audited the accompanying financial statements of The Catholic Foundation (the "Foundation"), which comprise the statements of financial position as of December 31, 2020, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit 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 Foundation as of December 31, 2020, and the results of its changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on 2019 summarized comparative information

We have previously audited the Foundation's 2019 financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 6, 2020. In our opinion, the accompanying summarized comparative information as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Dallas, Texas
May 5, 2021

The Catholic Foundation
STATEMENTS OF FINANCIAL POSITION
December 31,

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 2,309,896	\$ 2,401,913
Accounts and trade receivable	264,019	185,269
Contributions receivable	400,000	80,000
Pledges receivable, net	2,153,073	-
Beneficial interest in trusts held by others	1,459,530	1,523,678
Investments	180,555,964	165,050,863
Agency funds	77,910,721	63,665,302
Real estate held for investment	531	491,032
Other assets	538,613	517,502
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Total assets	\$ 265,592,347	\$ 233,915,559
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LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 605,506	\$ 744,803
Distributions payable	50,001	54,625
Grants payable	2,974,741	2,211,827
Liability to trust beneficiaries	3,532,994	3,355,920
Agency funds	77,910,721	63,665,302
Deferred revenue	4,448,268	4,029,882
Annuities payable	4,507,003	4,683,735
	<hr/>	<hr/>
Total liabilities	94,029,234	78,746,094
NET ASSETS		
Without donor restrictions	35,929,786	32,200,555
With donor restrictions	135,633,327	122,968,910
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Total net assets	171,563,113	155,169,465
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Total liabilities and net assets	\$ 265,592,347	\$ 233,915,559
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The accompanying notes are an integral part of these financial statements.

The Catholic Foundation
STATEMENTS OF ACTIVITIES
Years ended December 31,

	Without donor restrictions	With donor restrictions	2020 Total	2019 Total
Revenue, gains, and other support				
Contributions, net	\$ 557,384	\$ 25,022,422	\$ 25,579,806	\$ 26,546,601
Investment income:				
Dividends and interest	610,275	1,872,398	2,482,673	3,488,293
Net realized and unrealized gain on investments	6,231,781	8,416,512	14,648,293	21,689,103
Real estate income	3,988	13,625	17,613	15,517
Investment advisory fees	1,083,165	-	1,083,165	1,127,529
Other	743,017	16,620	759,637	105,755
Gain on uncollectible accounts	-	929,303	929,303	2,939,674
Change in value of split-interest agreements	(388,407)	(332,537)	(720,944)	(974,997)
Net assets released from restrictions	23,273,926	(23,273,926)	-	-
Total revenue, gains and other support	32,115,129	12,664,417	44,779,546	54,937,475
Expenses				
Grants	23,262,618	-	23,262,618	33,898,318
Grants administration	432,871	-	432,871	438,206
Annuity payments and distributions to beneficiaries	281,982	-	281,982	281,375
Annuity payments and distributions administration	236,555	-	236,555	240,901
Development	1,535,830	-	1,535,830	1,424,923
Management and general	2,636,042	-	2,636,042	2,500,759
Total expenses	28,385,898	-	28,385,898	38,784,482
Change in net assets	3,729,231	12,664,417	16,393,648	16,152,993
Net assets at beginning of year	32,200,555	122,968,910	155,169,465	139,016,472
Net assets at end of year	\$ 35,929,786	\$ 135,633,327	\$ 171,563,113	\$ 155,169,465

The accompanying notes are an integral part of these financial statements.

The Catholic Foundation
STATEMENTS OF CASH FLOWS
Years ended December 31,

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 16,393,648	\$ 16,152,993
Adjustments to reconcile change in net assets to net cash used in operating activities		
Contributed stock	(9,475,152)	(9,716,394)
Net realized and unrealized gain on investments	(14,648,293)	(21,689,103)
Change in value of split-interest agreements	720,944	974,997
Contributions restricted for long-term investments	(1,227,183)	(1,751,541)
Unamortized discount on pledges receivable	(79,553)	34,613
Recovery of uncollectible accounts	929,303	2,939,674
Gain on sale of real estate	(385,038)	-
Changes in operating assets and liabilities		
Accounts and trade receivable	(78,750)	522,124
Contributions receivable	(320,000)	(80,000)
Pledges receivable	(3,002,823)	(2,849,265)
Other assets	(21,111)	75,641
Accounts payable and accrued liabilities	(139,297)	(10,362)
Distributions payable	(4,624)	(14,075)
Grants payable	762,914	483,292
Liability to trust beneficiaries	127,140	89,761
Deferred revenue		(621,847)
Annuities payable	(564,842)	(547,699)
	<u>(11,012,717)</u>	<u>(16,007,191)</u>
Net cash used in operating activities		
	(11,012,717)	(16,007,191)
Cash flows from investing activities		
Proceeds from sale of real estate, net	875,539	-
Proceeds from sale of investments	84,250,548	91,692,567
Purchases of investments	(75,432,570)	(77,191,767)
	<u>9,693,517</u>	<u>14,500,800</u>
Net cash provided by investing activities		
	9,693,517	14,500,800
Cash flows from financing activities		
Contributions restricted for long-term investments	1,227,183	1,751,541
	<u>1,227,183</u>	<u>1,751,541</u>
Net cash provided by financing activities		
	1,227,183	1,751,541
Net (decrease) increase in cash and cash equivalents	(92,017)	245,150
Cash and cash equivalents at beginning of year	<u>2,401,913</u>	<u>2,156,763</u>
Cash and cash equivalents at end of year	<u>\$ 2,309,896</u>	<u>\$ 2,401,913</u>
Noncash investing transactions:		
Contributed stock	<u>\$ 9,475,152</u>	<u>\$ 9,716,394</u>

The accompanying notes are an integral part of these financial statements.

The Catholic Foundation
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE A - NATURE OF OPERATIONS

The Catholic Foundation (the "Foundation") is a not-for-profit corporation authorized primarily to serve Catholic institutions within the Diocese of Dallas which are of a religious, charitable, or educational character.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows.

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

With donor restrictions

Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation or will be met by actions of the Foundation and/or the passage of time. Generally, the donors of these assets permit the Foundation to distribute all or part of the income earned on related investments for general or specific purposes, as specified by the original grantor.

Without donor restrictions

Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in net assets without restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets with restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions are recognized as revenue in the period unconditional promises to give are received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Realized and unrealized gains (losses) and income on investments are reported as follows:

- As increases (decreases) in net assets with donor restrictions if the terms of the gift require that they be included in the principal of an endowment fund or if the terms of the gift impose restrictions on their use or when appropriated for expenditure; and
- As increases (decreases) in net assets without restrictions in all other cases.

The Catholic Foundation
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2020 and 2019

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The Foundation maintains cash depositories with high quality financial institutions which, at times, may exceed federally insured limits. The Foundation has not experienced any losses on such accounts.

Accounts and Trade Receivable

Accounts and trade receivables are primarily due to investment transactions that have not been completed and are stated at the amount owed to the Foundation.

Contributions Receivable

Contributions receivable are due from estates which had not been settled prior to year-end. This amount is based upon estimates of amounts owed to the Foundation from these estates. As of December 31, 2020 and 2019, there were \$400,000 and \$80,000 owed to the Foundation from unsettled estates, respectively.

Pledges Receivable and Contributions

Unconditional promises to give are recorded as pledges receivable and contribution revenue when the promise is made. Pledges and contribution revenues expected to be received within one year are recorded at net realizable value. Unconditional promises that are expected to be collected in future years are recorded at the net present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates appropriate for the expected term of the promise to give applicable to the years in which the pledges are made. The discount is included in contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

The Foundation provides an allowance for pledges that are greater than 60 days past due. Additionally, the Foundation provides a general allowance based on subsequent campaign results. This is based upon actual results experienced over the last seven years of the campaigns.

Beneficial Interest in Trusts Held by Others

The Foundation became the beneficiary of two charitable lead trusts created by a donor in 2013, the assets of which are not in the possession of the Foundation. The Foundation receives an income stream from these assets for a period of fifteen years. The net present value of the fair market value of the Foundation's share of the trusts is recognized as an asset of the Foundation and was recognized as a contribution in prior years. This present value has been determined using a current discount rate of .6%.

Changes in this calculated asset value due to changes in the trust's asset value are accounted for as a change in value of split-interest agreements in the statement of activities.

The Catholic Foundation
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2020 and 2019

Investments

All investments are carried at fair value. Investments in money market funds, marketable securities, fixed income securities and mutual funds are stated at fair value based on quoted market prices. Fair values of investments in limited partnerships, including hedge funds and private equity that have limited marketability are based on net asset value ("NAV") as a practical expedient in estimating fair value. The NAVs are determined by the fund manager or general partner based on their best estimates using fair value estimation techniques, substantiated, in part, by their audited financial statements and supported by the due diligence of the Foundation's investment management. There are investments held in six limited partnerships that are accounted for under the equity method with gains, losses and fair value adjustments recorded by the investment managers based upon local market conditions, trading values of underlying investments on market exchanges, current and projected operating performance, marketability, restrictions on disposition and financing transactions subsequent to the acquisitions of the underlying investments. Unrealized gains (losses) from fair value fluctuations on investments are included in the statement of activities in the period that such fluctuations occur. Investments which are received by gift are recorded at fair value at the date of donation and adjusted for any unrealized gains (losses) occurring thereafter.

Agency Funds

The Foundation accepts funds to manage and invest on behalf of Catholic organizations primarily within the Diocese of Dallas. Accordingly, these assets are generally carried at fair value with a corresponding liability. There are no amounts reflected in the statements of activities relating to these funds.

Real Estate Held for Investments

Real estate held for investment is recorded at fair value based on appraisals made and comparable sales in the area. Contributions of real estate are recorded at fair value at the time of donation. Permanent decreases in fair value below cost are recorded to expense in the year that such decreases become known. The Foundation closed on the sale of a piece of real estate in May of 2020.

Grants Payable

Grants are recognized as expenses in the financial statements at the time recipients are entitled to such grants. Generally, this occurs when the Foundation's Distribution Committee approves a specific grant. Approved grants are generally paid within a twelve month period.

Liability to Trust Beneficiaries

Fixed Payment Charitable Remainder Trusts

Under fixed payment charitable remainder trust agreements, the Foundation pays annual benefits from trust assets over the term of the trust to third-party beneficiaries with remaining trust assets at the end of the trust's term being distributed to the Foundation. For irrevocable charitable remainder trusts, assets of the trust are generally carried at fair value. A liability is recognized equal to the present value of amounts which the Foundation expects to pay to third-party beneficiaries at the risk-free rate ranging from 5.0% to 8.8%. Changes in the calculated liability due to increases or decreases in the actuarially determined life expectancy of third-party beneficiaries are reflected as change in value of split-interest agreements in the statements of activities and statements of cash flows.

The Catholic Foundation
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2020 and 2019

Deferred Revenue

Net Income Charitable Remainder Trusts

Under net income charitable remainder trust agreements, a donor gives assets to the Foundation to invest, and the Foundation must pay the investment income earned to the donor until the donor's death, at which time the assets become the property of the Foundation. Assets are generally recognized at fair value with deferred revenue recognized equal to the difference between the fair value of the assets and the present value of those assets discounted at the risk-free rate ranging from 5.0% to 10.0% over the actuarially determined life expectancy of the donor. Changes in the calculated deferred revenue due to increases or decreases in the actuarially determined life expectancy of the donor are reflected as change in value of split-interest agreements in the statements of activities and statements of cash flows.

Annuities Payable

The Foundation has charitable annuity agreements with donors to make payments to the annuitants for the remainder of their lives. Assets are recorded at fair value when received on the statements of financial position. A liability is recorded equal to the present value of the estimated future obligations. Changes in annuity liabilities due to amortization of discount and increases or decreases in the actuarially determined life expectancy of the donor are reflected as change in value of split-interest agreements in the statements of activities and statements of cash flows.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain expenses have been allocated among grants administration, annuity and trust distribution administration, development and management and general. See Note G.

Income Tax Status

The Foundation is exempt from federal income tax under Section 501(a) of the Internal Revenue Code of 1986 ("IRC"), as amended, and as a public charity described in Section 501(c)(3) of the IRC. However, income generated from activities unrelated to the Foundation's exempt purpose is subject to tax under IRC Section 511. The Foundation had no unrelated business income tax during the year ended December 31, 2019 and is not expected to have an income tax liability for the year ended December 31, 2020.

The Foundation has reviewed its tax positions and believes it is more likely than not that they will be sustained upon examination. Accordingly, the Foundation does not have any unrecognized tax benefits or liabilities.

The Foundation is no longer subject to income tax examination by the Internal Revenue Service for the tax years prior to 2017.

Recently Adopted Accounting Standards

In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2018-08 "Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made". These amendments clarify the accounting guidance around contributions of cash and other assets made and received by not-for-profit organizations. The Foundation applied the provisions of ASU 2018-08 in fiscal year 2020, which had no impact on the financial statements.

The Catholic Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement*. The new standard modifies certain Level 3 disclosures, which notes in lieu of a rollforward of Level 3 fair value measurements, the Foundation would add a disclosure of transfers into and out of Level 3 fair value hierarchy and purchases and issues of Level 3 assets and liabilities. The Foundation has elected to continue to include the rollforward of Level 3 fair value measurements as management has determined that it is useful to the readers of the financial statements.

Upcoming Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. Under this new standard, lessees record a right-of-use asset and a lease liability for leases with terms longer than 12 months. The standard is effective for fiscal years beginning after December 15, 2021. The Foundation is evaluating the impact this standard will have on the financial statements beginning in fiscal year 2022.

Risks and Uncertainties

The ongoing COVID-19 pandemic, which began in the Spring of 2020, continues to cause business disruption globally and within the United States however, the financial markets have stabilized and 2020 was a successful year for the Foundation. With the on-going vaccination process within the United States and most specifically within our community, the Foundation is anticipating minimal disruption going forward.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Financial Statements

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Foundation's audited financial statements for the year ended December 31, 2019, from which the summarized information was derived.

NOTE C - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Foundation records its financial instruments in accordance with the fair value guidance as established by the FASB. In accordance with this guidance, fair value is defined as the price the Foundation would receive from the sale of an asset, or pay to transfer a liability, in a timely transaction with an independent buyer in the principal market. This guidance establishes a three-tier hierarchy to distinguish between various types of inputs used in determining the value of the Foundation's investments and liabilities. The inputs are summarized in three levels as outlined below:

- Level 1 - Quoted prices in active markets for identical assets or liabilities. Assets utilizing Level 1 inputs include the Foundation's money market funds, publicly traded securities, mutual fund investments, and a limited partnership. Valuations of these instruments do not require a high degree of judgment as the valuations are based on quoted prices in active markets that are readily available.

The Catholic Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019

Level 2 - Other significant observable inputs that reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from independent market sources. These observable inputs include quoted prices for similar investments, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability. Valuations in this category are inherently less reliable than quoted market prices due to the degree of subjectivity involved in determining appropriate methodologies and the applicable underlying assumptions. Assets included in Level 2 include our investment pools and an annuity contract.

Level 3 - Unobservable inputs that reflect the reporting entities own assumptions market participants would use in pricing an asset or liability based upon the best information available in the circumstances. Assets utilizing Level 3 inputs include the Foundation's investment in a private equity venture capital partnerships and private equity small company funds, distressed securities funds and beneficial interest in trusts held by others. These financial instruments have inputs that cannot be validated by readily determinable market data and generally involve considerable judgment by management of the funds. The Foundation's assessment of the significance of a particular input to the fair value measurements in its entirety requires judgment and considers factors specific to the financial instruments.

The schedule below classifies the Foundation's financial assets measured on a recurring basis based upon the three-tier hierarchy discussed above:

Description	Fair Value Measurements at December 31, 2020			
	December 31, 2020	Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market	\$ 10,329,434	\$ 10,329,434	\$ -	\$ -
Fixed income	778,815	-	778,815	-
Equities:				
Domestic	33,899,487	14,854,250	19,045,237	-
International	45,975	45,975	-	-
Mutual funds:				
Domestic	24,302,901	24,302,901	-	-
International	10,733,722	10,733,722	-	-
Investment pools:				
Money market	5,676,132	-	5,676,132	-
Mutual funds domestic	29,673,584	-	29,673,584	-
Mutual funds international	18,338,806	-	18,338,806	-
Equities domestic	29,022,845	-	29,022,845	-
Investments in limited partnerships	7,430	7,430	-	-
Private equity:				
Venture capital	3,558,761	-	-	3,558,761
Private equity:				
Small company	74,764	-	-	74,764
Distressed securities	1,472,959	-	-	1,472,959
Total	167,915,615	\$ 60,273,712	\$ 102,535,419	\$ 5,106,484
Investments at NAV	12,640,349			
Total investments	\$ 180,555,964			

The Catholic Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019

Description	Fair Value Measurements at December 31, 2019			
	December 31, 2019	Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market	\$ 11,322,599	\$ 11,322,599	\$ -	\$ -
Fixed income	716,799	-	716,799	-
Equities:				
Domestic	37,322,997	15,469,432	21,853,565	-
International	39,802	39,802	-	-
Mutual funds:				
Domestic	21,705,489	21,705,489	-	-
International	9,514,690	9,514,690	-	-
Investment pools:				
Money market	6,172,139	-	6,172,139	-
Mutual funds domestic	31,234,233	-	31,234,233	-
Mutual funds international	9,461,460	-	9,461,460	-
Equities domestic	23,675,388	-	23,675,388	-
Investments in limited partnerships	10,925	10,925	-	-
Private equity:				
Venture capital	2,347,950	-	-	2,347,950
Private equity:				
Small company	93,758	-	-	93,758
Distressed securities	830,463	-	-	830,463
Total	154,448,692	\$ 58,062,937	\$ 93,113,584	\$ 3,272,171
Investments at NAV	10,602,171			
Total investments	\$ 165,050,863			

Description	Fair Value Measurements at December 31, 2020			
	December 31, 2020	Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interest in trusts held by others	\$ 1,459,530	\$ -	\$ -	\$ 1,459,530
Real estate held for investment	\$ 531	\$ -	\$ 531	\$ -
Agency	\$ 77,910,721	\$ 20,967,073	\$ 55,981,277	\$ 962,371

Description	Fair Value Measurements at December 31, 2019			
	December 31, 2019	Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interest in trusts held by others	\$ 1,523,678	\$ -	\$ -	\$ 1,523,678
Real estate held for investment	\$ 491,032	\$ -	\$ 491,032	\$ -
Agency	\$ 63,665,302	\$ 18,832,097	\$ 43,642,561	\$ 1,190,644

The Catholic Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019

The schedule below summarizes the 2020 year activity for the investments above which have been classified as Level 3 investments:

	Private Equity Venture Capital	Private Equity Small Company	Distressed Securities	Funds Held in Trust by Others
Beginning balance	\$ 2,347,950	\$ 93,758	\$ 830,463	\$ 1,523,678
Total gains (losses):				
Included in realized/unrealized	425,438	4,756	-	-
Included in other income (loss)	95,313	-	(19,548)	-
Change in value of split-interest agreements	-	-	-	(64,148)
Purchases and issuances	958,658	-	934,334	-
Distributions	(268,598)	(23,750)	(272,290)	-
Ending balance	<u>\$ 3,558,761</u>	<u>\$ 74,764</u>	<u>\$ 1,472,959</u>	<u>\$ 1,459,530</u>

The schedule below summarizes the 2019 year activity for the investments above which have been classified as Level 3 investments:

	Private Equity Venture Capital	Private Equity Small Company	Distressed Securities	Funds Held in Trust by Others
Beginning balance	\$ 1,600,276	\$ 115,586	\$ 711,705	\$ 1,361,423
Total gains (losses):				
Included in realized/unrealized	207,309	-	(3,387)	-
Included in other income (loss)	37,099	(10,578)	12,288	-
Change in value of split-interest agreements	-	-	-	162,255
Purchases and issuances	784,768	-	199,103	-
Distributions	(281,502)	(11,250)	(89,246)	-
Ending balance	<u>\$ 2,347,950</u>	<u>\$ 93,758</u>	<u>\$ 830,463</u>	<u>\$ 1,523,678</u>

Total Level 3 gains and losses are all included in the Statements of Activities, and are all related to financial assets still held at year-end. The gains relating to assets still held at December 31, 2020 and 2019 was \$525,507 and \$256,696, respectively.

The Catholic Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019

The following table summarizes the fair value measurement of the Foundation's investments in certain entities that calculate net asset value per share as of December 31, 2020:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice
Alternatives –				
Small/Mid Cap Growth L.P. ⁽¹⁾	\$ 4,175,088	\$ -	Quarterly	30 days
Hedge Fund of Funds ⁽²⁾	8,152,679	-	Quarterly/Annually	45-110 days
Real Estate Opportunity Fund ⁽³⁾	46,226	-	n/a	-
Special Situations Fund ⁽⁴⁾	266,356	176,000	n/a	5 Year Lockup

- (1) This category contains a limited partnership investing in equity securities.
- (2) This category contains four hedge funds with varying strategies which include absolute return, event driven, and multi-strategy.
- (3) This category contains one fund which capitalizes on opportunities in mortgage securities and structured credit. The fund will invest in companies that are experiencing distress, including companies in bankruptcy proceedings as well as opportunities in residential and commercial mortgage-related investments.
- (4) This category contains two funds focusing on opportunistic and situational investing in the European sovereign, corporate and financial institutional credit markets.

The following table summarizes the fair value measurement of the Foundation's investments in certain entities that calculate NAV per share as of December 31, 2019:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice
Alternatives –				
Small/Mid Cap Growth L.P. ⁽¹⁾	\$ 2,943,322	\$ -	Quarterly	30 days
Hedge Fund of Funds ⁽²⁾	7,259,412	-	Quarterly/Annually	45-110 days
Real Estate Opportunity Fund ⁽³⁾	87,861	-	n/a	-
Special Situations Fund ⁽⁴⁾	311,576	176,000	n/a	5 Year Lockup

- (1) This category contains a limited partnership investing in equity securities.
- (2) This category contains three hedge funds with varying strategies which include absolute return, event driven, and multi-strategy.
- (3) This category contains one fund which capitalizes on opportunities in mortgage securities and structured credit. The fund will invest in companies that are experiencing distress, including companies in bankruptcy proceedings as well as opportunities in residential and commercial mortgage-related investments.
- (4) This category contains one fund focusing on opportunistic and situational investing in the European sovereign, corporate and financial institutional credit markets.

The Catholic Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019

The Foundation invests in ten private equity/venture capital funds with investment strategies focused on private companies and limited partnerships. These funds are valued at fair value utilizing the following methodologies: the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance, marketability, restrictions on disposition, and financing transactions subsequent to the acquisition of the underlying investments. The fair value measurements for these funds generally involve considerable judgment by management of these funds. Investments in these funds cannot be redeemed because the investments include restrictions that do not allow for fund redemption, varying from 12 months to 12 years, after acquisition. The Foundation has made capital commitments to the investment managers of the private equity funds and the distressed securities funds of \$12,473,000. As of December 31, 2020 and 2019, \$6,803,000 and \$5,235,000, respectively, of these capital commitments had been funded.

NOTE D - PLEDGES RECEIVABLE AND CONTRIBUTIONS

During 2020, the Foundation continued to process pledge payments associated with six capital campaigns. The St. Augustine Catholic Church Building in Faith Capital Campaign, the Nuestra Senora del Pilar Catholic Church Evangelizing Future Generations Capital Campaign, the St. Michael the Archangel Catholic Church Go Build God's House Capital Campaign and the Sacred Heart Catholic Church Our Past, Our Present, Our Future Capital Campaign, were all established in 2016. These funds joined the Our Faith Our Future Diocese of Dallas Capital Campaign, which was established in 2013, and the St. Anthony Catholic Church Caring for Our Present, Planning for Our Future Capital Campaign was established in 2014. The pledge phase of all campaigns has been completed. At the end of 2020, The St. Augustine Catholic Church Building in Faith, the St. Michael the Archangel Catholic Church Go Build God's House, the Sacred Heart Catholic Church Our Past, Our Present, and the St. Anthony Catholic Church Caring for Our Present, Planning for Our Future Capital Campaigns assumed management over their own campaigns and the Foundation wrote off any of their remaining pledges. The collection phase of the two remaining campaigns is expected to be completed during 2021. These pledges and payments are deemed to be donor restricted and are fully reserved.

The allowance for uncollectible pledges has decreased in the current year due to the write off of capital campaign pledges greater than 730 days past due. Recoveries of amounts previously written off was approximately \$929,000 and \$2,939,000, in 2020 and 2019, respectively.

During 2019, a new fund was established at the Foundation to raise \$7,500,000 for The Homiletics Institute at the University of Dallas (the "Institute"). The Institute is a partnership among the Foundation and UD. The purpose of the Institute is to help improve preaching in the Diocese of Dallas and eventually Catholic Dioceses throughout the United States. As of December 31, 2020, \$4,200,000 has been raised from generous donors within the Diocese of Dallas. The Foundation is receiving and processing these pledge payments. As of December 31, 2020, all pledges to this fund are considered to be 100% collectable. These pledges and payments are deemed to be donor restricted.

The Catholic Foundation
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2020 and 2019

Pledges receivable, all related to the capital campaigns and the fund described above, consisted of the following:

	December 31,	
	2020	2019
Pledges receivable before unamortized discount and allowance for uncollectibles		
Less than one year	\$ 1,441,107	\$ 2,601,398
One to five years	2,318,159	1,213,081
More than five years	5,947	9,214
Total	3,765,213	3,823,693
Less:		
Unamortized present value discount	(79,553)	-
Allowance for uncollectibles	(1,532,587)	(3,823,693)
Pledges receivable, net	\$ 2,153,073	\$ -

Pledge receivables at December 31, 2020 were discounted using rates ranging from 0% to 1.61%.

NOTE E - ENDOWMENTS

The Foundation's endowment consists of approximately 95 individual funds established for a variety of purposes. These individual funds consist of donor-restricted endowment funds which are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Foundation interprets the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") enacted by the State of Texas as allowing the Foundation, absent of any donor stipulations to the contrary, to appropriate so much of an endowment fund as the Foundation determines is prudent for the uses, benefits, purposes, and duration for which the endowment is established. Unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the Foundation. The following factors are considered 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 the appreciation of investments;
6. Other resources of the Foundation; and
7. The investment policies of the Foundation.

The Catholic Foundation
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2020 and 2019

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. These deficiencies are the result of unfavorable market fluctuations that occurred shortly after the investment of new contributions with donor restrictions and continued appropriation for certain programs that were deemed prudent by the Foundation. Losses on the investments of a donor-restricted endowment fund reduce net assets with restrictions. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level are classified as an increase in donor-restricted net assets. As of December 31, 2020 there was one deficiency of this nature in one donor-restricted endowment fund, which had an original gift of \$12,000, a current fair value of \$11,006 and a deficiency of \$994. As of December 31, 2019 there were deficiencies of this nature in two donor-restricted endowment funds, which together have an original gift of \$1,054,365, a current fair value of \$1,013,940 and a deficiency of \$40,425.

Endowment Net Asset Composition by Type of Fund as of December 31, 2020:

	With Donor Restrictions				
	Without Donor Restrictions	Original Gift Amount	Accumulated Gains (Losses) and Other	Total with Donor Restrictions	Total Funds
Donor-restricted funds	\$ -	\$ 26,520,958	\$ 32,855,745	\$ 59,376,730	\$ 59,376,730

Endowment Net Asset Composition by Type of Fund as of December 31, 2019:

	With Donor Restrictions				
	Without Donor Restrictions	Original Gift Amount	Accumulated Gains (Losses) and Other	Total with Donor Restrictions	Total Funds
Donor-restricted funds	\$ -	\$ 25,288,504	\$ 30,054,809	\$ 55,343,313	\$ 55,343,313

Included in accumulated gains (losses) and other are accumulated investment returns and term endowment funds which total \$ 2,805,234 and \$7,125,464 at December 31, 2020 and December 31, 2019, respectively. Term endowments are gifts of cash and other assets with stipulations that they be invested to provide a source of income for a specified term and that the income be used for a specified purpose.

The Catholic Foundation
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2020 and 2019

Changes in the Foundation's endowment net assets for the year ended December 31, 2020 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Changes in endowment net assets for the year ended December 31, 2020:			
Endowment net assets, beginning of year	\$ -	\$ 55,343,313	\$ 55,343,313
Contributions	-	1,228,183	1,228,183
Investment income			
Dividends and interest	-	1,086,929	1,086,929
Net realized and unrealized gains on investments	-	4,219,707	4,219,707
Net assets released from restrictions	-	(2,485,631)	(2,485,631)
Other	-	(15,771)	(15,771)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 59,376,730</u>	<u>\$ 59,376,730</u>

Changes in the Foundation's endowment net assets for the year ended December 31, 2019 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Changes in endowment net assets for the year ended December 31, 2019:			
Endowment net assets, beginning of year	\$ -	\$ 46,401,938	\$ 46,401,938
Contributions	-	1,518,468	1,518,468
Investment income			
Dividends and interest	-	1,421,498	1,421,498
Net realized and unrealized losses on investments	-	8,107,967	8,107,967
Net assets released from restrictions	-	(2,310,338)	(2,310,338)
Other	-	203,780	203,780
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 55,343,313</u>	<u>\$ 55,343,313</u>

The Catholic Foundation
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2020 and 2019

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period as well as board-designated funds. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 5.5% annually plus inflation. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation may appropriate for distribution each year 4.5% of its endowment fund's previous twenty quarters average ending fair value. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 1% plus inflation annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE F - NET ASSETS

Net assets with donor restrictions consist of contributions received from donors whose use is limited by donor-imposed stipulations and are restricted primarily for Catholic organizations in the Diocese of Dallas. All net assets with donor restrictions which are not restricted in perpetuity will expire with the passage of time or the occurrence of a specific event and are held primarily in donor advised funds, campaign funds, trust funds, field of interest funds and scholarship funds.

Net assets without donor restrictions include \$1,015,650 and \$994,049 of board-designated grants at December 31, 2020 and 2019, respectively.

Net assets with donor restrictions were released by satisfaction of restrictions as follows:

	Years ended December 31,	
	2020	2019
Distributions from donor-advised funds	\$ 16,785,617	\$ 13,158,840
Distributions from designated capital campaign funds	5,102,605	19,169,540
Distributions from split-interest agreements	281,982	281,375
Other	1,103,722	1,171,251
	\$ 23,273,926	\$ 33,781,006

The Catholic Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019

NOTE G - EXPENSES BY BOTH NATURE AND FUNCTION

The financial statements reflect the expenses of providing the various programs and other activities and have been summarized on the statements of activities. Those expenses include primarily payroll and employee costs which are based on estimates of time and effort. Also included are professional and legal costs which have a direct connection to a specific program, operating costs which are technology related, depreciation and amortization and other costs, such as bank charges and credit card fees. Operating costs, depreciation and amortization and other costs are based on estimates of time utilization.

Functional expenses by natural classification as of December 31, 2020 and 2019, respectively are reflected below:

	Program Activities					Supporting	2020 Total Expenses
	Grant Making	Grant Administration	Annuity Payments and Disbursements	Annuity Payment and Disbursements Administration	Development	Management and General	
Grants paid	\$ 23,262,618	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,262,618
Annuity payments and distributions to beneficiaries	-	-	281,982	-	-	-	281,982
Payroll and employee costs	-	248,263	-	126,049	988,977	997,442	2,360,731
Professional and legal	-	45,906	-	26,443	439,234	401,998	913,581
Operating	-	64,182	-	38,899	107,619	1,096,586	1,307,286
Depreciation and amortization	-	24,146	-	14,634	-	34,390	73,170
Other	-	50,374	-	30,530	-	105,626	186,530
	<u>\$ 23,262,618</u>	<u>\$ 432,871</u>	<u>\$ 281,982</u>	<u>\$ 236,555</u>	<u>\$ 1,535,830</u>	<u>\$ 2,636,042</u>	<u>\$ 28,385,898</u>

	Program Activities					Supporting	2019 Total Expenses
	Grant Making	Grant Administration	Annuity Payments and Disbursements	Annuity Payment and Disbursements Administration	Development	Management and General	
Grants paid	\$ 33,898,318	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,898,318
Annuity payments and distributions to beneficiaries	-	-	281,375	-	-	-	281,375
Payroll and employee costs	-	230,040	-	118,203	947,750	907,570	2,203,563
Professional and legal	-	58,083	-	31,738	332,125	401,998	823,944
Operating	-	60,658	-	36,763	145,048	1,063,829	1,306,298
Depreciation and amortization	-	27,130	-	16,443	-	38,640	82,213
Other	-	62,295	-	37,754	-	88,722	188,771
	<u>\$ 33,898,318</u>	<u>\$ 438,206</u>	<u>\$ 281,375</u>	<u>\$ 240,901</u>	<u>\$ 1,424,923</u>	<u>\$ 2,500,759</u>	<u>\$ 38,784,482</u>

NOTE H - COMMITMENTS AND CONTINGENCIES

The Foundation leases office space and equipment under a noncancellable operating lease agreement. During 2015, the Foundation signed a new lease for 8,732 square feet of office space for a term of eight years beginning August 1, 2015. Rent expense, including electrical costs, was approximately \$156,000 and \$155,000 for the years ended December 31, 2020 and 2019, respectively. The office lease expires July 31, 2023 and the equipment lease expires May 16, 2021.

The Catholic Foundation
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2020 and 2019

Minimum future rental payments as of December 31, 2020 are as follows:

<u>Years ending December 31,</u>	
2021	\$ 173,196
2022	176,456
2023	<u>104,419</u>
Total	<u>\$ 454,071</u>

NOTE I - EMPLOYEE BENEFIT PLAN

The Foundation allows employees to contribute to a savings plan (the "Plan") which is subject to Section 403(b) of the IRC. All employees are eligible to contribute to the Plan any whole percentage of their salary not to exceed the maximum allowed by the IRC. The total value of the participant's contribution is fully and immediately vested. Employees are eligible to participate in the Plan upon employment with the Foundation. The Foundation matches up to 6% of the employee's annual salary. The Foundation's match vests to the participant ratably over a three-year period. The Foundation's contributions for the years ended December 31, 2020 and 2019 were approximately \$103,000 and \$97,000, respectively.

NOTE J - LIQUIDITY AND FUNDS AVAILABLE

The Foundation pays all operating expenses from financial assets without donor restrictions. The Foundation's investment allocation is structured to insure financial assets are available as its general expenditures, liabilities and obligations come due.

The following table reflects the Foundation's financial assets as of December 31, 2020 and 2019, reduced by amounts not available for general expenditure within one year.

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 2,309,896	\$ 2,401,913
Accounts and trade receivable	264,019	185,269
Investments	<u>180,555,964</u>	<u>165,050,863</u>
	183,129,879	167,638,045
Less amounts unavailable for general expenditure within one year due to:		
Investments held in trust	(13,909,715)	(12,622,434)
Investments held in alternatives which cannot be liquidated	(13,571,747)	(10,931,460)
Perpetual endowments and accumulated earnings subject to appropriation beyond one year	<u>(51,223,429)</u>	<u>(47,605,375)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 104,424,988*</u>	<u>\$ 96,478,776*</u>

* Financial assets available to meet cash needs in the next year include approximately \$53,272,000 and \$53,901,000 for the year ending December 31, 2020 and 2019, respectively, in donor-advised funds and campaign funds.

The Catholic Foundation
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2020 and 2019

NOTE K - AGENCY FUNDS

The Foundation accepts funds to manage and invest from organizations primarily in the Catholic Diocese of Dallas. A number of the funds managed by the Foundation are held as agency accounts since the owner of the fund has the ability to withdraw the funds at their discretion.

The following is a summary of assets held under agency relationships:

	December 31,	
	2020	2019
Accounts and interest receivable	\$ 26,086	\$ 21,674
Investments, at fair value		
Money market funds	9,039	11,959
Marketable securities	21,991,763	19,117,565
Pooled investments	55,002,405	43,683,418
Other assets	881,428	830,686
Total agency assets	<u>\$ 77,910,721</u>	<u>\$ 63,665,302</u>

The following is a summary of agency activity. This activity is not included in the Foundation's Statements of Activities.

	Years ended December 31,	
	2020	2019
Revenue and net gains on investments		
Investment income	\$ 1,001,059	\$ 1,304,303
Net realized and unrealized gain on investments	8,164,343	9,931,034
Other income	44,959	50,153
Total revenue and net gain on investments	9,210,361	11,285,490
Operating expenses and transfers	(352,535)	(346,304)
Agency accounts additions	8,200,824	3,027,278
Agency accounts distributions	(2,813,231)	(3,850,417)
Net agency activity	14,245,419	10,116,047
Agency liability at beginning of year	63,665,302	53,549,255
Agency liability at end of year	<u>\$ 77,910,721</u>	<u>\$ 63,665,302</u>

NOTE L - SUBSEQUENT EVENTS

The Foundation evaluated its financial statements for subsequent events through May 5, 2021, the date the financial statements were available to be issued. The Foundation is not aware of any such events that would require recognition or disclosure in the financial statements other than the following.