

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Catholic Community Foundation of Minnesota  
St. Paul, Minnesota

We have audited the accompanying financial statements of Catholic Community Foundation of Minnesota, which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

Board of Directors  
Catholic Community Foundation of Minnesota

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catholic Community Foundation of Minnesota as of June 30, 2021 and 2020, 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.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
November 11, 2021

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2021 AND 2020**

	2021	2020
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 14,364,083	\$ 13,796,145
Pledges and Bequest Receivable	6,059,184	1,061,186
Interest and Fees Receivable	716,322	519,663
Prepays and Other Assets	276,955	402,044
Investments (Note 4)	484,367,550	366,470,685
Cash Surrender Value of Life Insurance (Note 8)	3,613,816	3,877,186
Beneficial Interest in Trusts (Note 4)	530,588	484,705
Property and Equipment, Net	72,941	100,073
	\$ 510,001,439	\$ 386,711,687
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 1,255,637	\$ 868,330
Notes Payable	-	269,900
Grants Payable	637,000	657,500
Agency Funds	196,212,401	148,338,852
Beneficiary Endowments	66,619,653	51,875,658
Split-Interest Agreement Obligations	4,977,680	5,149,948
Total Liabilities	269,702,371	207,160,188
<b>NET ASSETS</b>		
Without Donor Restrictions	67,549,532	52,851,099
With Donor Restrictions (Note 9)	172,749,536	126,700,400
Total Net Assets	240,299,068	179,551,499
Total Liabilities and Net Assets	\$ 510,001,439	\$ 386,711,687

See accompanying Notes to Financial Statements.

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUE GAINS (LOSSES) AND OTHER SUPPORT</b>			
Total Contributions	\$ 14,394,510	\$ 14,608,686	\$ 29,003,196
Less: Amounts Received for Beneficial Endowments	<u>309,999</u>	<u>3,557,411</u>	<u>3,867,410</u>
Net Contributions	14,084,511	11,051,275	25,135,786
Investment Income, Net of Investment Expenses (Note 4)	12,201,950	39,635,673	51,837,623
Management Fee Income	1,298,195	-	1,298,195
Change in Value of Split-Interest Agreements, Net	312,129	540,450	852,579
Debt Forgiveness	269,900	-	269,900
Released from Restrictions	<u>5,368,211</u>	<u>(5,368,211)</u>	<u>-</u>
Net Revenue Gains (Losses) and Other Support	33,534,896	45,859,187	79,394,083
<b>PROGRAM GRANTS</b>			
Education	6,509,564	-	6,509,564
Parishes	3,875,553	-	3,875,553
Social Services	3,962,135	-	3,962,135
Other Religious and Seminaries	<u>2,955,443</u>	<u>-</u>	<u>2,955,443</u>
Total Grants	17,302,695	-	17,302,695
Less: Grants Made on Beneficial Endowments	<u>1,463,018</u>	<u>-</u>	<u>1,463,018</u>
Net Grants	15,839,677	-	15,839,677
<b>OPERATING EXPENSES</b>			
Donor Engagement	1,383,481	-	1,383,481
Management and General	1,047,843	-	1,047,843
Grant Services	<u>375,513</u>	<u>-</u>	<u>375,513</u>
Total Operating Expenses	2,806,837	-	2,806,837
<b>DONOR RECLASSIFICATIONS AND INTERFUND TRANSFERS (NOTE 9)</b>	<u>(189,949)</u>	<u>189,949</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	14,698,433	46,049,136	60,747,569
Net Assets - Beginning of Year	<u>52,851,099</u>	<u>126,700,400</u>	<u>179,551,499</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 67,549,532</u>	<u>\$ 172,749,536</u>	<u>\$ 240,299,068</u>

See accompanying Notes to Financial Statements.

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE GAINS (LOSSES) AND OTHER SUPPORT</b>			
Total Contributions	\$ 15,362,307	\$ 12,920,341	\$ 28,282,648
Less: Amounts Received for Beneficial Endowments	264,999	6,638,683	6,903,682
Net Contributions	15,097,308	6,281,658	21,378,966
Investment Income, Net of Investment Expenses (Note 4)	301,627	323,527	625,154
Management Fee Income	1,163,665	-	1,163,665
Change in Value of Split-Interest Agreements, Net	(183,284)	(219,732)	(403,016)
Released from Restrictions	5,094,514	(5,094,514)	-
Net Revenue Gains (Losses) and Other Support	21,473,830	1,290,939	22,764,769
<b>PROGRAM GRANTS</b>			
Education	5,796,663	-	5,796,663
Parishes	4,394,384	-	4,394,384
Social Services	3,982,361	-	3,982,361
Other Religious and Seminaries	3,834,773	-	3,834,773
Total Grants	18,008,181	-	18,008,181
Less: Grants Made on Beneficial Endowments	1,515,059	-	1,515,059
Net Grants	16,493,122	-	16,493,122
<b>OPERATING EXPENSES</b>			
Donor Engagement	1,379,339	-	1,379,339
Management and General	1,033,157	-	1,033,157
Grant Services	349,129	-	349,129
Total Operating Expenses	2,761,625	-	2,761,625
<b>DONOR RECLASSIFICATIONS AND INTERFUND TRANSFERS (NOTE 9)</b>	(2,180,322)	2,180,322	-
<b>CHANGE IN NET ASSETS</b>	38,761	3,471,261	3,510,022
Net Assets - Beginning of Year	52,812,338	123,229,139	176,041,477
<b>NET ASSETS - END OF YEAR</b>	\$ 52,851,099	\$ 126,700,400	\$ 179,551,499

See accompanying Notes to Financial Statements.

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA  
STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021				2020			
	Donor Engagement	Management and General	Grant Services	Total	Donor Engagement	Management and General	Grant Services	Total
<b>PROGRAM GRANTS, NET</b>	\$ -	\$ -	\$15,839,677	\$ 15,839,677	\$ -	\$ -	\$ 16,493,122	\$ 16,493,122
<b>OPERATING EXPENSES</b>								
Salaries and Benefits	993,587	825,313	310,091	2,128,991	973,807	813,953	288,726	2,076,486
Professional Fees	40,535	74,242	8,312	123,089	37,285	76,333	8,583	122,201
Publications and Marketing	165,132	-	-	165,132	191,805	-	-	191,805
Depreciation	14,253	11,474	4,448	30,175	7,349	5,953	2,179	15,481
Office Supplies and Services	87,102	70,119	27,184	184,405	81,450	65,976	24,149	171,575
Occupancy	56,673	45,622	17,687	119,982	55,704	45,122	16,516	117,342
Miscellaneous	26,199	21,073	7,791	55,063	31,939	25,820	8,976	66,735
<b>Total Operating Expenses</b>	<u>1,383,481</u>	<u>1,047,843</u>	<u>375,513</u>	<u>2,806,837</u>	<u>1,379,339</u>	<u>1,033,157</u>	<u>349,129</u>	<u>2,761,625</u>
<b>Total Expenses</b>	<u>\$ 1,383,481</u>	<u>\$ 1,047,843</u>	<u>\$ 16,215,190</u>	<u>\$ 18,646,514</u>	<u>\$ 1,379,339</u>	<u>\$ 1,033,157</u>	<u>\$ 16,842,251</u>	<u>\$ 19,254,747</u>

See accompanying Notes to Financial Statements.



**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 60,747,569	\$ 3,510,022
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	30,175	15,481
Change in Cash Surrender Value of Insurance Policies	263,370	(77,252)
Realized and Unrealized (Gain) Loss on Investments	(111,143,477)	1,314,739
Discount on Program-Related Investments	(9,408)	(25,436)
Change in Value of Split Interest Agreements	(852,579)	403,016
Change in Assets and Liabilities:		
Pledges Receivable	(4,997,998)	764,605
Interest and Fees Receivable	(196,659)	79,141
Prepays and Other Assets	125,089	(175,798)
Beneficial Interest in Trusts	(45,883)	21,430
Accounts Payable and Accrued Expenses	387,307	113,575
Grants Payable	(20,500)	18,500
Net Agency Activity	47,873,549	269,279
Net Beneficiary Endowed Activity	14,743,995	5,115,891
Net Cash Provided by Operating Activities	6,904,550	11,347,193
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sale and Maturities of Investments	119,419,107	80,298,478
Purchase of Investments	(125,310,508)	(89,040,584)
Purchase of Fixed Assets	(3,043)	(52,226)
Net Cash Used by Investing Activities	(5,894,444)	(8,794,332)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in Annuity and Trust Agreement Obligations	628,914	(125,739)
Payments on Annuities and Trust Obligations	(801,182)	(375,073)
Proceeds from Notes Payable	(269,900)	269,900
Net Cash Used by Financing Activities	(442,168)	(230,912)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	567,938	2,321,949
Cash and Cash Equivalents - Beginning of Year	13,796,145	11,474,196
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 14,364,083	\$ 13,796,145
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITY</b>		
Agency and Beneficiary Endowment Unrealized/Realized Gains, Net of Fees	\$ 58,845,601	\$ 139,496

See accompanying Notes to Financial Statements.

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 1 ORGANIZATION**

**Mission**

Catholic Community Foundation of Minnesota (the Foundation) supports financially the spiritual, educational, and social needs of our Catholic community.

**Nature of Organization**

The Foundation inspires Catholic philanthropy and invests, manages, and distributes charitable assets as guided by our donors and our Catholic identity. The Foundation facilitates planned and current gifts to endowments and donor advised funds which financially support needs in our Catholic community. The Foundation fulfills its mission by:

1. Seeking endowment funds that support its mission.
2. Helping donors achieve their charitable and financial goals.
3. Helping parishes, schools, and Catholic organizations meet their long-term financial needs.
4. Providing responsible and effective financial management of charitable assets.
5. Distributing grants according to donor intent and needs in the community.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The Foundation's financial statements are presented in accordance with accounting principles generally accepted in the United States of America.

**Financial Statement Presentation**

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

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

*Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

Cash equivalents include all highly liquid securities purchased with a maturity of three months or less, excluding those managed as a part of the Foundation's long-term and intermediate term investment pools which are reported in investments on the statements of financial position.

The Foundation maintains its cash accounts primarily at one financial institution. At times throughout the year, the Foundation's cash and cash equivalents balance may exceed amounts insured by the Federal Deposit Insurance Corporation and the Securities Investor Protection Corporation.

**Pledges and Bequests Receivables**

Pledges and bequests receivable are recorded at the present value of the amount expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the pledge and bequest is received. An allowance for uncollectible pledge and bequest receivables had been deemed unwarranted. Total pledges and bequest receivable is due from five and two donors for the years ended June 30, 2021 and 2020, respectively. Pledges and bequest receivable are as follows at June 30:

	<u>2021</u>	<u>2020</u>
Amounts Due within 1 Year	\$ 5,820,000	\$ 707,610
Amounts Due in 1 to 5 Years	250,000	375,000
Less: Unamortized Discount	<u>(10,816)</u>	<u>(21,424)</u>
Net Pledge Receivable	<u>\$ 6,059,184</u>	<u>\$ 1,061,186</u>

**Investments**

Investments are carried at either deposit value or fair value. Donated investments are initially recorded at estimated fair value at the date of donation. Realized and unrealized gains and losses are recognized in the period in which they occur. Realized and unrealized gains and losses for investments, other than agency obligations and beneficiary endowments, are recorded in the statements of activities. Investment income and gains and losses on agency obligations and beneficiary endowment investments are reported as a direct increase or decrease to the obligations on the statements of financial position. Investment income and gains and losses for charitable remainder trusts are recorded within the trust activity.

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments (Continued)**

The Foundation invests most of the endowments and agency funds in four investment pools managed by various investment managers exclusively for the Foundation. Investment income and realized and unrealized gains and losses from investments within the investment pools as well as investment costs are allocated monthly to the individual funds based on the relationship of the market value of each fund to the total market value of the pool as adjusted for additions to or distributions from those funds.

**Derivative Financial Instruments**

The Foundation invests in various stock indexes, fixed income, and equity options. The Foundation uses derivatives with the objectives of reducing portfolio risk and/or lowering investment costs. Derivative instruments are measured at fair value and reported as assets or liabilities in the statement of financial position. Changes in the fair value of derivatives during the year are reported in the statements of activities.

As of June 30, 2021, the Foundation had 44 contracts outstanding and contract exposure amounts of \$18,614,000 of equity and fixed income call and put options. As of June 30, 2020, the Foundation had 42 contracts outstanding and contract exposure amounts of \$12,465,522 of equity and fixed income call and put options.

Net realized and unrealized gains and losses are recognized in the statement of activities. Net gains of approximately \$814,522 and losses of approximately \$1,378,477 were recognized for the years ended June 30, 2021 and 2020, respectively.

**Beneficial Interest in Trusts**

Donors established and funded charitable remainder trusts under which specified distributions are made to designated beneficiaries over the terms of their lives. Upon termination of the trusts, the Foundation receives the remaining assets. Beneficial interests in charitable remainder trusts are recorded at the fair value of the trusts' assets net of the present value of the estimated future payments to be made under the specific terms of the trust. Changes in net assets of the trusts are recorded as gains or losses in the statements of activities. Net assets and changes in the net assets are recorded within net assets with donor restrictions.

**Grants Payable**

Grant commitments are accrued and recognized as expense when approved by the board. All grants payable are expected to be paid within the year.

The Foundation, whose mission is to support the needs of the Catholic community, shares a minority of common directors or committee members with other Catholic schools, parishes, seminaries, and other organizations. It is the Foundation's policy to have each board or committee member disclose any conflict of interest. In those instances, the board or committee members are prohibited from voting on grants to these organizations.

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Agency Funds**

The Foundation manages and invests funds as an agent for parishes, schools, and service organizations within our Minnesota Catholic community. Deposits and withdrawals are made at the direction of the respective organization. Either party may cancel an agency agreement at any time.

**Beneficiary Endowments**

Beneficiary endowments are donor-restricted funds that are perpetual in nature for which the contributing Catholic organization is also the sole beneficiary. Unlike other agency funds, the Foundation retains legal ownership of Beneficiary endowments. In accordance with accounting principles generally accepted in the United States of America, the Foundation must account for the fair market value of these funds as both assets and liabilities on the statements of financial position.

**Split Interest Agreements**

Charitable gift annuities and charitable remainder trusts are offered to donors wishing to make a deferred gift to the Family of Faith endowments, parish and school endowments, operating funds, or other charitable causes. Donors receive life income payments and the gift remainder is restricted for Foundation endowments or other charitable causes. Net earnings on charitable remainder trust investments in excess of the payments made to donors are also restricted for Foundation endowment programs or other charitable causes selected by the donor in the original gift instrument. Assets received are recorded at fair value on the date the agreement or trust is recognized. Liabilities on charitable gift annuities and charitable remainder trusts are established based on the present value of payments to be made. These liabilities are recalculated annually, based on life expectancy assumptions, and the resulting revaluation amount is included in the change in value of split-interest agreements in the statements of activities.

**Contributions**

Contributions, unconditional promises to give, and other assets are recognized at fair values and are recorded as made. All contributions are available for general use unless specifically restricted by the donor. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When these restrictions expire, net assets are reclassified to net assets without restrictions and reported in the statements of activities as released from restrictions.

The Foundation accepts gifts of life insurance whereby a donor designates the Foundation as a full or partial beneficiary of a life insurance policy or transfers all incidence of ownership in a policy to the Foundation. The majority of these gifts represent donor-restricted contributions for the Family of Faith Endowment.

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Contributions (Continued)**

Members of the board contributed to the Foundation approximately \$778,878 and \$1,267,000 for the years ended June 30, 2021 and 2020, respectively.

Total contributions at June 30, 2021 and 2020, consists of 8% and 10% from one donor, respectively.

**Investment Income**

The Foundation accounts for investment income recorded in the statements of activities, including gains and losses on investments, as with or without donor restrictions within revenue depending on the existence and/or nature of any donor restrictions related to the original contribution. When the donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets are reclassified to net assets without restrictions and reported in the statements of activities as released from restrictions.

**Functional Allocation of Expenses**

The cost of various Foundation operations has been summarized on a functional basis in the statements of activities. Accordingly, certain expenses have been allocated among benefitting departments. Salaries are allocated based on employee job descriptions and time and effort. All other costs are allocated based on management's best estimate of usage. Donor Engagement costs as shown in the accompanying statements of activities represent the Foundation's cost of donor relations and fundraising activities.

**Income Taxes**

The Foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and only unrelated business income is subject to federal and state income tax. The Foundation is a nonprivate foundation and contributions to the Foundation qualify as a charitable tax deduction by the contributor.

The Foundation follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the Foundation due to the implementation of this standard. The Foundation's tax returns are subject to review and examination by federal and state authorities.

**Accounting Estimates**

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenses. Actual results could vary from the estimates that were used.

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value Measurements**

The Foundation follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the Foundation has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the statements of financial position are categorized based on the inputs to the valuation techniques as follows:

*Level 1* – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

*Level 2* – Financial assets and liabilities are valued using inputs of quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

*Level 3* – Financial assets and liabilities are valued using pricing inputs which are unobservable for the assets, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset.

**Investment Risk**

The Foundation holds its investments in a variety of investment funds. In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the Foundation's investment holdings and the amounts reported on the statements of financial position.

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Risks and Uncertainties**

The Coronavirus Disease (COVID-19) COVID-19 is not only a global pandemic and public health crisis; it has also severely affected the global economy and financial markets. Significant reductions in income, a rise in unemployment, and disruptions in the transportation, service, and manufacturing industries are among the consequences of the disease mitigation measures that have impacted our communities. As a result, COVID-19 may impact various aspects of the Foundation's fiscal 2022 operations and financial results including contributions, investment returns and operating expenses, etc. Management believes that the Foundation is taking appropriate actions to mitigate the negative impact of the global pandemic. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated.

**Change in Accounting Principle**

Financial Accounting Standard Board (FASB) issued Accounting Standards Update (ASU) 2018-13 *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The ASU removes and modifies disclosure requirements retrospectively for nonpublic entities. The ASU is effective for fiscal years beginning after December 15, 2019, with early adoption permitted.

**Subsequent Events**

The Foundation has evaluated events and transactions for potential recognition or disclosure in these financial statements through November 11, 2021, the date the financial statements were available to be issued and believe no additional disclosures are required.

**NOTE 3 LIQUIDITY AND AVAILABILITY**

Financial assets available for grants and general expenditures within one year of the statements of financial position date are comprised of the following at June 30:

	2021	2020
Cash and Cash Equivalents	\$ 13,408,029	\$ 12,654,807
Pledges and Bequest Receivable	125,000	707,610
Interest and Fees Receivable	716,322	519,663
Investments	46,365,709	34,831,502
Total	\$ 60,615,060	\$ 48,713,582

The Foundation's core operations are funded primarily through asset-based management fees on the charitable funds under management, calculated as a percentage of market value. The board of directors has established operating reserve targets designed to support operations during periods of market volatility, when management fees collected may fall short of budgeted expectations.



**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 3 LIQUIDITY AND AVAILABILITY (CONTINUED)**

The assets above include donor funds subject to donor restrictions and recommendations as of June 30, 2021 and 2020. Donor funds are generally either permanent (endowed) or nonpermanent. Nonpermanent funds may be granted out at any time, subject to the terms of the fund agreement and in special cases approval by the board of directors. The spendable amount (see spending policy in Note 10) from endowed assets, whether donor-restricted or board-designated will be made available for grant-making from these endowments within the next 12 months. Board-designated endowment, while generally not available to use in one year, could be made available upon board approval.

The financial assets of the Foundation are managed to become available as its awarded grants, general expenditures, liabilities and other obligations become due. Cash in excess of daily requirements may be invested in money markets, sweep accounts and other short-term investments.

**NOTE 4 INVESTMENTS**

Investment securities, which are managed and held in safekeeping by others, are recorded at fair market value. The majority of the investments are held in four investment pools. Agency funds, beneficiary endowments, and other endowments are invested in three of the investment pools, and charitable gift annuities are invested in a fourth pool. Charitable remainder trusts, certain agency funds, and certain donor advised funds are separately invested.

Investments consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
U.S. Government Securities	\$ 41,806,427	\$ 16,029,519
Fixed Income Securities	37,153,416	40,574,023
Domestic and International Equities	266,017,306	199,033,204
Hedge Funds and Private Equity	105,469,271	77,025,518
Real Assets	13,805,202	11,370,362
Equity and Fixed Income Collective Funds	3,203,141	4,847,597
Cash and Cash Equivalents	15,793,813	16,393,563
Mineral Rights	-	38,842
Program Related Investment, Net	960,299	950,891
Stock in Privately Held Company	158,675	207,166
Total Investments	<u>\$ 484,367,550</u>	<u>\$ 366,470,685</u>

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA**  
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**NOTE 4 INVESTMENTS (CONTINUED)**

Investment income is as follows as of June 30:

	2021	2020
Interest and Dividend Income	\$ 4,621,655	\$ 5,406,383
Realized Gains	36,904,435	1,001,152
Unrealized Gains (Losses)	74,239,042	(2,315,891)
Investment Expenses	<u>(1,703,161)</u>	<u>(1,469,976)</u>
Total Investment Income, Net of Investment Expenses	114,061,971	2,621,668
Less: Net Investment Income from Agency and Beneficial Endowments	<u>(62,224,348)</u>	<u>(1,996,514)</u>
Total	<u>\$ 51,837,623</u>	<u>\$ 625,154</u>

**NOTE 5 FAIR VALUE MEASUREMENTS**

The Foundation uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Foundation values all other assets and liabilities refer to Note 2 – Summary of Significant Accounting Policies.

Assets measured at fair value on a recurring basis as of June 30:

	2021			Total
	Level 1	Level 2	Level 3	
Investments and Assets at Fair Value:				
Beneficial Interest in Trusts	\$ -	\$ -	\$ 530,588	\$ 530,588
U.S. Government Securities	\$ -	\$29,854,719	\$ -	\$ 29,854,719
Fixed Income Securities	17,012,328	6,078,925	-	23,091,253
Domestic and International Equities	266,017,306	-	-	266,017,306
Real Assets	256,287	-	-	256,287
Total Fair Value Investments	<u>\$ 283,285,921</u>	<u>\$ 35,933,644</u>	<u>\$ -</u>	319,219,565
Investments Measured at Net Asset Value or its Equivalent				148,235,198
Stock in Privately Held Company				158,675
Cash and Equivalents				15,793,813
Mineral Rights				-
Program Related Investment, Net				960,299
Total Investments				<u>\$ 484,367,550</u>

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA**  
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**NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)**

	2020			
	Level 1	Level 2	Level 3	Total
Investments and Assets at Fair Value:				
Beneficial Interest in Trusts	\$ -	\$ -	\$ 484,705	\$ 484,705
U.S. Government Securities	\$ -	\$ 7,325,353	\$ -	\$ 7,325,353
Fixed Income Securities	13,211,494	10,236,707	-	23,448,201
Domestic and International Equities	199,033,204	-	-	199,033,204
Real Assets	205,244	-	-	205,244
Total Fair Value Investments	<u>\$ 212,449,942</u>	<u>\$ 17,562,060</u>	<u>\$ -</u>	<u>230,012,002</u>
Investments Measured at Net Asset Value or its Equivalent				118,868,221
Stock in Privately Held Company				207,166
Cash and Equivalents				16,393,563
Mineral Rights				38,842
Program Related Investment, Net				950,891
Total Investments				<u>\$ 366,470,685</u>

**Level 3 Assets**

The following table provides a summary of changes in fair value of the Foundation's Level 3 financial assets for the years ended June 30:

	2021	2020	Principal Valuation Technique	Unobservable Inputs
Beneficial Interest in Trusts:				
Balances as of July 1	\$ 484,705	\$ 506,135	Discounted	Discount Rates
Change in Value	45,883	(21,430)		
Balances as of June 30	<u>\$ 530,588</u>	<u>\$ 484,705</u>		

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

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**NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)**

**Investments Measured at Net Asset Value by Major Category**

The following table lists investment funds by major category:

	Net Asset Value 2021	Unfunded Commitments at June 30, 2021	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
U.S. Government Securities	\$ 11,951,708	\$ -	Monthly	30 Days
Fixed Income Securities	14,062,163	-	Daily - Weekly	1 Day to 10 Days
Hedge Funds	60,417,180	-	Monthly - Annually	5 Days to 90 Days
Private Equity	45,052,091	31,182,000	N/A**	N/A
Real Assets	13,548,915	13,867,000	N/A**	N/A
Equity and Fixed Income Collective Funds	3,203,141	-	Daily	1 Day to 5 Days
Total	<u>\$ 148,235,198</u>	<u>\$ 45,049,000</u>		

  

	Net Asset Value 2020	Unfunded Commitments at June 30, 2020	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
U.S. Government Securities	\$ 8,704,166	\$ -	Monthly	30 Days
Fixed Income Securities	17,125,822	-	Daily - Weekly	1 Day to 10 Days
Hedge Funds	53,001,633	-	Monthly - Annually	5 Days to 90 Days
Private Equity	24,023,885	31,651,419	N/A**	N/A
Real Assets	11,165,118	10,109,094	N/A**	N/A
Equity and Fixed Income Collective Funds	4,847,597	-	Daily	1 Day to 5 Days
Total	<u>\$ 118,868,221</u>	<u>\$ 41,760,513</u>		

\*\* Funds have a lock-up period of 8 to 12 years and are returned to investors during that time at the discretion of the investment manager.

**U.S. Government Securities**

U.S. Government Securities include investments in U.S. Agency mortgage securities and collateralized mortgage obligations. This fund is structured as an institutional mutual fund and liquidity is provided only through the investment manager. Investing in U.S. Government securities provides diversification, interest income, low risk, and stability to the overall portfolio.

**Fixed Income Securities**

Fixed income securities include but are not limited to global bonds, foreign currency, emerging market debt, convertibles, and securitized debt and bank loans. The fair value calculation of these funds is based primarily on readily available quoted or comparable market prices.

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA**  
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**NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)**

**Investments Measured at Net Asset Value by Major Category (Continued)**

Hedge Funds

Hedge fund objectives are to achieve consistent positive returns with reduced risk. These funds utilize a combination of diversified strategies including global equity, long/short equity and credit, and quantitative and relative value/arbitrage that may include an event driven focus, bottom-up and top-down orientations and exposure to emerging markets, equity indices and equity index put and call options. The unobservable inputs used to determine fair value in this category has been estimated using the NAV per share of the investments.

Private Equity

Private equity investments are structured as limited partnerships allowing for a variety of investment strategies including investments in illiquid debt and equity assets across multiple sectors and global markets. The unobservable inputs used to determine fair value has been estimated based on the capital account balances reported by underlying partnerships subject to the private capital fund of funds management review and judgment.

Real Assets

These funds consist of a diversified portfolio of commercial property and energy investments. The unobservable inputs used to determine fair value may include but are not limited to discounted cash flows, comparable asset analyses, third-party pricing services, and appraisals and bona fide offers.

Equity and Fixed Income Collective Funds

These funds consist of domestic and international equities which are proprietary, institutional index funds comprised of publicly traded corporate stock. These funds also consist of fixed income securities such as U.S. government securities and corporate bonds. Investing in collective funds provides diversification, dividend income, and growth potential to the overall portfolio. The fair value calculation of these funds is based on readily available quoted or comparable market prices.

Subsequent to year-end, the Foundation signed one commitment with distinct fund manager totaling \$5,000,000.

**NOTE 6 LINE OF CREDIT**

The Foundation has available for operating needs, a line of credit with US Bank, secured by investments held in its custodial account, which allows it to borrow up to \$500,000 with interest accruing at London Interbank Offered Rate (LIBOR) plus 2.1%. The line was not drawn upon for operating needs during the course of the fiscal year, and there was no balance outstanding at either June 30, 2021 or 2020.

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA**  
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**NOTE 7 NOTES PAYABLE**

On April 13, 2020, the Foundation received a loan in the amount of \$269,900 to fund payroll, rent and utilities through the federal Paycheck Protection Program (the PPP loan). The PPP loan bears interest at a fixed rate of 1% per annum, has a term of two years and is unsecured and guaranteed by the U.S. Small Business Administration (SBA). The SBA processed the Foundation's PPP Loan forgiveness application and on November 14, 2020 the Foundation was notified that the PPP Loan forgiveness application qualified for full forgiveness. The loan forgiveness has been recorded as Debt Forgiveness on the Statements of Activities.

**NOTE 8 LIFE INSURANCE**

At June 30, 2021, the Foundation is owner and beneficiary of 29 life insurance policies with a total face value of approximately \$15,154,000 and cash surrender value of \$3,613,816. At June 30, 2020, the Foundation was owner and beneficiary of 31 life insurance policies with a total face value of approximately \$15,200,000 and cash surrender value of \$3,877,186.

**NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets are classified based on donor-imposed restrictions. Endowment funds are recorded as net assets on the statements of financial position. The Family of Faith and Growing in Faith Endowments provide grants to Catholic schools, religious education, ministerial enrichment, and social outreach programs within our Minnesota Catholic community. The seminary endowments provide tuition support for the spiritual and educational development of those in ministry and pursuing ministry as a vocation. Parish and school endowments provide tuition aid and program support for parishes and schools within our Minnesota Catholic community. Community service endowments are established to provide support for other spiritual, educational, and social needs in the community.

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA**  
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**NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

Net assets with donor restrictions consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Subject to the Passage of Time:		
Legacy Fund Pledge	\$ 364,184	\$ 478,576
Charitable Gift Annuities and Trusts	295,399	396,528
Total	<u>659,583</u>	<u>875,104</u>
Endowments:		
Growing in Faith Capital Campaign	13,343,972	10,031,361
Parish, School, and Community Service	77,812,201	54,195,074
Family of Faith Program	29,180,269	22,789,606
Endowed Donor Advised	35,210,932	26,423,787
Seminary Program	10,266,596	8,031,075
Underwater Endowments	(37,322)	(2,103,206)
Total	<u>165,776,648</u>	<u>119,367,697</u>
Subject to Appropriation and Expenditure Upon Donor's Death:		
Charitable Gift Annuities and Trusts - Restricted to Endowment	3,413,400	3,259,939
Cash Surrender Value of Life Insurance Policies and Insurance Annuity - Restricted to Endowment	2,899,905	3,197,660
Total	<u>6,313,305</u>	<u>6,457,599</u>
Total Net Assets with Donor Restrictions	<u>\$ 172,749,536</u>	<u>\$ 126,700,400</u>

Reclassifications were made to June 30, 2021 net assets to properly reflect donor intent. The reclassification increased net assets with donor restrictions by \$189,949 and decreased net assets without donor restrictions by \$189,949.

Reclassifications were made to June 30, 2020 net assets to properly reflect donor intent. The reclassification increased net assets with donor restrictions by \$2,180,322 and decreased net assets without donor restrictions by \$2,180,322.

**NOTE 10 ENDOWMENTS**

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

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA**  
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**NOTE 10 ENDOWMENTS (CONTINUED)**

Endowment asset activity for the years ended June 30:

	2021		
	Without Donor Restriction	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 5,504,796	\$ 119,367,697	\$ 124,872,493
Investment Return, Net	1,648,240	38,236,999	39,885,239
Contributions	46,747	10,863,336	10,910,083
Interfund Transfers	(37,178)	1,313,314	1,276,136
Appropriation of Endowment Assets Pursuant to Spending-Rate Policy	(58)	(4,004,702)	(4,004,760)
Endowment Net Assets - End of Year	<u>\$ 7,162,547</u>	<u>\$ 165,776,644</u>	<u>\$ 172,939,191</u>
	2020		
	Without Donor Restriction	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 5,546,442	\$ 115,537,295	\$ 121,083,737
Investment Return, Net	(69,182)	(803,228)	(872,410)
Contributions	86,791	5,707,213	5,794,004
Interfund Transfers	(58,450)	2,762,042	2,703,592
Appropriation of Endowment Assets Pursuant to Spending-Rate Policy	(805)	(3,835,625)	(3,836,430)
Endowment Net Assets - End of Year	<u>\$ 5,504,796</u>	<u>\$ 119,367,697</u>	<u>\$ 124,872,493</u>

Endowment funds by type are as follows:

	2021		
	Without Donor Restriction	With Donor Restrictions	Total
Board-Designated Endowment Funds	\$ 7,162,547	\$ -	\$ 7,162,547
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	109,685,459	109,685,459
Accumulated Investment Gains	-	56,091,185	56,091,185
Total	<u>\$ 7,162,547</u>	<u>\$ 165,776,644</u>	<u>\$ 172,939,191</u>
	2020		
	Without Donor Restriction	With Donor Restrictions	Total
Board-Designated Endowment Funds	\$ 5,504,796	\$ -	\$ 5,504,796
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	97,560,723	97,560,723
Accumulated Investment Gains	-	21,806,974	21,806,974
Total	<u>\$ 5,504,796</u>	<u>\$ 119,367,697</u>	<u>\$ 124,872,493</u>



**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA  
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**NOTE 10 ENDOWMENTS (CONTINUED)**

**Spending Policy**

The Foundation has adopted investment and spending policies for endowments that are designed to ensure sustainability of the assets in perpetuity while providing reasonable stability and predictability of distributions for beneficiaries. Annually, the board of directors, after giving consideration to economic conditions, anticipated inflation, or deflation, and the expected total return on investments, determines a spending rate to be applied to a rolling 20-quarter average balance of each endowment fund. The currently approved spending rate of 4% balances the need to preserve assets with the ability to meet the mission of the nonprofits receiving the annual distribution.

**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 or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature that are reported in net assets with donor restrictions were \$37,322 and \$2,103,206 as of June 30, 2021 and 2020, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new restricted contributions and continued appropriation for certain programs that was deemed prudent by the board.

**Board-Designated Endowment Funds**

Board-designated endowment funds consist of the Legacy Fund which is a fund that allows CCF to respond strategically and with flexibility to the most important needs in our Catholic community. The amount available annually is based on the spending policy as noted above.

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