

***CATHOLIC FOUNDATION
OF
WESTERN KENTUCKY, INC.
FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
Years Ended June 30, 2020 and 2019***

(With Independent Auditor's Report Thereon)

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Riney Hancock CPAs
PSC

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Catholic Foundation of Western Kentucky, Inc.

We have audited the accompanying financial statements of the Catholic Foundation of Western Kentucky, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, 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.

Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Catholic Foundation of Western Kentucky, Inc. as of June 30, 2020 and 2019, 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.

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 17 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.

Owensboro, Kentucky
December 16, 2020

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CATHOLIC FOUNDATION OF WESTERN KENTUCKY, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,790	\$ 350
Due from related party	<u>4,883</u>	<u>4,229</u>
Total current assets	<u>10,673</u>	<u>4,579</u>
Investments	<u>10,133,327</u>	<u>9,952,596</u>
Assets held for others:		
Investments	<u>18,033,172</u>	<u>18,195,513</u>
Total assets	<u>\$ 28,177,172</u>	<u>\$ 28,152,688</u>
LIABILITIES AND NET ASSETS		
Annuity obligations	\$ 259,882	\$ 262,790
Assets held for others	<u>18,033,172</u>	<u>18,195,513</u>
Total liabilities	<u>18,293,054</u>	<u>18,458,303</u>
Net assets:		
Endowment:		
Without donor restrictions	410,266	383,272
With donor restrictions	<u>9,473,852</u>	<u>9,311,113</u>
Total net assets	<u>9,884,118</u>	<u>9,694,385</u>
Total liabilities and net assets	<u>\$ 28,177,172</u>	<u>\$ 28,152,688</u>

See Notes to Financial Statements

CATHOLIC FOUNDATION OF WESTERN KENTUCKY, INC.

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Net assets without donor restrictions:		
Revenues:		
Investment return	\$ 55,397	\$ 45,094
Net assets released from restrictions	<u>425,168</u>	<u>410,175</u>
Total unrestricted revenues	<u>480,565</u>	<u>455,269</u>
Expenses:		
Program services:		
Seminarians	371,113	358,053
Religious education	28,196	27,567
Outreach	13,934	13,623
Catholic charities	11,929	11,662
Other programs	18,768	-
Supporting services:		
Management and general	<u>9,631</u>	<u>8,650</u>
Total expenses	<u>453,571</u>	<u>419,555</u>
Increase in net assets without donor restrictions	<u>26,994</u>	<u>35,714</u>
Net assets with donor restrictions:		
Contributions and bequests - temporarily restricted	15,408	10,978
Contributions and bequests - permanently restricted	189,445	99,579
Investment return	411,106	650,605
Change in value of annuity net assets	(28,052)	(28,499)
Net assets released from restrictions	<u>(425,168)</u>	<u>(410,175)</u>
Increase in net assets with donor restrictions	<u>162,739</u>	<u>322,488</u>
Change in net assets	189,733	358,202
Net assets, beginning of year	<u>9,694,385</u>	<u>9,336,183</u>
Net assets, end of year	<u>\$ 9,884,118</u>	<u>\$ 9,694,385</u>

See Notes to Financial Statements

CATHOLIC FOUNDATION OF WESTERN KENTUCKY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2020 and 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
	<u>2020</u>		
Professional and technical fees Disbursed to the Diocese to expend for program services	\$ -	\$ 9,631	\$ 9,631
	<u>443,940</u>	<u>-</u>	<u>443,940</u>
	<u>\$ 443,940</u>	<u>\$ 9,631</u>	<u>\$ 453,571</u>
	<u>2019</u>		
Professional and technical fees Disbursed to the Diocese to expend for program services	\$ -	\$ 8,650	\$ 8,650
	<u>410,905</u>	<u>-</u>	<u>410,905</u>
	<u>\$ 410,905</u>	<u>\$ 8,650</u>	<u>\$ 419,555</u>

Note: The Foundation incurred no fundraising expenses.

See Notes to Financial Statements

CATHOLIC FOUNDATION OF WESTERN KENTUCKY, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 189,733	\$ 358,202
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Unrealized (gain) loss on investments	(165,778)	(373,351)
Realized (gain) loss on investments	(128,666)	(130,926)
Actuarial change in value of annuity obligations	12,643	17,520
Decrease (increase) in assets:		
Due from related party	<u>(654)</u>	<u>667</u>
Net cash provided by (used in) operating activities	<u>(92,722)</u>	<u>(127,888)</u>
Cash flows from investing activities:		
Proceeds from sale and maturities of investments	743,909	1,973,364
Purchases of investments	(1,224,374)	(2,366,428)
Withdrawals from investment accounts	<u>594,178</u>	<u>546,489</u>
Net cash provided by (used in) investing activities	<u>113,713</u>	<u>153,425</u>
Cash flows from financing activities:		
Additions to annuity obligations	30,000	20,000
Payments on annuity obligations	<u>(45,551)</u>	<u>(45,657)</u>
Net cash provided by (used in) financing activities	<u>(15,551)</u>	<u>(25,657)</u>
Net increase (decrease) in cash and cash equivalents	5,440	(120)
Cash and cash equivalents, beginning of year	<u>350</u>	<u>470</u>
Cash and cash equivalents, end of year	<u>\$ 5,790</u>	<u>\$ 350</u>

See Notes to Financial Statements

CATHOLIC FOUNDATION OF WESTERN KENTUCKY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2020 and 2019

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 December 31, 2020 and 2019.

CATHOLIC FOUNDATION OF WESTERN KENTUCKY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2020 and 2019

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 unrestricted net assets. 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.

Change in Accounting Principle

In fiscal year 2020, the Foundation adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). This accounting standard is meant to help not-for-profit entities evaluate whether transactions should be accounted for as contribution or as exchange transactions and, if the transaction is identified as a contribution, whether it is conditional or unconditional. This ASU clarifies how an organization determines whether a resource provider is receiving commensurate value in return for a grant. If the resource provider receives commensurate value from the grant recipient, the transaction is an exchange transaction. If no commensurate value is received by the grant maker, the revenue is a contribution. There was no impact to the financial statements as a result of adoption.

CATHOLIC FOUNDATION OF WESTERN KENTUCKY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2020 and 2019

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:

	2020	2019
Cash	\$ 5,790	\$ 350
Due from related party	4,883	4,229
Investments	10,133,327	9,952,596
Total financial assets as of year end	10,144,000	9,957,175
Less amounts not available to be used within one year:		
Board designated	(410,266)	(383,272)
Donor restricted by time or purpose	(5,467,393)	(5,494,099)
Donor restricted in perpetuity	(4,006,459)	(3,817,014)
Board appropriation from endowment for general expenditure in subsequent year	35,423	33,768
Total financial assets available to meet general expenditure within the next 12 months	\$ 295,305	\$ 296,558

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 \$410,266 and \$383,272 at June 30, 2020 and 2019, 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:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 393,743	\$ 393,772	\$ 320,259	\$ 320,713
Mutual funds	8,055,763	9,739,555	8,112,954	9,631,883
	\$ 8,449,506	\$ 10,133,327	\$ 8,433,213	\$ 9,952,596

CATHOLIC FOUNDATION OF WESTERN KENTUCKY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2020 and 2019

3. Investments, Continued

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

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 14,584	\$ 192,598	\$ 207,182
Unrealized gains (losses)	35,547	130,231	165,778
Realized gains (losses)	7,670	120,996	128,666
Investment fees	(2,404)	(32,719)	(35,123)
	\$ 55,397	\$ 411,106	\$ 466,503
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 14,903	\$ 211,559	\$ 226,462
Unrealized gains (losses)	27,828	345,523	373,351
Realized gains (losses)	4,656	126,270	130,926
Investment fees	(2,293)	(32,747)	(35,040)
	\$ 45,094	\$ 650,605	\$ 695,699

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. As required distributions are made to the annuitants, or upon death of annuitants, the related reductions in the liability are recorded as changes in the value of annuity obligations. In addition, the liability is valued on a recurring basis using generally accepted fair value measurement methods. The annuity obligation balance at June 30, 2020 and 2019, totaled \$259,882 and \$262,790, respectively.

CATHOLIC FOUNDATION OF WESTERN KENTUCKY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2020 and 2019

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:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 547,768	\$ 547,813	\$ 666,087	\$ 666,852
Mutual funds	14,527,734	17,485,359	14,792,768	17,528,661
	\$ 15,075,502	18,033,172	\$ 15,458,855	18,195,513

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

	2020	2019
Balance, beginning of year	\$ 18,195,513	\$ 17,074,498
Deposits	81,671	593,131
Withdrawals	(864,239)	(714,366)
Investment return:		
Interest and dividend income	385,401	402,933
Unrealized gains	223,839	686,865
Realized gains	76,506	213,983
Investment fees	(65,519)	(61,531)
	620,227	1,242,250
Balance, end of year	\$ 18,033,172	\$ 18,195,513

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-restricted endowment funds, absent explicit donor stipulation or implicit donor intention to the

CATHOLIC FOUNDATION OF WESTERN KENTUCKY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2020 and 2019

6. Endowment Fund, Continued

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>2020</u>	<u>2019</u>
Net assets without donor restrictions:		
Unrestricted - board-designated	\$ <u>410,266</u>	\$ <u>383,272</u>
Net assets with donor restrictions:		
Temporarily restricted:		
Seminarians	4,311,772	4,353,395
Religious education	388,938	392,021
Outreach	197,583	199,109
Catholic charities	37,271	38,573
Annuities	<u>531,829</u>	<u>511,001</u>
	<u>5,467,393</u>	<u>5,494,099</u>
Permanently restricted:		
Seminarians	3,139,976	3,073,093
Religious education	171,897	171,897
Outreach	79,579	79,579
Catholic charities	200,000	200,000
Other programs	<u>415,007</u>	<u>292,445</u>
	<u>4,006,459</u>	<u>3,817,014</u>
Total net assets with donor restrictions	<u>9,473,852</u>	<u>9,311,113</u>
Total	<u>\$ 9,884,118</u>	<u>\$ 9,694,385</u>

Management considers the total net assets of the Foundation to be for endowment. Therefore, the changes in the endowment for the years ended June 30, 2020 and 2019, are reflected in the statements of activities.

CATHOLIC FOUNDATION OF WESTERN KENTUCKY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2020 and 2019

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>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions:		
Seminarians	\$ 371,112	\$ 357,322
Religious education	28,195	27,567
Outreach	13,933	13,623
Catholic charities	<u>11,928</u>	<u>11,663</u>
	<u>\$ 425,168</u>	<u>\$ 410,175</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, 2020 or 2019.

CATHOLIC FOUNDATION OF WESTERN KENTUCKY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2020 and 2019

8. Fair Value Measurements, Continued

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

	2020		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Foundation investments:			
Cash and cash equivalents	\$ 393,772	\$ 393,772	\$ -
Mutual funds:			
Fixed income	2,853,645	2,853,645	-
Large cap	4,627,967	4,627,967	-
Mid cap	884,449	884,449	-
Small cap	462,645	462,645	-
International	910,849	910,849	-
	<u>\$ 10,133,327</u>	<u>\$ 10,133,327</u>	<u>\$ -</u>
Assets held for others:			
Cash and cash equivalents	\$ 547,813	\$ 547,813	\$ -
Mutual funds:			
Fixed income	4,980,626	4,980,626	-
Large cap	8,440,535	8,440,535	-
Mid cap	1,504,942	1,504,942	-
Small cap	917,539	917,539	-
International	1,641,717	1,641,717	-
	<u>\$ 18,033,172</u>	<u>\$ 18,033,172</u>	<u>\$ -</u>
Annuity obligations	<u>\$ (259,882)</u>	<u>\$ -</u>	<u>\$ (259,882)</u>

CATHOLIC FOUNDATION OF WESTERN KENTUCKY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2020 and 2019

8. Fair Value Measurements, Continued

	2019		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Foundation investments:			
Cash and cash equivalents	\$ 320,713	\$ 320,713	\$ -
Mutual funds:			
Fixed income	2,685,255	2,685,255	-
Large cap	4,563,691	4,563,691	-
Mid cap	849,002	849,002	-
Small cap	559,202	559,202	-
International	974,733	974,733	-
	<u>\$ 9,952,596</u>	<u>\$ 9,952,596</u>	<u>\$ -</u>
Assets held for others:			
Cash and cash equivalents	\$ 666,852	\$ 666,852	\$ -
Mutual funds:			
Fixed income	4,851,969	4,851,969	-
Large cap	8,342,055	8,342,055	-
Mid cap	1,542,253	1,542,253	-
Small cap	1,022,889	1,022,889	-
International	1,769,495	1,769,495	-
	<u>18,195,513</u>	<u>18,195,513</u>	<u>-</u>
Annuity obligations	\$ <u>(262,790)</u>	\$ <u>-</u>	\$ <u>(262,790)</u>

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2020 and 2019.

Interest-bearing cash: The carrying amount approximated fair value due to the short-term highly-liquid nature.

Mutual funds: Valued at the daily closing price as reported by the fund, based on quoted market prices. Mutual funds held by the Foundation are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

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.

CATHOLIC FOUNDATION OF WESTERN KENTUCKY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2020 and 2019

8. Fair Value Measurements, Continued

Transfers between fair value hierarchy are recognized at the end of the reporting period. There were no transfers between levels for the years ended June 30, 2020 and 2019.

At least annually, management and the Board of Directors review and approve the Foundation's fair value measurement policies and procedures and determine if the valuation techniques used in fair value measurements are still appropriate.

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.

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) provides administrative, human resources, and accounting support to the Foundation at no charge. Management has determined that the value of these services is immaterial and, therefore, has not recorded the related revenue and expense in the financial statements. 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 2020 and 2019 were as follows:

CATHOLIC FOUNDATION OF WESTERN KENTUCKY, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2020 and 2019

11. Related Party Transactions, Continued

	<u>2020</u>	<u>2019</u>
Due from the Diocese Operating Fund for: Vocare offerings contributed to the Foundation	\$ <u>4,883</u>	\$ <u>4,229</u>
Contributions received from the Diocese: On behalf of donors, including Vocare	\$ <u>66,884</u>	\$ <u>99,579</u>
Disbursements to the Diocese for program services: Operating Fund:		
Seminarians	\$ 371,113	\$ 358,053
Religious education	28,196	27,567
Outreach	13,934	13,623
Catholic charities	11,929	11,662
Other programs	<u>18,768</u>	<u>-</u>
	\$ <u>443,940</u>	\$ <u>410,905</u>
Assets held for others:		
Diocese entities:		
Bishop Soenneker Home	\$ -	\$ 150,600
Gaspar River Catholic Retreat Center	<u>114,644</u>	<u>116,686</u>
	\$ <u>114,644</u>	\$ <u>267,286</u>

12. Impact of COVID-19

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. Fortunately, by fiscal year end markets had rebounded considerably and the negative impact on the Foundation's financial statements at June 30, 2020, was minimized. The Foundation, in conjunction with its investment advisors, is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of any declines. 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 its impacts on the parishes and donors of the Diocese, all of which at present cannot be determined. Possible effects may include, but are not limited to, disruptions to the Foundation's donors and revenue, a decline in value of assets held by the Foundation, including the beneficial interest in assets held by others. The extent to which COVID-19 may impact the Foundation's financial position, changes in net assets, and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effect of this pandemic.

13. Subsequent Events

The Foundation has evaluated subsequent events through December 16, 2020, the date the financial statements were available to be issued.

CATHOLIC FOUNDATION OF WESTERN KENTUCKY, INC.

SCHEDULE OF ASSETS HELD FOR OTHERS

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Bishop Soenneker Home	\$ -	\$ 150,600
Blessed Sacrament Chapel	18,549	17,911
Christ the King School	46,916	47,657
Christ the King, Madisonville	394,725	400,962
Diocesan Catholic Schools	1,360,196	1,379,273
Gaspar River Catholic Retreat Center	114,644	116,686
Holy Name School	1,471,719	1,452,368
Immaculate Conception, Hawesville	46,414	47,094
Owensboro Catholic High School	6,440,835	6,543,067
OCHS Athletic Endowment	573,831	513,636
Owensboro Catholic Schools	1,626,466	1,620,282
Parish Endowments	1,528,895	1,550,372
Sisters of the Lamb of God	38,860	37,525
St. Alphonsus Cemetery	188,766	191,459
John Paul II Catholic School	240,783	232,508
St. Ann Cemetery Fund	150,858	153,276
St. Charles Cemetery, Bardwell	35,217	34,006
St. Charles, Livermore	56,541	57,477
St. Columba, Lewisport	47,592	48,285
St. Denis Cemetery	96,948	93,617
St. Edward	38,875	39,092
St. John Cemetery, Sunfish	149,589	144,448
St. Joseph School, Bowling Green	558,841	570,883
St. Joseph, Bowling Green	45,826	46,551
St. Joseph, Central City	289,314	294,138
St. Mary, Franklin	44,826	47,310
St. Paul, Princeton	16,324	15,763
St. Peter of Alcantara	209,166	212,560
St. Pius Tenth, Owensboro	33,632	32,476
St. Romuald Cemetery, Hardinsburg	286,090	276,258
St. Romuald School, Hardinsburg	38,461	37,139
St. Sebastion Cemetery	8,162	7,887
St. Thomas More, Paducah	1,436,310	1,381,827
Sts. Peter & Paul, Hopkinsville	339,922	341,101
Anne Garnett Mem. Endowment	59,079	60,019
	<u>\$ 18,033,172</u>	<u>\$ 18,195,513</u>