Financial Statements and Report of Independent Certified Public Accountants

The Catholic Foundation

December 31, 2018

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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 statement of financial position as of December 31, 2018, 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, 2018, 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.

GrantThornton

Report on 2017 summarized comparative information

We have previously audited the Foundation's 2017 financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 10, 2018. In our opinion, the accompanying summarized comparative information as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Grant Thornton LLP

Dallas, Texas
May 8, 2019

The Catholic Foundation

STATEMENTS OF FINANCIAL POSITION

December 31, 2018
(with comparative amounts as of December 31, 2017)

ASSETS	2018	2017
Cash and cash equivalents	$ 2,156,763	$ 2,216,389
Accounts and trade receivable	707,393	657,199
Receivable from fund manager	-	1,700,000
Contributions receivable	-	1,500,000
Pledges receivable, net	125,022	7,779,623
Beneficial interest in trusts held by others	1,361,423	1,799,032
Investments	147,946,601	160,876,593
Agency funds	53,549,255	53,208,778
Real estate held for investment	491,032	2,635,240
Other assets	593,143	671,811
Total assets	$206,930,632	$233,044,665
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	$ 755,165	$ 886,319
Distributions payable	68,700	61,427
Grants payable	1,728,535	2,436,995
Liability to trust beneficiaries	3,018,861	4,650,415
Agency funds	53,549,255	53,208,778
Deferred revenue	3,962,076	4,395,291
Annuities payable	4,831,568	4,899,524
Total liabilities	67,914,160	70,538,749
Net assets		
Without donor restrictions	26,056,735	31,598,321
With donor restrictions	112,959,737	130,907,595
Total net assets	139,016,472	162,505,916
Total liabilities and net assets	$206,930,632	$233,044,665

The accompanying notes are an integral part of this statement.

The Catholic Foundation

STATEMENT OF ACTIVITIES

Year ended December 31, 2018
(with summarized financial information for the year ended December 31, 2017)

	Without Donor Restrictions	With Donor Restrictions	2018 Total	2017 Total
Revenue, gains, and other support				
Contributions, net	$ 1,190,528	$ 10,544,615	$ 11,735,143	$ 14,092,264
Investment income				
Dividends and interest	805,602	2,362,038	3,167,640	2,616,780
Net realized and unrealized gains (losses) on investments	(4,208,591)	(7,561,731)	(11,770,322)	15,890,998
Real estate income	11,965	-	11,965	17,437
Investment advisory fees	1,296,770	-	1,296,770	1,444,358
Other	267,902	7,347	275,249	197,152
Loss on uncollectible accounts	-	(1,292,236)	(1,292,236)	(3,243,024)
Change in value of split-interest agreements	(429,160)	847,585	418,425	(718,232)
Net assets released from restrictions	22,855,476	(22,855,476)	-	-
Total revenue, gains and other support	21,790,492	(17,947,858)	3,842,634	30,297,733
Expenses				
Grants	22,233,665	-	22,233,665	20,382,958
Grants administration	414,701	-	414,701	431,332
Annuity payments and distributions to beneficiaries	411,561	-	411,561	326,284
Annuity payments and distributions administration	239,503	-	239,503	266,315
Development	1,329,832	-	1,329,832	1,318,466
Management and general	2,702,816	-	2,702,816	3,147,946
Total expenses	27,332,078	-	27,332,078	25,873,301
Change in net assets	(5,541,586)	(17,947,858)	(23,489,444)	4,424,432
Net assets at beginning of year	31,598,321	130,907,595	162,505,916	158,081,484
Net assets at end of year	$26,056,735	$112,959,737	$139,016,472	$162,505,916

The accompanying notes are an integral part of this statement.

The Catholic Foundation

STATEMENTS OF CASH FLOWS

Year ended December 31, 2018
(with comparative amounts for the year ended December 31, 2017)

	2018	2017
Cash flows from operating activities		
Change in net assets	$(23,489,444)	$ 4,424,432
Adjustments to reconcile change in net assets to net cash used in operating activities		
Contributed stock	(3,481,477)	(5,753,332)
Net realized and unrealized loss (gain) on investments	11,770,322	(15,890,998)
Change in value of split-interest agreements	(418,425)	718,232
Contributions restricted for long-term investments	(512,346)	(172,331)
Unamortized discount on pledges receivable	134,232	(332,785)
Allowance for uncollectible pledges	4,558,282	(2,306,677)
Loss (gain) on sale of real estate	25,876	(23,463)
Changes in operating assets and liabilities		
Accounts and trade receivable	(50,194)	(9,307)
Receivable from fund manager	1,700,000	(975,000)
Contributions receivable	1,500,000	(1,500,000)
Pledges receivable	2,962,087	16,694,798
Other assets	78,668	102,648
Accounts payable and accrued liabilities	(131,154)	147,637
Distributions payable	7,273	(1,163)
Grants payable	(708,460)	484,949
Liability to trust beneficiaries	(929,248)	1,042,120
Annuities payable	(497,116)	(378,950)
Net cash used in operating activities	(7,481,124)	(3,729,190)
Cash flows from investing activities		
Proceeds from sale of real estate	2,025,627	337,000
Proceeds from sale of investments	59,190,775	26,655,816
Purchases of investments	(54,307,250)	(23,933,904)
Net cash provided by investing activities	6,909,152	3,058,912
Cash flows from financing activities		
Contributions restricted for long-term investments	512,346	172,331
Net cash provided by financing activities	512,346	172,331
Net decrease in cash and cash equivalents	(59,626)	(497,947)
Cash and cash equivalents at beginning of year	2,216,389	2,714,336
Cash and cash equivalents at end of year	$ 2,156,763	$ 2,216,389
Noncash investing transactions:		
Contributed stock	$ 3,481,477	$ 5,753,332

The accompanying notes are an integral part of this statement.

The Catholic Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2018
(with comparative totals for 2017)

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;

- as increases (decreases) in net assets without restrictions in all other cases.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 and Receivable from Fund Manager

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.

As of December 31, 2018, the Foundation had no receivables due from fund managers. As of December 31, 2017 there was $1,700,000 due from an alternative investment fund manager.

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, 2018 and 2017, there were $-0- and $1,500,000 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 six years of the campaigns. The allowance is accounted for as a loss on uncollectible accounts in the Statement of Activities.

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 3.6%.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 as a practical expedient in estimating fair value. The net asset values 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 perfomance, 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 Statement 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 on January 11, 2018. The value of the real estate was written down by $305,792 to the sale price as of December 31, 2017.

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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 Statement of Activities and Statement 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 Statement of Activities and Statement 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 Statement 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 Statement of Activities and Statement 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 Statement of Activities. Accordingly, certain expenses have been allocated among grants administration, annuity and trust distribution administration, development and management and general. See Note G.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 years ended December 31, 2018 and 2017.

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 tax authorities for the tax years prior to 2015.

Recently Adopted Accounting Standards

In 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, Presentation of Financial Statements of Not-For-Profit Entities (ASU 2016-14). The Foundation adopted the provisions of this new standard during the year ended December 31, 2018. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources, and disclosures related to functional allocation of expenses were expanded.

The amendments in ASU 2016-14 have been adopted and applied by the Foundation on a retrospective basis for calendar year ended December 31, 2017. However, the Foundation has elected the permitted option to omit the following information for calendar year 2017:

1. Analysis of expenses separately for both natural and functional classification

2. Disclosures about liquidity and availability of resources

The financial statements for calendar year ended December 31, 2017 have been restated to reflect the net asset classifications required by ASU 2016-14. Net assets classified previously as unrestricted are now reported as net assets without donor restrictions and temporarily or permanently restricted net assets are now reported as net assets with donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 GAAP. Accordingly, such information should be read in conjunction with the Foundation's audited financial statements for the year ended December 31, 2017, 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 and mutual fund investments. 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 five investment pools, one limited partnership investing in primarily publicly traded growth oriented companies, 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.

NOTE C - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

In May 2015, the FASB issued ASU No. 2015-07, "Fair Value Measurement: Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)". ASU 2015-07 eliminates the requirement to categorize within the fair value hierarchy investments whose fair values are measured at net asset value using the net asset value per share practical expedient. Instead, ASU 2015-07 requires entities to disclose the fair values of such investments so that financial statement users can reconcile amounts reported in the fair value hierarchy table and the amounts reported on the balance sheet. The Company adopted ASU 2015-07 as of January 1, 2017. As of December 31, 2018 and December 31, 2017 such investments totaled $6,013,771 and $6,942,769, respectively.

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

Fair Value Measurements at December 31, 2018

Description	December 31, 2018	Using Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market	$ 25,089,097	$25,089,097	$ -	$ -
Fixed income	718,334	718,334	-	-
Equities:				
Domestic	14,797,504	14,249,907	547,597	-
International	69,230	69,230	-	-
Mutual funds:				
Domestic	32,589,161	32,589,161	-	-
International	10,667,931	10,667,931	-	-
Investment Pools:				
Money market	3,437,904	-	3,437,904	-
Mutual Funds Domestic	38,267,397	-	38,267,397	-
Mutual Funds International	11,642,287	-	11,642,287	-
Investments in limited partnerships	2,226,418	-	2,226,418	-
Private Equity:				
Venture Capital	1,600,276	-	-	1,600,276
Private Equity:				
Small Company	115,586	-	-	115,586
Distressed Securities	711,705	-	-	711,705
Total	141,932,830	83,383,660	56,121,603	2,427,567
Investments at NAV	6,013,771			
Total investments	$147,946,601			

NOTE C - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

		Fair Value Measurements at December 31, 2018		
Description	December 31, 2018	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	$ 1,361,423	$ -	$ -	$1,361,423
Real estate held for investment	$ 491,032	$ -	$ 491,032	$ -

The schedule below summarizes the 2018 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	$ 789,317	$186,127	$528,325	$1,799,032
Total gains (losses)				
Included in realized/unrealized	18,758	-	30,339	-
Included in other income (loss)	100,015	16,959	13,519	-
Change in value of split interest agreements	-	-	-	(437,609)
Purchases and issuances	814,421	-	213,317	-
Distributions	(122,235)	(87,500)	(73,795)	-
Ending Balance	$1,600,276	$115,586	$711,705	$1,361,423

Total Level 3 gains and losses are all included in the Statement of Activities, and are all related to financial assets still held at year-end. The gains relating to assets still held at December 31, 2018 was $179,590.

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

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice
Alternatives -				
Hedge Fund of Funds (1)	$5,230,113	-	Quarterly/ Annually	45-110 days
Real Estate Opportunity Fund(2)	202,698	-	n/a	-
Special Situations Fund (3)	580,960	-	n/a	5 Year Lockup

(1) This category contains three hedge funds with varying strategies which include absolute return, event driven, and multi-strategy. As of December 31, 2018, one of these investments is being fully liquidated over the next 12 months.

NOTE C - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

(2) 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.

(3) This category contains one fund focusing on opportunistic and situational investing in the European sovereign, corporate and financial institutional credit markets.

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

		Fair Value Measurements at December 31, 2017		
Description	December 31, 2017	Using Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market	$ 28,106,948	$28,106,948	$ -	$ -
Fixed income	888,800	888,800	-	-
Equities:				
Domestic	15,170,281	14,551,964	618,317	-
International	617,960	617,960	-	-
Mutual funds:				
Domestic	36,231,053	36,231,053	-	-
International	12,327,694	12,327,694	-	-
Investment Pools:				
Money market	3,124,945	-	3,124,945	-
Mutual Funds Domestic	39,613,126	-	39,613,126	-
Mutual Funds International	13,846,660	-	13,846,660	-
Investments in limited partnerships	2,502,588	-	2,502,588	-
Private Equity				
Venture Capital	789,317	-	-	789,317
Private Equity				
Small Company	186,127	-	-	186,127
Distressed Securities	528,325	-	-	528,325
Total	$153,933,824	$92,724,419	$59,705,636	$1,503,769
Investments at NAV	6,942,769			
Total investments	$160,876,593			

NOTE C - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

		Fair Value Measurements at December 31, 2017		
Description	December 31, 2017	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	$ 1,799,032	$ -	$ -	$ 1,799,032
Real estate held for investment	$ 2,635,240	$ -	$ 2,635,240	$ -

The schedule below summarizes the 2017 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	$ 408,151	$206,496	$267,328	$1,880,954
Total gains (losses)				
Included in realized/unrealized	65,054	15,013	19,496	-
Included in other income (loss)	(1,915)	23,976	34,301	-
Change in value of split interest agreements	-	-	-	(81,922)
Purchases and issuances	553,000	-	207,200	-
Distributions	(234,973)	(59,358)	-	-
Ending Balance	$ 789,317	$186,127	$528,325	$1,799,032

Total Level 3 gains and losses are all included in the Statement of Activities, and all relate to financial assets still held at year-end. The gains relating to assets still held at December 31, 2017 was $157,840.

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

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice
Alternatives -				
Hedge Fund of Funds (1)	$5,778,172	-	Quarterly/ Annually	45-110 days
Real Estate Opportunity Fund (2)	325,651	-	n/a	-
Special Situations Fund (3)	838,946	-	n/a	5 Year Lockup

NOTE C - FAIR VALUE OF FINANCIAL INSTRUMENTS – Continued

(1) This category contains three hedge funds with varying strategies which include absolute return, event driven, and multi-strategy. As of December 31, 2017, the Foundation was in the process of redeeming one of these investments.
(2) 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.
(3) This category contains one fund focusing on opportunistic and situational investing in the European sovereign, corporate and financial institutional credit markets.

The Foundation invests in five 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 $8,050,000. As of December 31, 2018 and 2017, $4,267,000 and $1,990,000, respectively, of these capital commitments had been funded.

NOTE D - PLEDGES RECEIVABLE AND CONTRIBUTIONS

During 2018, the Foundation continued to receive and process pledge payments associated with nine capital campaigns. The St. Augustine Catholic Church Building in Faith Capital Campaign, the Building Together the Future of Good Shepherd Catholic Church 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, the St. Anthony Catholic Church Caring for Our Present, Planning for Our Future Capital Campaign, the Divine Mercy of Our Lord Catholic Church Growing with Faith Capital Campaign, and the St. Gabriel the Archangel Catholic Community Raising the Walls Capital Campaigns, all established in 2014. The pledge phase of all campaigns has been completed. The collection phase of these campaigns is expected to continue through 2024. These pledges and payments are deemed to be donor restricted.

The allowance for uncollectible pledges has decreased in the current year due to the write off of any pledges greater than 730 days past due. The Diocese of Dallas and the parishes are responsible for the relationships with these donors. The Foundation is working closely with them to maximize collections going forward.

NOTE D - PLEDGES RECEIVABLE AND CONTRIBUTIONS - Continued

Pledges receivable, all related to the campaigns as described above, consisted of the following:

	December 31, 2018	December 31, 2017
Pledges receivable before unamortized discount and allowance for uncollectibles		
Less than one year	$ 3,455,547	$ 2,300,949
One to five years	5,245,988	18,692,670
More than five years	20,158	75,189
Total	8,721,693	21,068,808
Less:		
Unamortized present value discount	(34,613)	(168,845)
Allowance for uncollectibles	(8,562,058)	(13,120,340)
Pledges receivable, net	$ 125,022	$ 7,779,623

Pledge receivables at December 31, 2018 and 2017 were discounted using rates ranging from 2.5% to .48%.

NOTE E - ENDOWMENTS

The Foundation's endowment consists of approximately 90 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.
7. The investment policies of the Foundation.

NOTE E - ENDOWMENTS - Continued

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, 2018 there were deficiencies of this nature in 7 donor restricted endowment funds, which together have an original gift of $1,777,613, a current fair value of $1,667,466 and a deficiency of $110,147. As of December 31, 2017 there were no funds with deficiencies.

Endowment Net Asset Composition by Type of Fund as of December 31, 2018:

		With donor restrictions			
	Without donor restrictions	Original gift Amount	Accumulated gains (losses) and other	Total with donor restrictions	Total Funds
Donor-restricted funds	$ -	$23,509,346	$22,892,592	$46,401,938	$46,401,938

Included in accumulated gains (losses) and other are accumulated investment returns and term endowment funds which total $6,185,113 and $7,026,029 at December 31, 2018 and December 31, 2017, 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.

NOTE E - ENDOWMENTS - Continued

Changes in the Foundation's endowment net assets for the year ended December 31, 2018 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Changes in Endowment Net Assets for the year ended December 31, 2018:			
Endowment net assets, beginning of year	$ -	$50,560,874	$50,560,874
Contributions	-	513,196	513,196
Investment income			
Dividends and interest	-	1,202,361	1,202,361
Net realized and unrealized losses on investments	-	(4,996,763)	(4,996,763)
Net assets released from restrictions	-	(2,007,496)	(2,007,496)
Other	-	1,129,766	1,129,766
Endowment net assets, end of year	$ -	$46,401,938	$46,401,938

Changes in the Foundation's endowment net assets for the year ended December 31, 2017 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Changes in Endowment Net Assets for the year ended December 31, 2017:			
Endowment net assets, beginning of year	$ -	$44,128,376	$44,128,376
Contributions	-	177,111	177,111
Investment income			
Dividends and interest	-	1,061,226	1,061,226
Net realized and unrealized gains on investments		6,663,270	6,663,270
Net assets released from restrictions	-	(1,474,581)	(1,474,581)
Other	-	5,472	5,472
Endowment net assets, end of year	$ -	$50,560,874	$50,560,874

NOTE E - ENDOWMENTS - Continued

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.

Net assets without donor restrictions include $740,417 and $1,665,639 of board designated grants at December 31, 2018 and 2017, respectively.

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

	Years ended December 31,	
	2018	2017
Distributions from donor advised funds	$11,712,360	$ 8,504,850
Distributions from designated capital campaign funds	9,288,319	9,912,710
Distributions from split-interest agreements	411,561	326,284
Other	1,443,236	1,875,284
	$22,855,476	$20,619,128

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 Statement 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, 2018 are reflected below:

	Program activities				Supporting Activities			
	Grant Making	Grant Administration	Annuity payments and disbursements	Annuity payments and disbursements administration	Development	Management and general	2018 Total Expenses	2017 Total Expenses
Grants Paid	$22,233,665	$ -	$ -	$ -	$ -	$ -	$22,233,665	$20,382,958
Annuity Payments & Distributions to Beneficiaries	-	-	411,561	-	-	-	411,561	326,284
Payroll & Employee Costs	-	178,498	-	114,999	851,658	952,690	2,097,845	2,032,076
Professional & Legal	-	76,210	-	27,539	345,642	300,401	749,792	553,356
Operating	-	64,574	-	39,136	132,532	1,313,825	1,550,067	2,024,803
Depreciation & Amortization	-	29,143	-	17,662	-	41,507	88,312	87,217
Other	-	66,276	-	40,167	-	94,393	200,836	466,607
	$22,233,665	$414,701	$411,561	$239,503	$1,329,832	$2,702,816	$27,332,078	$25,873,301

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 $151,000 and $145,000 for the years ended December 31, 2018 and 2017, respectively. The office lease expires July 31, 2023 and the equipment leases expire May 16, 2021 and April 30, 2019.

NOTE H - COMMITMENTS AND CONTINGENCIES - Continued

Minimum future rental payments as of December 31, 2018 are as follows:

Years ending December 31,	
2019	$167,300
2020	171,051
2021	173,196
2022	176,456
2023	104,419
Total	$792,422

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, 2018 and 2017 were approximately $90,000 and $94,000, 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, 2018, reduced by amounts not available for general expenditure within one year.

Financial Assets:	
Cash & Cash Equivalents	$ 2,156,763
Accounts & Trade Receivable	707,393
Investments	147,946,601
	150,810,757
Less amounts unavailable for general expenditure within one year due to:	
Investments held in trust	(11,697,095)
Investments held in alternatives which cannot be liquidated	(5,659,836)
Perpetual endowments and accumulated earnings subject to appropriation beyond one year	(39,524,483)
Financial assets available to meet cash needs for general expenditures within one year	$ 93,929,343*

* Financial assets available to meet cash needs in the next year include approximately $64,122,000 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,	
	2018	2017
Accounts and interest receivable	$ 25,428	$ 15,417
Investments, at fair value		
Money market funds	19,256	23,373
Marketable securities	16,120,721	16,810,795
Pooled investments	36,603,316	35,626,560
Other assets	780,534	732,633
Total agency assets	$53,549,255	$53,208,778

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

	Years ended December 31,	
	2018	2017
Revenue and net gains on investments		
Investment income	$ 1,033,145	$ 898,296
Net realized and unrealized (loss)/gain on investments	(4,698,765)	6,995,424
Other income	47,901	48,948
Total revenue and net (losses) gains on investments	(3,617,719)	7,942,668
Operating expenses and transfers	(371,757)	(307,820)
Agency accounts additions	6,561,669	1,383,518
Agency accounts distributions	(2,231,716)	(1,760,336)
Net agency activity	340,477	7,258,030
Agency liability at beginning of year	53,208,778	45,950,748
Agency liability at end of year	$53,549,255	$53,208,778

NOTE L - SUBSEQUENT EVENTS

The Foundation evaluated its financial statements for subsequent events through May 8, 2019, the date the financial statements were available to be issued. The Foundation is not aware of any subsequent events which would require recognition or disclosure in the financial statements.