CATHOLIC COMMUNITY FOUNDATION

FINANCIAL STATEMENTS

Year Ended June 30, 2021

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CONTENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

CATHOLIC COMMUNITY FOUNDATION

We have audited the accompanying financial statements of ***Catholic Community Foundation*** (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and change in net assets 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.

Auditors' 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ***Catholic Community Foundation*** as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Mayer Hoffman McCann P.C.

September 20, 2021

CATHOLIC COMMUNITY FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2021

A S S E T S

CASH AND CASH EQUIVALENTS	$ 324,665
CONTRIBUTIONS RECEIVABLE	947,098
INVESTMENTS (NOTE 2)	96,579,372
SPLIT INTEREST AGREEMENTS (NOTE 3)	3,165,051
CHARITABLE LEAD ANNUITY TRUST	110,460
PREPAIDS AND OTHER ASSETS	53,551
TOTAL ASSETS	$ 101,180,197

L I A B I L I T I E S A N D N E T A S S E T S

GRANTS PAYABLE (NOTE 4)	$ 907,973
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	91,426
DEFERRED REVENUE	53,217
PRESENT VALUE OF ANNUITY PAYMENTS (NOTE 3)	1,500,700
AGENCY ENDOWMENT FUNDS (NOTE 5)	21,274,967
AGENCY SAVINGS AND GROWTH FUNDS (NOTE 5)	18,803,055
TOTAL LIABILITIES	42,631,338
NET ASSETS	
Without donor restrictions	
Board designated	9,817,710
Undesignated	13,236,228
Total net assets without donor restrictions	23,053,938
With donor restrictions (NOTE 6)	35,494,921
TOTAL NET ASSETS	58,548,859
TOTAL LIABILITIES AND NET ASSETS	$ 101,180,197

See Notes to Financial Statements

CATHOLIC COMMUNITY FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

Year Ended June 30, 2021

	Without donor restrictions	With donor restrictions	Total
CONTRIBUTIONS, REVENUES AND OTHER SUPPORT			
Contributions	$ 3,329,648	$ 2,928,065	$ 6,257,713
Investment return	4,414,273	7,672,008	12,086,281
Change in value of split-interest agreements	240,294	(332,207)	(91,913)
Total revenue before transfers and net assets released from restrictions	7,984,215	10,267,866	18,252,081
Million Dollar Match transfers	(815,896)	815,896	-
Net assets released from restrictions	1,645,082	(1,645,082)	-
TOTAL CONTRIBUTIONS, REVENUES AND OTHER SUPPORT	8,813,401	9,438,680	18,252,081
EXPENSES			
Scholarships, grants, and awards	2,138,804	-	2,138,804
Salaries and wages	603,359	-	603,359
Employee benefits and taxes	185,256	-	185,256
Professional fees	96,947	-	96,947
Conferences and travel	14,551	-	14,551
Subscriptions and contract costs	56,871	-	56,871
Supplies	4,738	-	4,738
Facilities and operations	84,975	-	84,975
Venue and catering	13,005	-	13,005
Printing and design	17,482	-	17,482
Sponsorships	23,650	-	23,650
Advertising and promotion	19,711	-	19,711
Other expenses	18,229	-	18,229
TOTAL EXPENSES	3,277,578	-	3,277,578
CHANGE IN NET ASSETS	5,535,823	9,438,680	14,974,503
NET ASSETS, BEGINNING OF YEAR	17,518,115	26,056,241	43,574,356
NET ASSETS, END OF YEAR	$ 23,053,938	$ 35,494,921	$ 58,548,859

CATHOLIC COMMUNITY FOUNDATION

STATEMENT OF CASH FLOWS

Year Ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 14,974,503
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Net realized and unrealized gains on investments	(10,885,137)
Contributions restricted in perpetuity	(847,307)
Assignment of annuity contracts	(14,985)
Change in charitable lead annuity trust	24,859
Changes in operating assets and liabilities:	
Increase in:	
Contributions receivable	(807,728)
Prepaids and other assets	(38,259)
Increase (decrease) in:	
Grants payable	(114,677)
Accounts payable and accrued expenses	(41,449)
Present value of annuity payments	105,489
Deferred revenue	(142,065)
Agency funds	9,816,416
Net cash provided by operating activities	12,029,660
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	(87,917,486)
Proceeds from sale of investments	75,266,428
Proceeds from annuity contracts	92,408
Net cash used in investing activities	(12,558,650)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from receipt of contributions restricted in perpetuity	847,307
Net cash provided by financing activities	847,307
NET CHANGE IN CASH AND CASH EQUIVALENTS	318,317
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,348
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 324,665
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES	
Realized and unrealized investment gains on agency funds	$ 5,173,805

See Notes to Financial Statements

(1) Foundation's operations and summary of significant accounting policies

Foundation operations – ***Catholic Community Foundation*** (the "Foundation") was incorporated on May 18, 1983 in Arizona as a nonprofit corporation governed by a Board of Directors consisting of the Bishop of Phoenix and his successor in office as the sole members. On September 3, 2003 the Foundation amended and restated its Articles of Incorporation. As a result, the Foundation is organized as a nonprofit organization with no members. Later in September 2003, the Foundation received a decree declaring its status as "an Autonomous Pious Foundation" under Canon law, acknowledging its management by primarily lay leadership, and no longer under the auspices of the Diocese of Phoenix.

The Foundation's purpose is to promote the Catholic faith by building financial resources that will benefit both the generations of today and tomorrow. The Foundation provides services and products to the community, including free consulting services for agencies, charitable giving vehicles for both individuals and agencies, as well as programs to help address the needs of the greater community of Arizona. As a financial institution, the Foundation focuses on asset protection, managing and building wealth with a Catholic values focus, and providing services for those in all stages of life (endowment management, estate planning, donor advised funds, charitable giving annuities, etc.). The Foundation's goal is to connect charitable organizations with financial need to those individuals who have the capacity and desire to give.

The significant accounting policies followed by the Foundation are summarized below:

Basis of presentation – The Foundation's financial statements are presented in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*. Under FASB ASC 958-205, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

The Foundation maintains its accounts on the accrual basis of accounting. 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:

<u>Net assets without donor restrictions</u> – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the Board of Directors.

<u>Net assets with donor restrictions</u> – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Change in donor intent – From time to time, the Foundation receives requests by donors or their designees to change the use for which the donor's original gift was intended. These donor requests may result in the reclassification of net assets between those with donor restrictions and those without.

Management's use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenues and expenses during the reporting period. Actual results could differ from these estimates.

(1) Foundation's operations and summary of significant accounting policies (continued)

Contributions – The Foundation evaluates grants and contributions for evidence of the transfer of commensurate value from the Foundation to the grantor or resource provider. The transfer of commensurate value from the Foundation to the grantor or resource provider may include instances when a) the goods or services provided by the Foundation directly benefit the grantor or resource provider or are for the sole use of the grantor or resource provider or b) the grantor or resource provider obtains proprietary rights or other privileges from the goods or services provided by the Foundation. When such factors exist, the Foundation accounts for the grants or contributions as exchange transactions under ASC 606, *Revenue from Contracts with Customers*, or other appropriate guidance. In the absence of these factors, the Foundation accounts for the award under the contribution accounting model.

In the absence of the transfer of commensurate value from the Foundation to the resource provider, the Foundation evaluates the contribution for criteria indicating the existence of measurable barriers to entitlement for the Foundation or the right of return to the resource provider. A barrier to entitlement is subject to judgment and generally represents an unambiguous threshold for entitlement that provides clarity to both the Foundation and resource provider whether the threshold has been met and when. These factors may include measurable performance thresholds or limited discretion on the part of the Foundation to use the funds. Should the existence of a measurable barrier to entitlement exist and be accompanied by a right of return of the funds to the resource provider or release of the resource provider from the obligation, the contribution is treated as a conditional contribution. If both the barrier to entitlement and right of return do not exist, the contribution is unconditional.

The Foundation recognizes amounts received from unconditional contributions at the time the Foundation receives notification of the award. Contributions that include conditions imposed by the grantor or resource provider are recognized when those conditions are met by the Foundation.

The Foundation accounts for contributions in accordance with FASB ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*. In accordance with FASB ASC 958-605, contributions received are recorded as contributions with donor restrictions or contributions without donor restrictions, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions on the statement of activities and change in net assets depending on the nature of the restriction. All contributions are considered to be available for use unless specifically restricted by the donor. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and change in net assets as net assets released from restrictions. Additionally, contributions of land, buildings and equipment without donor stipulations concerning the use of such long-lived assets are reported as contributions without donor restrictions. Contributions of cash or other assets to be used to acquire land, buildings and equipment with such donor stipulations are reported as contributions with donor restrictions. The restrictions are considered to be released at the time such long-lived assets are placed into service.

Contributions receivable – Contributions receivable (pledges) are recognized as revenues in the period the unconditional promise is received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions receivable are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual balances. Balances that are outstanding after management has used reasonable collection efforts are written off through a charge to an allowance for uncollectable accounts and a credit to contributions receivable. All contributions receivable are expected to be collected within one year. Management considers contributions receivable fully collectible as of June 30, 2021, accordingly, an allowance is not considered necessary.

(1) Foundation's operations and summary of significant accounting policies (continued)

Charitable lead annuity trust – The Foundation is the beneficiary of a charitable lead trust. Under the terms of the trust agreement, the Foundation is to receive a fixed payment annually over the specified terms in the trust agreement. Upon the termination of the trust agreement, the remaining trust assets are distributed to others. The charitable lead trust is carried at fair value. Based on the terms of the trust and the use of a discount rate of 4.25% for the year ended June 30, 2021, the present value of future benefits expected to be received by the Foundation was estimated to be $110,460 as of June 30, 2021.

Cash and cash equivalents – For purposes of reporting cash flows, cash and cash equivalents include liquid accounts with original maturities of three months or less that are not designated for investment purposes. Investments carried at fair value include certain liquid accounts which are generally not used in operations. Cash deposits are insured in limited amounts by the Federal Deposit Insurance Corporation ("FDIC").

Investments – The Foundation accounts for their equity securities in accordance with FASB ASC 958-321, *Not-for-Profit Entities – Investments – Equity Securities* and their debt securities in accordance with FASB ASC 958-320, *Not-for-Profit Entities – Investments – Debt Securities*. Under FASB ASC 958-320 and FASB ASC 958-321, the Foundation reports investments in equity and debt securities at fair value. The fair values of marketable equity securities with readily determinable fair values are based on quoted market prices. The fair value of fixed income securities are measured using quoted market prices multiplied by the quantity held when quoted market prices are observable. If quoted market prices are not available, fair value is determined using one, or a combination, of the following methods (1) a matrix pricing for similar bonds, (2) quoted prices for recent trading activity of assets with similar characteristics to the bond or (3) using an income approach valuation technique that considers, among other things, rates currently observed in publicly traded debt markets for debt of similar terms to companies with comparable credit risk and a credit value adjustment to consider the likelihood of counterparty nonperformance, after consideration for the impact of collateralization and netting agreements, if applicable.

As of June 30, 2021, the Foundation's investments in equity instruments without readily determinable fair values consisted of investments in non-traded partnership interests. The Foundation adjusts the carrying value of non-marketable equity securities up or down for observable price changes in orderly transactions for identical or similar investments of the same issuer and for impairment, if any (referred to as the measurement alternative). All gains and losses on non-marketable equity securities, realized and unrealized, are recognized in the statement of activities and change in net assets as changes in net assets.

Investment return (including interest, dividends, unrealized gains and losses, and realized gains and losses on investments, and investment fees) is included in operations.

Investments are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect account balances and the amounts reported in the accompanying financial statements.

The Foundation is invested in several annuity contracts. Under the terms of the contracts, the Foundation receives fixed annual payments over the terms of the contracts. The annuity contract is carried at fair value. Based on the terms of the contracts and the use of a discount rate of 4.25% for the year ended June 30, 2021, the present value of the contracts is $470,280 as of June 30, 2021.

(1) Foundation's operations and summary of significant accounting policies (continued)

Property and equipment and depreciation and amortization – Purchased property and equipment are valued at cost and donated property and equipment are recorded at fair value at the date of the gift to the Foundation. Maintenance and repairs are charged to operations when incurred. Generally, property and equipment in excess of $1,000 are capitalized. Property and equipment consists of furniture, fixtures, and equipment with a total cost of $78,303 and accumulated depreciation of $78,303 at June 30, 2021. Depreciation and amortization of property and equipment are computed on a straight-line basis over the lesser of the lease term or estimated useful lives of 3 to 7 years. There was no depreciation and amortization expense charged to operations for the year ended June 30, 2021.

Donated assets – Assets and other non-cash items donated to the Foundation are recorded as contributions at their estimated fair value at the date of donation. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire long lived assets are reported as restricted contributions. The Foundation records donations of property and equipment that are not restricted as to their use by the donor as contributions without donor restrictions and, accordingly, increases in net assets without donor restrictions. The Foundation reclassifies net assets with donor restrictions to net assets without donor restrictions when the donated assets are placed in service.

Functional allocations of expenses – The costs of providing various programs and other activities have been summarized by function and nature in Note 11 to the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to program and supporting services on the basis of personnel activity and other appropriate allocation methods. The management and general expense category includes those expenses that are not directly identifiable with any specific program, but provide for the overall support and direction of the Foundation and are allocated based on personnel activity or other appropriate indicators. Fundraising expenses include those expenses related to the overall acquisition of contributions to the Foundation.

Expenses that have been allocated include the following:

Expense	Allocation Basis
Salaries and employee related costs	Time incurred
Facilities and operations	Time incurred

Fair value measurements – FASB ASC 820, *Fair Value Measurement*, establishes a common definition for fair value to be applied to accounting principles generally accepted in the United States of America requiring use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements. FASB ASC 820 also establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values by requiring that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3: Unobservable inputs for the asset or liability.

(1) Foundation's operations and summary of significant accounting policies (continued)

Income tax status – The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the "Code") and, accordingly, there is no provision for income taxes. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170 of the Code and has been classified as an organization that is not a private foundation. Income determined to be unrelated business taxable income would be taxable. The Foundation evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filings, and discussions with outside experts.

The Foundation's federal Return of Organization Exempt from Income Tax (Form 990) for fiscal 2018, 2019 and 2020 are subject to examination by the IRS, generally for three years after they were filed. The Foundation's fiscal 2021 return has not yet been filed as of the date of this report.

Recent accounting pronouncements – In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies the scope and accounting guidance for contributions received and contributions made. ASU 2018-08 clarifies the characterization of grants and similar contracts with governmental agencies as either reciprocal transactions (exchanges) or nonreciprocal transactions (contributions). ASU 2018-08 also provides additional guidance to distinguish between conditional and unconditional contributions. The amendments of ASU 2018-08 in which an entity is the resource recipient is effective for annual periods beginning after December 15, 2018. The amendments of ASU 2018-08 in which the entity is the resource provider is effective for annual periods beginning after December 15, 2019. The Foundation adopted the amendments of the ASU for which the Foundation is the resource provider during fiscal 2021 using the modified prospective approach. Accordingly, there was no impact to beginning net assets as a result of the adoption of this ASU.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842).* ASU 2016-02 requires that a lease liability and related right-of-use asset representing the lessee's right to use or control the asset be recorded on the balance sheet upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the statement of activities and change in net assets and the statement of cash flows will be substantially unchanged from the existing lease accounting guidance. The ASU is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Foundation is currently evaluating the effect that the adoption of this standard will have on the financial statements.

In June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842),* which allows certain entities to elect to defer the effective date of provisions of FASB ASU No. 2014-09 and ASU No. 2016-02. These entities may elect to adopt the guidance for revenue for annual reporting periods beginning after December 15, 2019. Additionally, under the amendments, entities may elect to adopt the lease guidance for fiscal years beginning after December 15, 2021.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires the entity to present contributed nonfinancial assets in a separate line item in the statement of activities and change in net assets and disclose qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. Additionally, the entity must disclose a description of the valuation techniques and inputs used to arrive at a fair value measure at initial recognition. The ASU is effective for fiscal years beginning after June 15, 2021. Early adoption is permitted. The Foundation is currently evaluating the impact adoption would have on the financial statements.

(1) Foundation's operations and summary of significant accounting policies (continued)

Subsequent events – The Foundation has evaluated subsequent events through September 20, 2021 which is the date the financial statements were available to be issued.

(2) Investments

Investments consist of the following at June 30, 2021:

Cash and cash equivalents	$ 989,865
Equity mutual funds	
US large cap mutual funds	33,917,712
US mid cap mutual funds	7,935,569
Developed international mutual funds	8,115,185
Emerging markets mutual funds	7,139,087
US small cap mutual funds	370,076
Other mutual funds	1,134,086
Total equity mutual funds	58,611,715
Fixed income	
Corporate bonds	17,442,171
Foreign government bonds	4,672,441
Pooled vehicle fixed income	6,378,171
Treasury bonds	4,358,349
Mortgage backed securities	3,392,672
Other fixed income	152,419
Total fixed income	36,396,223
Annuity contracts	470,280
Non-marketable partnership interests	3,228,340
Real estate held for investment	48,000
Total	99,744,423
Investments in split interest agreements	(3,165,051)
Total investments	$ 96,579,372

Investment return for the year ended June 30, 2021 consists of:

	Without donor restrictions	With donor restrictions	Totals
Interest, dividend, and fee income, net of fees	$ 687,814	$ 513,330	$ 1,201,144
Realized/unrealized gains on investments	3,726,459	7,158,678	10,885,137
Total investment return	$ 4,414,273	$ 7,672,008	$ 12,086,281

(3) Split interest agreements

At June 30, 2021, the Foundation administered 19 charitable gift annuities. The assets contributed under the charitable gift annuities are carried at fair value. The gift annuities totaling $3,165,051 at June 30, 2021, are included in investments in split interest agreements as identified in Note 2. Contribution revenues are recognized at the date the annuities are established after recording liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. Present values are calculated using discount rates that reflect the fair value as determined at the time the annuities are established and range from 0.4% to 7.8%, and actuarial tables and guidelines used for calculating the available deduction for income tax purposes. The liabilities are adjusted for the accretion of the discount and other changes in the estimates of future benefits. The present value of the estimated annuity payments associated with the charitable gift annuities is $1,500,700 at June 30, 2021.

(4) Grants payable

The Foundation adopted the amendments of FASB ASU No. 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* in 2021 on a modified prospective basis. In accordance with ASU 2018-08, conditional scholarship grants are not recorded until the students meet the terms of the conditions (typically enrollment). There was no impact to beginning net assets as a result of the adoption of this ASU.

During the year ended June 30, 2021 the Foundation adopted ASU 2018-08, which changed the accounting for scholarships awarded during the fiscal year. There were $250,000 of awards granted from the Catholic Community Foundation Scholarship program, however, these amounts have not been accrued within the financial statements, as required by the new standard. The scholarship is targeted towards students with a financial need and provides a scholarship of $17,000 over a five year period. The payment schedule awards $1,000 in eighth grade, and $4,000 for the next 4 years. The students must satisfy certain conditions annually to receive the future payments.

Prior to July 1, 2020, the Foundation recorded grants authorized, but unpaid, as liabilities. The following is a summary of grants authorized prior to July 1, 2020 and payable at June 30, 2021:

Grants payable to be paid in less than one year	$ 411,273
Grants payable to be paid in one to four years	496,700
Gross grants authorized but unpaid	$ 907,973

The discount on long-term grants payable was not material at June 30, 2021.

(5) Agency funds

The Foundation maintains variance power and legal ownership of the assets within the agency funds and as such continues to report the funds as cash and investments of the Foundation.

However, FASB ASC 958-605 establishes standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both, to another entity that is specified by the donor. FASB ASC 958-605 specifically requires that if a not-for-profit organization (“NPO”) establishes a fund at a community foundation with its own funds and specifies itself or one of its affiliates as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability.

In accordance with FASB ASC 958-605, a liability has been established for the fair value of the funds, which is generally equivalent to the present value of future payments expected to be made to the NPOs.

(5) Agency funds (continued)

The Foundation's agency funds consist of agency endowment funds, agency savings funds and agency growth funds. Agency endowment funds are intended to be perpetual in nature and distribute earnings to the beneficiaries on an annual basis. Catholic savings funds provide a short-term investment option for fund beneficiaries with a guaranteed investment return. Catholic growth funds provide a mid to long-term investment option without a guaranteed return and an administrative fee is charged for holding and investing funds in accordance with the fund holder's requests.

The activity for the agency funds is summarized below:

Agency funds, beginning of the year	$ 25,087,801
Contributions	13,215,539
Investment income, net	503,794
Realized and unrealized investment gains	5,173,805
Distributions	(3,768,583)
Administration fees	(134,334)
Agency funds, end of year	$ 40,078,022

Agency funds consist of:	
Agency endowment funds	$ 21,274,967
Catholic savings and growth funds	18,803,055
Total agency funds	$ 40,078,022

Both the liability and the assets are measured at fair value. The inputs used to determine the fair value of the invested assets are based upon the nature of the assets held in the agency funds. The inputs used to determine the fair value of the liability are based upon the fair value of the underlying assets of the agency funds. Since the fair value of the liability is based primarily upon the observable inputs used during the valuation of the assets but not based upon identical inputs for identical agency liabilities, the fair value inputs for the agency funds are considered to be Level 2 inputs in the fair value hierarchy.

(6) Net assets with donor restrictions

Net assets with donor restrictions include certain assets for which the donors stipulated the principal is to be maintained in perpetuity. The earnings and net appreciation on these funds are reported as follows:

- An increase in net assets with donor restrictions held in perpetuity if the terms of the gift or the Foundation's board interpretation of relevant state law require that they be added to the principal of a permanent endowment fund;
- An increase in net assets with donor restrictions for a specific purpose if the terms of the gift impose restrictions on the use of income; or
- An increase in net assets with donor restrictions for a specific period until appropriated for expenditure.

Net assets with donor restrictions for a specified purpose or time period consist primarily of earnings on net assets with donor restrictions held in perpetuity as described above, donor restricted quasi-endowments and scholarship funds. These earnings are donor designated for specific purposes including scholarships.

(6) Net assets with donor restrictions (continued)

Net assets with donor restrictions are restricted for purposes or periods as follows at June 30, 2021:

Restricted for scholarships and other programs	$ 11,006,288
Net accumulated earnings on donor restricted endowments subject to the Foundation's spending policy	5,337,646
Total net assets subject to restriction for a specified purpose or time	16,343,934
Subject to restriction in perpetuity:	
Investments in perpetuity subject to donor restrictions	18,253,128
Annuity agreements	897,859
Total net assets subject to restriction in perpetuity	19,150,987
Total net assets with donor restrictions	$ 35,494,921

Net assets released from restrictions consist primarily of scholarship awards.

(7) Endowments

The Foundation's endowments consist of 209 individual donor restricted endowments and board designated endowments established for a variety of purposes as of June 30, 2021. Additionally, at June 30, 2021, the Foundation's endowments included 17 donor restricted quasi-endowments. As required by accounting principles generally accepted in the United States of America ("GAAP"), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

In September 2008, the State of Arizona enacted ARS§10-11801 et seq Management of Charitable Funds Act ("MCFA"). The Board of Directors of the Foundation has interpreted MCFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Foundation classifies as net assets restricted in perpetuity (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in net assets restricted in perpetuity is classified as net assets subject to purpose or time restrictions based on the presence or absence of direction from the donor and are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by MCFA.

The Foundation has adopted investment and spending policies for endowment assets that seek to provide a predictable stream of funding to programs supported by its endowments while maintaining the purchasing power of the endowment assets. The Foundation's spending and investment policies work together to achieve this objective. Actual returns in any given year may vary.

(7) Endowments (continued)

To achieve its investment objectives over long periods of time, the Foundation has adopted an investment strategy that invests in domestic and international equities, alternative, and fixed income investments. The majority of assets are invested in equity or equity-like securities. Fixed income assets are used to lower short-term volatility. Alternative investments diversify income streams and help to mitigate volatility of the underlying portfolio. Diversifications by asset class, investment style, etc. are employed to avoid undue risk concentration and enhance total return. The primary performance objective is to achieve an annualized total rate of return that is equal to or greater than the Consumer Price Index + 5.8% over long periods of time.

The spending policy determines the amount of money in a given year that will be distributed from the Foundation's various endowment assets, which includes agency, designated, restricted and unrestricted funds. The normal spending policy is to distribute an amount equal to 4% of the previous twelve quarter rolling average balance of each fund’s assets at market value. Due to the impacts of COVID-19, the Foundation temporarily amended the spending policy to distribute an amount equal to 6% of the previous twelve quarter rolling average balance. New permanent endowment funds may withdraw up to 4% after the first full year (up to the third year) even if in existence less than twelve quarters.

Based on the spending policy, over the long term, the Foundation expects its endowment assets to grow at the rate of inflation. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through new gifts and investment returns.

Endowment net asset composition by type of fund as of June 30, 2021 are as follows:

	Without donor restrictions	With donor restrictions	Total
Board designated endowment	$ 9,817,710	$ -	$ 9,817,710
Donor restricted quasi-endowment	-	3,597,112	3,597,112
Donor restricted endowments - held in perpetuity	-	18,253,128	18,253,128
Net accumulated earnings on donor restricted endowments subject to spending policies	-	5,337,646	5,337,646
Endowment net assets, total funds	$ 9,817,710	$ 27,187,886	$ 37,005,596

The changes in endowment net assets for the year ended June 30, 2021 are as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, July 1, 2020	$ 9,306,191	$ 20,406,333	$ 29,712,524
Contributions	11,250	826,664	837,914
Million Dollar Match transfers	(815,896)	815,896	-
Investment return:			
Investment income	172,665	411,908	584,573
Realized and unrealized gains	2,408,093	5,671,306	8,079,399
Appropriation of endowment assets for expenditure	(1,264,593)	(944,221)	(2,208,814)
Endowment net assets, June 30, 2021	$ 9,817,710	$ 27,187,886	$ 37,005,596

(7) Endowments (continued)

To encourage endowment building, the Foundation started the Million Dollar Match initiative, which offers a matching grant from the Foundation's board designated endowment to the donor restricted endowment fund that an individual contributes to, all of which are held at the Foundation. New gifts will be matched at 50% for new contributions made, up to $50,000 per individual. During fiscal year 2021, the Foundation transferred approximately $815,000 in matching grants from the board designated endowment to the donor restricted endowments for a cumulative value of approximately $935,000 since the inception of the initiative.

Funds with Deficiencies – From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted MCFA to permit spending from underwater endowments in accordance with prudent measures required under law. The Foundation will cease spending from underwater endowment funds if they become 15% underwater and have a fair market value in excess of $20,000 until the principal has been recovered.

At June 30, 2021, funds with original gift values of $263,057, fair values of $241,293, and deficiencies of $21,764 were reported as net assets with donor restrictions.

(8) Pension plan

The Foundation participates in the Lay Employees Retirement Plan (the "Plan"), a multi-employer defined benefit pension plan administered by the Diocese. The Plan covers lay employees of the Diocese, the Central Administrative Office, the Diocesan High Schools, the parishes, and employees of the Foundation. Contributions to the Plan are based on salary levels of eligible employees. The Foundation made contributions to the Plan of $55,195 for the year ended June 30, 2021. The portion of the Plan's assets and liabilities allocable to the Foundation has not been determined with respect to accumulated benefits. In the event of withdrawals from the Plan and under certain other conditions, a contributor to a multi-employer plan may be liable to the Plan for a portion of the underfunded status, if any.

(9) Commitments and contingencies

Leases

During the year ended June 30, 2021, the Foundation leased certain office space and furniture and fixtures from the Diocese of Phoenix, a separate civil and canonical institution, under an operating lease agreement. Upon expiration of the lease agreement on April 30, 2020, the Foundation signed a lease agreement for a new office space with a new lessor expiring in July 2025. The Foundation also leases office equipment under an operating lease agreement with a term expiring in fiscal 2022. Total rental expense was $44,303 for the year ended June 30, 2021.

Future minimum lease payments under non-cancellable operating leases are as follows:

Years Ending June 30,		
2022	$	42,456
2023		37,693
2024		38,824
2025		39,989
2026		3,341
Total	$	162,303

(9) Commitments and contingencies (continued)

Contingencies
On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus as a “pandemic”. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals worldwide. In response, many countries have implemented measures to combat the outbreak which have impacted global business operations. The extent of the impact of COVID-19 on the Foundation’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on donors, employees, investment markets and vendors, all of which are uncertain and cannot be predicted. Additionally, the outbreak could impact the Foundation’s ability to receive contributions and collections of receivables. As a result of the pandemic, the annual Crozier Gala was postponed. As of June 30, 2021, $53,217 of funds received for the fiscal year 2022 gala were included in deferred revenue on the statement of financial position.

As of the date the financial statements were available to be issued, the Foundation’s operations have not been significantly negatively impacted. However, the Foundation continues to closely monitor the situation. Depending on the severity and duration of the pandemic, the Foundation could experience a material negative impact to operations, cash flow, and financial condition. However, the extent of the impact cannot be reasonable estimated at this time.

(10) Fair value measurements

The following table sets forth the level, within the fair value hierarchy, of the Foundation’s assets and liabilities subject to recurring fair value measurement as of June 30, 2021:

	(Level 1)	(Level 2)	(Level 3)	Total
Equity mutual funds				
US large cap mutual funds	33,917,712	-	-	33,917,712
US mid cap mutual funds	7,935,569	-	-	7,935,569
Developed international mutual funds	8,115,185	-	-	8,115,185
Emerging markets mutual funds	7,139,087	-	-	7,139,087
US small cap mutual funds	370,076	-	-	370,076
Other mutual funds	1,134,086	-	-	1,134,086
Total equity mutual funds	58,611,715	-	-	58,611,715
Fixed income				
Corporate bonds	332,029	17,110,142	-	17,442,171
Foreign government bonds	107,887	4,564,554	-	4,672,441
Pooled vehicle fixed income	6,378,171	-	-	6,378,171
Treasury bonds	4,358,349	-	-	4,358,349
Mortgage backed securities	-	3,392,672	-	3,392,672
Other fixed income	-	152,419	-	152,419
Total fixed income	11,176,436	25,219,787	-	36,396,223
Annuity contracts	-	-	470,280	470,280
Charitable lead annuity trust	-	-	110,460	110,460
Agency fund liability	-	(40,078,022)	-	(40,078,022)

(10) Fair value measurements (continued)

As disclosed in Note 1, the Foundation measures its investments in non-marketable partnership interests at carrying value, less impairment, and adjusted for observable price changes in orderly transactions. During the year ended June 30, 2021, the Foundation did not recognize any changes in the fair value of its non-marketable partnership investments.

(11) Functional expenses

The Foundation's expenses by function and nature for the year ended June 30, 2021:

	Grants and Scholarships Programs	Development and Fundraising	Management and General	Total
Scholarships, grants, and awards	$ 2,138,804	$ -	$ -	$ 2,138,804
Salaries and wages	106,650	318,259	178,450	603,359
Employee benefits and taxes	32,746	97,719	54,791	185,256
Professional fees	500	11,796	77,947	90,243
Conferences and travel	201	8,706	5,644	14,551
Subscriptions and contract costs	-	1,465	55,406	56,871
Supplies	-	578	4,160	4,738
Facilities and operations	12,497	39,449	33,029	84,975
Venue and catering	622	-	19,087	19,709
Printing and design	334	5,787	11,361	17,482
Sponsorships	23,650	-	-	23,650
Advertising and promotion	136	2,504	17,071	19,711
Other expenses	-	2,948	15,281	18,229
Total	$ 2,316,140	$ 489,211	$ 472,227	$ 3,277,578

(12) Liquidity and availability of resources

The Foundation's assets available within one year of the statement of financial position date for general expenditures consist of the following:

Cash and cash equivalents	$ 324,665
Contributions receivable	947,098
Investments, less real estate	96,531,372
Split interest agreements	3,165,051
Charitable lead annuity trust	110,460
Total financial assets available within one year	101,078,646
Less: contractual or donor-imposed restrictions making financial assets unavailable within one year:	
Restricted by donors with purpose restrictions	(11,006,288)
Donor restricted quasi-endowment, restricted in perpetuity	(19,150,987)
Investments held in trust, less amounts to be received within one year	(550,130)
Agency investments	(40,078,022)
Investments held for annuity agreements	(3,165,051)
Non marketable partnership interests	(3,228,340)
Board designations for quasi endowment funds, primarily for long-term investing, net of spending policy	(9,228,647)
Accumulated earnings on endowments, net of spending policy	(5,017,387)
Donor advised funds with an implied restriction of not available for general expenditures	(6,257,716)
Financial assets available to meet cash needs for general expenditures within one year	$ 3,396,077

The Foundation is substantially supported by the administrative fees that are earned through the management of the underlying investment balances of fund holders, which entails investment allocation decisions and performing administrative functions to operate and maintain the funds of donors. During fiscal year 2021, $806,000 of administrative fees were earned. These fees are available to be used at the discretion of management and are earned and reallocated to operations on a quarterly basis.

As described in Note 7, the Foundation's endowment spending policy determines the amount of money in a given year that will be distributed from the Foundation's various endowment assets, which includes agency, designated, restricted and unrestricted funds. The normal spending policy is to distribute an amount equal to 4% of the previous twelve quarter rolling average balance of each fund's assets at market value. Due to the impacts of COVID-19, the Foundation temporarily amended the spending policy to distribute an amount equal to 6% of the previous twelve quarter rolling average balance. New permanent endowment funds may withdraw up to 4% after the first full year (up to the third year) even if in existence less than twelve quarters. As of June 30, 2021, the Foundation's estimated amount of expenditures from the endowment with donor restrictions in FY22 is approximately $320,000 and from the board designated quasi endowment funds of approximately $590,000.

As part of the Foundation's liquidity management, the board has granted management discretion to utilize board designated assets to assist in addressing any financial distress or any immediate liquidity needs resulting from budget shortfalls or operating needs. The CEO has the ability to use up to $50,000 of quasi-endowment funds, in addition to the current year available to spend generated from these quasi-endowments, before approaching the board for further funding.

(12) Liquidity and availability of resources (continued)

The Foundation expects to minimize operating costs, increase unrestricted contributions, retire inefficient programs, and increase assets under management to increase administrative revenue to negate the usage of quasi-endowments in the next 3 - 5 year period. However, no assurance can be made that management will be successful in its efforts. In addition, the Foundation generates operational funding from the annual gala which is partially used to support the general operations of the Foundation.

As part of the Foundation's liquidity management plan, the Foundation holds $150,000 as a target for liquidity to fulfill cash requirements that arise from the requests of fund holders and to meet operational needs. Cash in excess of the $150,000 are invested in various investment vehicles including corporate bonds, money market accounts and equities.

(13) Concentrations

For the year ended June 30, 2021, the Foundation recognized $1,368,814 of contribution and fundraising event revenue from members of the Board of Directors and their respective business entities.