

***CATHOLIC FOUNDATION
OF
WESTERN KENTUCKY, INC.
FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
Years Ended June 30, 2022 and 2021***

(With Independent Auditor's Report Thereon)

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Catholic Foundation of Western Kentucky, Inc.

Opinion

We have audited the accompanying financial statements of the Catholic Foundation of Western Kentucky, Inc. (Foundation) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Catholic Foundation of Western Kentucky, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

..... www.rineyhancock.com - info@rineyhancock.com

2900 Veach Road, Suite 2 - Owensboro, Kentucky 42303 - 270-926-4540 - Fax: 270-926-1494
400 Bente Wes Court - Evansville, Indiana 47715 - 812-423-0300 - Fax: 812-423-6282

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Auditor's Responsibilities for the Audit of the Financial Statements, Continued

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of assets held for others on page 18 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Riny Hancock CPAs, PSC

Owensboro, Kentucky
December 20, 2022

CATHOLIC FOUNDATION OF WESTERN KENTUCKY, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,932	\$ 1,196
Due from related party	<u>-</u>	<u>156,756</u>
Total current assets	<u>2,932</u>	<u>157,952</u>
Investments	<u>10,632,887</u>	<u>12,440,529</u>
Assets held for others:		
Investments	<u>19,556,533</u>	<u>22,481,977</u>
Total assets	<u><u>\$ 30,192,352</u></u>	<u><u>\$ 35,080,458</u></u>
LIABILITIES AND NET ASSETS		
Due to related party	\$ 43,715	\$ -
Annuity obligations	319,764	319,950
Assets held for others	<u>19,512,818</u>	<u>22,481,977</u>
Total liabilities	<u>19,876,297</u>	<u>22,801,927</u>
Net assets:		
Endowment:		
Without donor restrictions	441,651	598,367
With donor restrictions	<u>9,874,404</u>	<u>11,680,164</u>
Total net assets	<u>10,316,055</u>	<u>12,278,531</u>
Total liabilities and net assets	<u><u>\$ 30,192,352</u></u>	<u><u>\$ 35,080,458</u></u>

See Notes to Financial Statements

CATHOLIC FOUNDATION OF WESTERN KENTUCKY, INC.

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Net assets without donor restrictions:		
Revenues:		
Investment return	\$ (115,426)	\$ 228,139
Net assets released from restrictions	<u>473,828</u>	<u>420,730</u>
Total unrestricted revenues	<u>358,402</u>	<u>648,869</u>
Expenses:		
Program services:		
Seminarians	392,927	367,170
Religious education	29,673	27,935
Outreach	14,664	13,805
Catholic charities	12,554	11,818
Other programs	27,728	30,423
Supporting services:		
Management and general	<u>37,572</u>	<u>9,617</u>
Total expenses	<u>515,118</u>	<u>460,768</u>
Increase (decrease) in net assets without donor restriction:	<u>(156,716)</u>	<u>188,101</u>
Net assets with donor restrictions:		
Contributions and bequests	50,011	161,656
Investment return	(1,348,294)	2,586,489
Change in value of annuity net assets	(33,649)	(121,103)
Net assets released from restrictions	<u>(473,828)</u>	<u>(420,730)</u>
Increase (decrease) in net assets with donor restrictions	<u>(1,805,760)</u>	<u>2,206,312</u>
Change in net assets	(1,962,476)	2,394,413
Net assets, beginning of year	<u>12,278,531</u>	<u>9,884,118</u>
Net assets, end of year	<u>\$ 10,316,055</u>	<u>\$ 12,278,531</u>

See Notes to Financial Statements

CATHOLIC FOUNDATION OF WESTERN KENTUCKY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2022 and 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
		2022	

Professional and technical fees	\$ -	\$ 11,289	\$ 11,289
Management fees	-	26,283	26,283
Disbursed to the Diocese to expend for program services	<u>477,546</u>	<u>-</u>	<u>477,546</u>
	<u>\$ 477,546</u>	<u>\$ 37,572</u>	<u>\$ 515,118</u>
		2021	

Professional and technical fees	\$ -	\$ 9,617	\$ 9,617
Disbursed to the Diocese to expend for program services	<u>451,151</u>	<u>-</u>	<u>451,151</u>
	<u>\$ 451,151</u>	<u>\$ 9,617</u>	<u>\$ 460,768</u>

Note: The Foundation incurred no fundraising expenses.

CATHOLIC FOUNDATION OF WESTERN KENTUCKY, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (1,962,476)	\$ 2,394,413
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Unrealized (gain) loss on investments	1,759,830	(2,206,847)
Realized (gain) loss on investments	(141,562)	(456,827)
Actuarial change in value of annuity obligations	17,125	107,298
Decrease (increase) in assets:		
Due from related party	156,756	(151,873)
Increase (decrease) in liabilities:		
Due to related party	43,715	-
Assets held for others	(43,715)	-
	<u>(170,327)</u>	<u>(313,836)</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities:		
Proceeds from sale and maturities of investments	471,216	1,742,274
Purchases of investments	(929,687)	(1,990,477)
Withdrawals from investment accounts	647,845	604,675
	<u>189,374</u>	<u>356,472</u>
Net cash provided by (used in) investing activities		
Cash flows from financing activities:		
Additions to annuity obligations	30,000	-
Payments on annuity obligations	(47,311)	(47,230)
	<u>(17,311)</u>	<u>(47,230)</u>
Net cash provided by (used in) financing activities		
Net increase (decrease) in cash and cash equivalents	1,736	(4,594)
Cash and cash equivalents, beginning of year	1,196	5,790
Cash and cash equivalents, end of year	\$ <u>2,932</u>	\$ <u>1,196</u>

See Notes to Financial Statements

CATHOLIC FOUNDATION OF WESTERN KENTUCKY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2022 and 2021

1. Organization and Summary of Significant Accounting Policies

Nature of Organization

The Catholic Foundation of Western Kentucky, Inc. (Foundation), an independent nonprofit corporation founded in 1986, was formed to provide financial support for the spiritual, educational, and social needs of the Catholic community. This mission is fulfilled by seeking endowment funds to support program objectives, helping donors achieve their charitable and financial goals, and helping parishes, schools, and Catholic organizations meet their long-term financial needs. The Foundation financial statements report an Endowment Fund, as well as assets held for others.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting.

Basis of Presentation

The financial statements of the Foundation have been prepared in accordance with U.S. generally accepted accounting principles, which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

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

Net assets with donor restrictions: 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.

Cash, Cash Equivalents, and Restricted Cash

The Foundation considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors to be cash and cash equivalents. Cash and highly liquid financial instruments that have donor-imposed restrictions limiting its use is reported as restricted cash in the financial statements. The Foundation had no restricted cash at June 30, 2022 and 2021.

CATHOLIC FOUNDATION OF WESTERN KENTUCKY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2022 and 2021

1. Organization and Summary of Significant Accounting Policies, Continued

Investments

Investments are stated at fair value. Investments acquired by gift are recorded at the fair value on the date the gift was received. Investment income that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statement of activities as with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions. Investment return includes unrealized gains and losses and is reported net of investment expenses.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted revenue, depending on the existence and nature of any donor restrictions.

Contributions that are restricted by donors are reported as increases in net asset without donor restrictions if the restrictions expire in the same reporting period. All other restricted contributions are reported as increases in net assets with donor restrictions. When restrictions expire (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Functional Expenses

Expenses are charged directly to program or supporting services categories based on specific identification, as summarized in the statement of functional expenses.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CATHOLIC FOUNDATION OF WESTERN KENTUCKY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2022 and 2021

2. Liquidity and Availability of Funds

The Foundation's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows:

	2022	2021
Cash	\$ 2,932	\$ 1,196
Due from related party	-	156,756
Investments	316,832	161,998
Total financial assets as of year end	319,764	319,950
Board appropriation from endowment for general expenditure in subsequent year	44,756	41,784
Total financial assets available to meet general expenditure within the next 12 months	\$ 364,520	\$ 361,734

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Foundation has board-designated endowment funds of \$441,651 and \$598,367 at June 30, 2022 and 2021, respectively. As disclosed in Note 6, the Foundation's spending policy permits an annual appropriation from these board-designated funds for general expenditure in an amount not to exceed 5% of the average fair value of the unrestricted investments at the prior three fiscal year ends. Although the Foundation does not intend to spend from these board-designated endowment funds, other than amounts appropriated for general expenditure under the spending policy described, amounts from its board-designated endowment funds could be made available, if necessary.

3. Investments

Investments in the Endowment Fund consist of the following at June 30:

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 146,655	\$ 146,758	\$ 272,355	\$ 272,355
Mutual funds	8,355,366	10,486,129	8,277,952	12,168,174
	\$ 8,502,021	\$ 10,632,887	\$ 8,550,307	\$ 12,440,529

CATHOLIC FOUNDATION OF WESTERN KENTUCKY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2022 and 2021

3. Investments, Continued

The following schedules summarize the Endowment Fund investment return and its classification for the years ended June 30:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 15,417	\$ 175,525	\$ 190,942
Unrealized gains (losses)	(147,211)	(1,612,619)	(1,759,830)
Realized gains (losses)	19,280	122,282	141,562
Investment fees	(2,912)	(33,482)	(36,394)
	<u>\$ (115,426)</u>	<u>\$ (1,348,294)</u>	<u>\$ (1,463,720)</u>

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 15,483	\$ 175,242	\$ 190,725
Unrealized gains	179,088	2,027,759	2,206,847
Realized gains	36,788	420,039	456,827
Investment fees	(3,220)	(36,551)	(39,771)
	<u>\$ 228,139</u>	<u>\$ 2,586,489</u>	<u>\$ 2,814,628</u>

4. Split Interest Agreements

Charitable Gift Annuities

The Foundation administers a charitable gift annuity program which provides for the investment of contributions made by individuals from which a periodic contractual annuity payment is made to the annuitant. The assets received are held as investments of the Foundation at fair value, and a liability is recorded for the estimated present value of the estimated future payments to be made to the donors and/or other beneficiaries. At the date of gift, the difference between the fair value of the assets received and the present value of the liability is recognized as contribution revenue. The liability is valued on a recurring basis using generally accepted fair value measurement methods. As required distributions are made to the annuitants, or upon death of annuitants, the related reductions in the liability are reported as changes in the value of annuity net assets. In addition, if annuitants designate in the annuity agreements a beneficiary other than the Foundation, upon death, the remaining investment balance for that annuity is distributed to that beneficiary. The annuity obligation balance at June 30, 2022 and 2021, totaled \$319,764 and \$319,950, respectively.

CATHOLIC FOUNDATION OF WESTERN KENTUCKY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2022 and 2021

5. Assets Held for Others

Assets held for others represent funds managed by the Foundation on behalf of other Catholic organizations. The assets are stated at fair value, with a corresponding liability reflected in the statements of financial position. Additional investments by these organizations, as well as investment return, investment fees, and withdrawals are reflected as adjustments to the liability account, and are not reflected in the statement of activities. Assets held for others consist of the following at June 30:

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 758,706	\$ 759,332	\$ 454,682	\$ 454,684
Mutual funds	15,147,524	18,797,201	15,066,481	22,027,293
	\$ 15,906,230	\$ 19,556,533	\$ 15,521,163	\$ 22,481,977

Activity in assets held for others was as follows for the years ended June 30:

	2022	2021
Balance, beginning of year	\$ 22,481,977	\$ 18,033,172
Deposits	395,446	212,435
Withdrawals	(692,507)	(743,252)
Investment return:		
Interest and dividends	344,612	339,830
Unrealized gains	(3,311,881)	4,003,542
Realized gains	455,269	707,992
Investment fees	(66,613)	(71,742)
Management fees	(49,770)	-
	(2,628,383)	4,979,622
Balance, end of year	\$ 19,556,533	\$ 22,481,977

6. Endowment Fund

The Foundation's Endowment includes funds established for various purposes, and includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. Assets held for others are not a part of the Endowment Fund. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The state of Kentucky has enacted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) legislation. The Board of Directors has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-

CATHOLIC FOUNDATION OF WESTERN KENTUCKY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2022 and 2021

6. Endowment Fund, Continued

restricted endowment funds, absent explicit donor stipulation or implicit donor intention to the contrary. The Foundation classifies as permanently restricted net assets the original value of contributions to the permanent endowment and the original value of any such subsequent contributions. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide funding to programs supported by its endowment, while seeking to maintain purchasing power of the endowment assets. For donor-restricted funds, the Foundation's spending policy permits annual appropriations of temporarily restricted net assets in amounts not to exceed 5% of the average fair value of the investments at the prior three fiscal year ends. Unrestricted funds that are board-designated may be expended as deemed prudent; however, the Foundation has historically followed the practice of appropriating in the same manner as for the donor-restricted funds described above. The principal balances of original gifts, whether donor-restricted or unrestricted, are never invaded.

The composition of net assets of the Endowment Fund at June 30 was as follows:

	<u>2022</u>	<u>2021</u>
Net assets without donor restrictions:		
Board-designated unrestricted:	\$ 441,651	\$ 598,367
Net assets with donor restrictions:		
Temporarily restricted:		
Seminarians	4,513,952	6,012,539
Religious education	407,367	517,025
Outreach	206,691	260,884
Catholic charities	45,069	91,461
Annuities	499,722	630,140
	<u>5,672,801</u>	<u>7,512,049</u>
Permanently restricted:		
Seminarians	3,335,120	3,301,632
Religious education	171,897	171,897
Outreach	79,579	79,579
Catholic charities	200,000	200,000
Diocese general	415,007	415,007
	<u>4,201,603</u>	<u>4,168,115</u>
Total net assets with donor restrictions	<u>9,874,404</u>	<u>11,680,164</u>
	<u>\$ 10,316,055</u>	<u>\$ 12,278,531</u>

CATHOLIC FOUNDATION OF WESTERN KENTUCKY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2022 and 2021

7. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors as follows for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Satisfaction of purpose restrictions:		
Seminarians	\$ 413,957	\$ 367,170
Religious education	31,227	27,936
Outreach	15,433	13,805
Catholic charities	<u>13,211</u>	<u>11,819</u>
	<u>\$ 473,828</u>	<u>\$ 420,730</u>

8. Fair Value Measurements

The Foundation has adopted the provisions of FASB ASC 820, Fair Value Measurements. FASB ASC 820 establishes a framework for measuring fair value and establishes a three-tier hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, as follows:

Level 1: Quoted prices for identical assets or liabilities in active markets.

Level 2: Observable inputs, such as quoted prices for similar assets or liabilities in active markets or quoted prices for identical or similar assets or liabilities in inactive markets, or unobservable inputs that are derived principally from or corroborated by observable market data.

Level 3: Unobservable inputs that are based on the Foundation's own assumptions as to how knowledgeable parties would price assets or liabilities that are not corroborated by market data. The Foundation had no Level 3 investments as of June 30, 2022 or 2021.

CATHOLIC FOUNDATION OF WESTERN KENTUCKY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2022 and 2021

8. Fair Value Measurements, Continued

Fair values of assets and liabilities measured on a recurring basis at June 30 were as follows:

	2022		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Foundation investments:			
Cash and cash equivalents	\$ 146,758	\$ 146,758	\$ -
Mutual funds:			
Fixed income	3,216,611	3,216,611	-
Large cap	5,146,784	5,146,784	-
Mid cap	718,072	718,072	-
Small cap	407,908	407,908	-
International	996,754	996,754	-
	<u>\$ 10,632,887</u>	<u>\$ 10,632,887</u>	<u>\$ -</u>
Assets held for others:			
Cash and cash equivalents	\$ 759,332	\$ 759,332	\$ -
Mutual funds:			
Fixed income	5,822,604	5,822,604	-
Large cap	9,164,661	9,164,661	-
Mid cap	1,283,189	1,283,189	-
Small cap	704,071	704,071	-
International	1,822,676	1,822,676	-
	<u>\$ 19,556,533</u>	<u>\$ 19,556,533</u>	<u>\$ -</u>
Annuity obligations	<u>\$ (319,764)</u>	<u>\$ -</u>	<u>\$ (319,764)</u>

CATHOLIC FOUNDATION OF WESTERN KENTUCKY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2022 and 2021

8. Fair Value Measurements, Continued

	2021		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Foundation investments:			
Cash and cash equivalents	\$ 272,355	\$ 272,355	\$ -
Mutual funds:			
Fixed income	3,415,777	3,415,777	-
Large cap	6,113,431	6,113,431	-
Mid cap	880,403	880,403	-
Small cap	534,309	534,309	-
International	1,224,254	1,224,254	-
	\$ 12,440,529	\$ 12,440,529	\$ -
Assets held for others:			
Cash and cash equivalents	\$ 454,684	\$ 454,684	\$ -
Mutual funds:			
Fixed income	6,187,057	6,187,057	-
Large cap	11,065,203	11,065,203	-
Mid cap	1,591,111	1,591,111	-
Small cap	966,307	966,307	-
International	2,217,615	2,217,615	-
	22,481,977	22,481,977	-
Annuity obligations	\$ (319,950)	\$ -	\$ (319,950)

The following is a description of the valuation methodologies used for Level 2 assets measured at fair value.

Annuity obligations: Valued at the present value of the future distributions, using published life expectancy tables and interest rates imputed at the inception date of the obligation.

There were no transfers between levels for the years ended June 30, 2022 and 2021.

9. Income Taxes

The Foundation is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Foundation believes that it has support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. As a religious organization, the Foundation is not required to file annual federal or state information returns.

CATHOLIC FOUNDATION OF WESTERN KENTUCKY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2022 and 2021

10. Concentration of Credit Risk

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

11. Related Party Transactions

The Roman Catholic Diocese of Owensboro (Diocese), effective fiscal year 2022, began charging a fee to the Foundation for administrative, human resources, legal and accounting support. While the Diocese and the Foundation share a common purpose to support the region's Catholic community, the Foundation is not controlled by the Diocese and, therefore, reports its financial position and activities separately from the Diocese. Related party transactions for fiscal years 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Due from the Diocese Operating Fund for: Bequest	\$ -	\$ 156,756
Due to the Diocese Charitable Trust Fund: Endowment	\$ 43,715	\$ -
Contributions received from the Diocese: On behalf of donors, including Vocare	\$ 33,487	\$ 4,900
Disbursements to the Diocese for program services: Operating Fund:		
Seminarians	\$ 392,927	\$ 367,170
Religious education	29,673	27,935
Outreach	14,664	13,805
Catholic charities	12,554	11,818
Other programs	27,728	30,423
	<u>\$ 477,546</u>	<u>\$ 451,151</u>
Assets held for others: Diocese entities:		
Gaspar River Catholic Retreat Center	\$ 118,545	\$ 139,916
Disbursements to the Diocese: Management Fees		
Endowment Fund	\$ 26,283	\$ -
Assets held for others	49,770	-
	<u>\$ 76,053</u>	<u>\$ -</u>

CATHOLIC FOUNDATION OF WESTERN KENTUCKY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2022 and 2021

12. Impact of COVID-19

The COVID-19 pandemic, whose effects first became known in January 2020, had a broad and negative impact on commerce and financial markets around the world. Initially, the United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. Fortunately, by fiscal year end June 30, 2020, markets had rebounded considerably and the negative impact on the Foundation's financial statements at June 30, 2021 and 2022, was minimized.

The extent of the impact of COVID-19 on the Foundation's operational and financial performance was minimal. As of June 30, 2022, the Foundation has returned to normal operations.

13. Subsequent Events

The Foundation has evaluated subsequent events through December 20, 2022, the date the financial statements were available to be issued.

CATHOLIC FOUNDATION OF WESTERN KENTUCKY, INC.

SCHEDULE OF ASSETS HELD FOR OTHERS

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Blessed Sacrament Chapel	\$ 20,905	\$ 23,730
Christ the King School	48,145	57,704
Christ the King, Madisonville	405,226	485,715
Diocesan Catholic Schools	1,400,326	1,665,820
Gaspar River Catholic Retreat Center	118,545	139,916
Holy Name School	1,661,985	1,829,895
Immaculate Conception, Hawesville	47,715	56,834
Owensboro Catholic High School	6,803,010	8,005,768
OCHS Athletic Endowment	873,876	757,009
Owensboro Catholic Schools	1,750,690	2,029,758
Parish Endowments	1,574,125	1,872,566
Sisters of the Lamb of God	-	49,714
St. Alphonsus Cemetery	204,716	233,096
John Paul II Catholic School	270,863	308,039
St. Ann Cemetery Fund	154,377	183,584
St. Charles Cemetery, Bardwell	39,616	45,054
St. Charles, Livermore	60,905	69,263
St. Columba, Lewisport	49,053	58,427
St. Denis Cemetery	109,405	124,028
St. Edward	40,809	48,070
St. John Cemetery, Sunfish	198,518	226,363
St. Joseph School, Bowling Green	560,300	673,215
St. Joseph, Bowling Green	47,104	55,821
St. Joseph, Central City	296,106	352,076
St. Mary, Franklin	42,102	52,633
St. Paul, Princeton	18,363	20,883
St. Peter of Alcantara	214,020	254,746
St. Pius Tenth, Owensboro	37,834	43,026
St. Romuald Cemetery, Hardinsburg	321,831	366,001
St. Romuald School, Hardinsburg	43,266	49,204
St. Sebastian Cemetery	9,184	10,445
St. Thomas More, Paducah	1,627,669	1,844,186
Sts. Peter & Paul, Hopkinsville	401,666	417,371
Anne Garnett Mem. Endowment	60,563	72,017
	<u>\$ 19,512,818</u>	<u>\$ 22,481,977</u>