

Financial Statements and Report of
Independent Certified Public
Accountants

The Catholic Foundation

December 31, 2021

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
The Catholic Foundation

Report on the financial statements**Opinion**

We have audited the financial statements of The Catholic Foundation (the “Foundation”), which comprise the statements of financial position as of December 31, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits of the financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation’s ability to continue as a going concern for one year after the date the financial statements are issued.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on 2020 summarized comparative information

We have previously audited the Foundation's 2020 financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 5, 2021. In our opinion, the accompanying summarized comparative information as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Dallas, Texas
June 2, 2022

The Catholic Foundation
STATEMENTS OF FINANCIAL POSITION
December 31,

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 2,626,410	\$ 2,309,896
Accounts and trade receivable	336,063	264,019
Contributions receivable	42,000	400,000
Pledges receivable, net	2,341,615	2,153,073
Beneficial interest in trusts held by others	1,332,166	1,459,530
Investments	205,939,533	180,555,964
Agency funds	87,128,192	77,910,721
Real estate held for investment	531	531
Other assets	490,829	538,613
	\$ 300,237,339	\$ 265,592,347
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 810,248	\$ 605,506
Distributions payable	51,911	50,001
Grants payable	3,371,450	2,974,741
Liability to trust beneficiaries	3,669,349	3,532,994
Agency funds	87,128,192	77,910,721
Deferred revenue	4,901,277	4,448,268
Annuities payable	4,333,659	4,507,003
	104,266,086	94,029,234
NET ASSETS		
Without donor restrictions	42,464,400	35,929,786
With donor restrictions	153,506,853	135,633,327
	195,971,253	171,563,113
Total net assets	195,971,253	171,563,113
Total liabilities and net assets	\$ 300,237,339	\$ 265,592,347

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	2021 Total	2020 Total
Revenue, gains, and other support				
Contributions, net	\$ 2,221,378	\$ 23,032,537	\$ 25,253,915	\$ 25,579,806
Investment income:				
Dividends and interest	569,585	2,118,298	2,687,883	2,482,673
Net realized and unrealized gain on investments	7,298,316	13,727,196	21,025,512	14,648,293
Real estate income	-	-	-	17,613
Investment advisory fees	1,354,312		1,354,312	1,083,165
Other	1,523,222	20,016	1,543,238	759,637
Gain on uncollectible accounts		54,859	54,859	929,303
Change in value of split-interest agreements	(418,009)	321,351	(96,658)	(720,944)
Net assets released from restrictions	21,400,731	(21,400,731)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue, gains and other support	33,949,535	17,873,526	51,823,061	44,779,546
Expenses				
Grants	21,514,028	-	21,514,028	23,262,618
Grants administration	427,390	-	427,390	432,871
Annuity payments and distributions to beneficiaries	257,339	-	257,339	281,982
Annuity payments and distributions administration	247,968	-	247,968	236,555
Development	1,793,301	-	1,793,301	1,535,830
Management and general	3,174,895	-	3,174,895	2,636,042
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	27,414,921	-	27,414,921	28,385,898
	<hr/>	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	6,534,614	17,873,526	24,408,140	16,393,648
Net assets at beginning of year	35,929,786	135,633,327	171,563,113	155,169,465
	<hr/>	<hr/>	<hr/>	<hr/>
Net assets at end of year	\$ 42,464,400	\$ 153,506,853	\$ 195,971,253	\$ 171,563,113
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The accompanying notes are an integral part of these financial statements.

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

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 24,408,140	\$ 16,393,648
Adjustments to reconcile change in net assets to net cash used in operating activities		
Contributed stock	(7,231,667)	(9,475,152)
Net realized and unrealized gain on investments	(21,025,512)	(14,648,293)
Change in value of split-interest agreements	(96,658)	720,944
Contributions restricted for long-term investments	(1,919,597)	(1,227,183)
Unamortized discount on pledges receivable	(47,859)	(79,553)
Recovery of uncollectible accounts	54,859	929,303
Gain on sale of real estate	-	(385,038)
Changes in operating assets and liabilities		
Accounts and trade receivable	(72,044)	(78,750)
Contributions receivable	358,000	(320,000)
Pledges receivable	(195,542)	(3,002,823)
Other assets	47,784	(21,111)
Accounts payable and accrued liabilities	204,742	(139,297)
Distributions payable	1,910	(4,624)
Grants payable	396,709	762,914
Liability to trust beneficiaries	144,972	127,140
Deferred revenue	195,241	
Annuities payable	244,665	(564,842)
	<u>(4,531,857)</u>	<u>(11,012,717)</u>
Net cash used in operating activities		
	(4,531,857)	(11,012,717)
Cash flows from investing activities		
Proceeds from sale of real estate, net	-	875,539
Proceeds from sale of investments	76,804,185	84,250,548
Purchases of investments	(73,875,411)	(75,432,570)
	<u>2,928,774</u>	<u>9,693,517</u>
Net cash provided by investing activities		
	2,928,774	9,693,517
Cash flows from financing activities		
Contributions restricted for long-term investments	1,919,597	1,227,183
	<u>1,919,597</u>	<u>1,227,183</u>
Net cash provided by financing activities		
	1,919,597	1,227,183
Net increase (decrease) in cash and cash equivalents	316,514	(92,017)
Cash and cash equivalents at beginning of year	2,309,896	2,401,913
Cash and cash equivalents at end of year	<u>\$ 2,626,410</u>	<u>\$ 2,309,896</u>
Noncash investing transactions:		
Contributed stock	<u>\$ 7,231,667</u>	<u>\$ 9,475,152</u>

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

The Catholic Foundation
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

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.

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.

The Catholic Foundation
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

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, 2021 and 2020, there were \$42,000 and \$400,000 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.

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 1.6%.

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.

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 seven 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.

The Catholic Foundation
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

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 investments 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.

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.

The Catholic Foundation
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

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, 2020 and is not expected to have an income tax liability for the year ended December 31, 2021.

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 2018.

Upcoming Accounting Standards

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("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 does not expect adoption of this standard to have a material affect to the financial statements.

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 2021 and 2020 were successful years 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, 2020, from which the summarized information was derived.

The Catholic Foundation
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

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.
- 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 Catholic Foundation
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

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, 2021			
	December 31, 2021	Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market	\$ 4,853,755	\$ 4,853,755	\$ -	\$ -
Fixed income	747,096		747,096	
Equities:				
Domestic	20,402,197	19,759,701	642,496	-
Mutual funds:				
Domestic	45,957,155	45,957,155	-	-
International	12,327,272	12,327,272	-	-
Investment pools:				
Money market	7,622,634	-	7,622,634	-
Mutual funds domestic	70,154,161	-	70,154,161	-
Mutual funds international	22,741,813	-	22,741,813	-
Investments in limited partnerships	7,325	7,325		
Private equity:				
Venture capital	6,240,437	-	-	6,240,437
Private equity:				
Small company	61,358	-	-	61,358
Distressed securities	1,669,258	-	-	1,669,258
Total	192,784,461	\$ 82,905,208	\$ 101,908,200	\$ 7,971,053
Investments at NAV	13,155,072			
Total investments	\$ 205,939,533			
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, 2021 and 2020

Description	Fair Value Measurements at December 31, 2021			
	December 31, 2021	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	\$ 1,332,166	\$ -	\$ -	\$ 1,332,166
Real estate held for investment	\$ 531	\$ -	\$ 531	\$ -
Agency	\$ 87,128,192	\$ 23,419,373	\$ 62,368,099	\$ 1,340,720

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

The schedule below summarizes the 2021 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	\$ 3,558,761	\$ 74,764	\$ 1,472,959	\$ 1,459,530
Total gains (losses):				
Included in realized/unrealized	1,457,013	-	301,447	-
Included in other income	844,069	14,373	42,880	-
Change in value of split-interest agreements	-	-	-	(127,364)
Purchases and issuances	1,691,643	-	171,550	-
Distributions	(1,311,049)	(27,779)	(319,578)	-
Ending balance	\$ 6,240,437	\$ 61,358	\$ 1,669,258	\$ 1,332,166

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	\$ 3,558,761	\$ 74,764	\$ 1,472,959	\$ 1,459,530

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, 2021 and 2020 was \$2,659,783 and \$525,507, respectively.

The Catholic Foundation
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

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, 2021:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice</u>
Alternatives –				
Small/Mid Cap Growth L.P. ⁽¹⁾	\$ 3,573,237	\$ -	Quarterly	30 days
Hedge Fund of Funds ⁽²⁾	8,489,821	881,000	Quarterly/Annually	45-110 days
Real Estate Opportunity Fund ⁽³⁾	14,257	-	n/a	-
Special Situations Fund ⁽⁴⁾	1,077,757	986,000	n/a	5 Year Lockup

- (1) This category contains a limited partnership investing in equity securities.
- (2) This category contains five 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, 2020:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice</u>
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 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 two funds focusing on opportunistic and situational investing in the European sovereign, corporate and financial institutional credit markets.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

The Foundation invests in various 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 \$13,473,000. As of December 31, 2021 and 2020, \$8,426,000 and \$6,803,000, respectively, of these capital commitments had been funded.

NOTE D - PLEDGES RECEIVABLE AND CONTRIBUTIONS

At the end of June 2021, the Our Faith Our Future Diocese of Dallas Capital Campaign and the Nuestra Senora del Pilar Catholic Church Evangelizing Future Generations Capital Campaign assumed management over their own campaigns and the Foundation wrote off all remaining pledges. Recoveries of amounts previously written off was \$54,859 and \$929,303 in 2021 and 2020, respectively.

During 2019, a new fund was established at the Foundation to raise \$7,500,000 for The Institute for Homiletics at the University of Dallas (the "Institute"). The Institute is a partnership between the Foundation and University of Dallas. 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, 2021, \$5,300,000 has been raised from generous donors within the Diocese of Dallas. The Foundation is receiving and processing these pledge payments. As of December 31, 2021, all pledges to this fund are considered to be 100% collectable. These pledges and payments are deemed to be donor restricted.

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

	December 31,	
	2021	2020
Pledges receivable before unamortized discount and allowance for uncollectibles		
Less than one year	\$ 282	\$ 1,441,107
One to five years	2,372,027	2,318,159
More than five years	1,000	5,947
Total	2,373,309	3,765,213
Less:		
Unamortized present value discount	(31,694)	(79,553)
Allowance for uncollectibles	-	(1,532,587)
Pledges receivable, net	\$ 2,341,615	\$ 2,153,073

Pledge receivables at December 31, 2021 were discounted using rates ranging from 0% to 1.45%.

NOTE E - ENDOWMENTS

The Foundation's endowment consists of approximately 105 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.

The Catholic Foundation
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

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.

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, 2021 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 \$11,404 and a deficiency of \$596. As of December 31, 2020 the same fund had a current fair value of \$11,006 and a deficiency of \$994.

The Catholic Foundation
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

Endowment Net Asset Composition by Type of Fund as of December 31, 2021:

	With Donor Restrictions				Total Funds
	Without Donor Restrictions	Original Gift Amount	Accumulated Gains (Losses) and Other	Total with Donor Restrictions	
Donor-restricted funds	\$ -	\$ 28,451,745	\$ 40,126,707	\$ 68,578,452	\$ 68,578,452

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

	With Donor Restrictions				Total Funds
	Without Donor Restrictions	Original Gift Amount	Accumulated Gains (Losses) and Other	Total with Donor Restrictions	
Donor-restricted funds	\$ -	\$ 26,520,958	\$ 32,855,772	\$ 59,376,730	\$ 59,376,730

Included in accumulated gains (losses) and other are accumulated investment returns and term endowment funds which total \$7,270,935 and \$2,805,234 at December 31, 2021 and December 31, 2020, 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.

Changes in the Foundation's endowment net assets for the year ended December 31, 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Changes in endowment net assets for the year ended December 31, 2021:			
Endowment net assets, beginning of year	\$ -	\$ 59,376,730	\$ 59,376,730
Contributions	-	1,928,456	1,928,456
Investment income			
Dividends and interest	-	1,093,942	1,093,942
Net realized and unrealized gains on investments	-	8,653,892	8,653,892
Net assets released from restrictions	-	(2,476,872)	(2,476,872)
Other	-	2,304	2,304
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 68,578,452</u>	<u>\$ 68,578,452</u>

The Catholic Foundation
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

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>

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.

The Catholic Foundation
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

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 \$1,288,552 and \$1,015,650 of board-designated grants at December 31, 2021 and 2020, respectively.

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

	Years ended December 31,	
	2021	2020
Distributions from donor-advised funds	\$ 18,823,397	\$ 16,785,617
Distributions from designated capital campaign funds	981,543	5,102,605
Distributions from split-interest agreements	257,339	281,982
Other	1,338,452	1,103,722
	\$ 21,400,731	\$ 23,273,926

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, 2021 and 2020, respectively are reflected below:

	Program Activities				Supporting Activities		2021 Total Expenses
	Grant Making	Grant Administration	Annuity Payments and Disbursements	Annuity Payment and Disbursements Administration	Development	Management and General	
Grants paid	\$ 21,514,028	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,514,028
Annuity payments and distributions to beneficiaries	-	-	257,339	-	-	-	257,339
Payroll and employee costs	-	243,794	-	136,697	1,069,347	943,904	2,393,742
Professional and legal	-	46,231	-	28,019	568,737	537,357	1,180,344
Operating	-	60,948	-	36,938	155,217	1,283,364	1,536,467
Depreciation and amortization	-	19,364	-	11,736	-	27,580	58,680
Other	-	57,053	-	34,578	-	382,690	474,321
	\$ 21,514,028	\$ 427,390	\$ 257,339	\$ 247,968	\$ 1,793,301	\$ 3,174,895	\$ 27,414,921

The Catholic Foundation
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

	Program Activities					Supporting	2020 Total Expenses
	Grant Making	Grant Administration	Annuity Payments and Disbursements	Annuity		Management and General	
				Payment and Disbursements Administration	Development		
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>

NOTE H - COMMITMENTS AND CONTINGENCIES

The Foundation leases office space and equipment under noncancellable operating lease agreements. 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 \$149,000 and \$156,000 for the years ended December 31, 2021 and 2020, respectively. The office lease expires July 31, 2023 and the equipment lease expires April 25, 2025.

Minimum future rental payments as of December 31, 2021 are as follows:

Years ending December 31,

2022	\$ 179,336
2023	107,299
2024	2,880
2025	960
	<u> </u>
Total	<u>\$ 290,475</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, 2021 and 2020 were approximately \$108,000 and \$103,000, respectively.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

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 ensure 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, 2021 and 2020, reduced by amounts not available for general expenditure within one year.

	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 2,626,410	\$ 2,309,896
Accounts and trade receivable	336,063	264,019
Investments	205,939,533	180,555,964
	208,902,006	183,129,879
Less amounts unavailable for general expenditure within one year due to:		
Investments held in trust	(14,892,548)	(13,909,715)
Investments held in alternatives which cannot be liquidated	(17,552,888)	(13,571,747)
Perpetual endowments and accumulated earnings subject to appropriation beyond one year	(59,331,391)	(51,223,429)
Financial assets available to meet cash needs for general expenditures within one year	\$ 117,125,179*	\$ 104,424,988*

* Financial assets available to meet cash needs in the next year include approximately \$67,283,355 and \$53,272,000 for the year ending December 31, 2021 and 2020, respectively, in donor-advised funds and campaign funds.

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,	
	2021	2020
Accounts and interest receivable	\$ 24,594	\$ 26,086
Investments, at fair value		
Money market funds	21,109	9,039
Marketable securities	24,014,839	21,991,763
Pooled investments	62,135,414	55,002,405
Other assets	932,236	881,428
Total agency assets	\$ 87,128,192	\$ 77,910,721

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
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The following is a summary of agency activity. This activity is not included in the Foundation's Statements of Activities.

	Years ended December 31,	
	2021	2020
Revenue and net gains on investments		
Investment income	\$ 1,428,726	\$ 1,001,059
Net realized and unrealized gain on investments	7,322,021	8,164,343
Other income	50,809	44,959
Total revenue and net gain on investments	8,801,556	9,210,361
Operating expenses and transfers	(398,361)	(352,535)
Agency accounts additions	5,108,417	8,200,824
Agency accounts distributions	(4,294,141)	(2,813,231)
Net agency activity	9,217,471	14,245,419
Agency liability at beginning of year	77,910,721	63,665,302
Agency liability at end of year	\$ 87,128,192	\$ 77,910,721

NOTE L - SUBSEQUENT EVENTS

The Foundation evaluated its financial statements for subsequent events through June 2, 2022, 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.