

THE CATHOLIC FOUNDATION OF NORTH GEORGIA, INC.

**FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020**

**with
INDEPENDENT AUDITORS' REPORT**

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INDEPENDENT AUDITORS' REPORT

Finance Committee of The Catholic Foundation of North Georgia, Inc.

We have audited the accompanying financial statements of The Catholic Foundation of North Georgia, Inc. (the "Foundation"), which comprise the statement of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 Foundation'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 Foundation'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 Foundation as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Smith and Howard

November 29, 2021

THE CATHOLIC FOUNDATION OF NORTH GEORGIA, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

ASSETS		
	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents	\$ 2,094,105	\$ 2,508,939
Investments, at fair value	107,484,493	82,842,126
Other	10,805	9,434
Property and equipment, net	<u>3,092</u>	<u>4,179</u>
 Total Assets	 <u>\$ 109,592,495</u>	 <u>\$ 85,364,678</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 53,241	\$ 49,442
Annuities payable	113,887	120,897
Custodian funds payable	144,781	117,331
Beneficiary endowments	<u>29,168,228</u>	<u>19,520,244</u>
Total Liabilities	<u>29,480,137</u>	<u>19,807,914</u>
 Net Assets		
Without donor restriction	<u>13,972,076</u>	<u>12,139,300</u>
 With donor restriction		
Purpose restrictions	30,116,013	18,139,286
Perpetual endowments	<u>36,024,269</u>	<u>35,278,178</u>
Total net assets with donor restriction	<u>66,140,282</u>	<u>53,417,464</u>
Total Net Assets	<u>80,112,358</u>	<u>65,556,764</u>
 Total Liabilities and Net Assets	 <u>\$ 109,592,495</u>	 <u>\$ 85,364,678</u>

The accompanying notes are an integral part of these financial statements.

THE CATHOLIC FOUNDATION OF NORTH GEORGIA, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2021

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Revenues, Gains, and Other Support:			
Donations and pledges	\$ 793,837	\$ 866,178	\$ 1,660,015
Investment income, net	2,855,247	13,398,178	16,253,425
In-kind contributions	22,403	-	22,403
Fees	212,146	-	212,146
Net assets released from restrictions	<u>1,541,538</u>	<u>(1,541,538)</u>	<u>-</u>
Total Revenues, Gains, and Other Support	<u>5,425,171</u>	<u>12,722,818</u>	<u>18,147,989</u>
Expenses:			
Program Services			
Grants and distributions	2,571,359	-	2,571,359
Other program expenses	<u>120,857</u>	<u>-</u>	<u>120,857</u>
Total Program Services	<u>2,692,216</u>	<u>-</u>	<u>2,692,216</u>
Supporting Services			
General and administrative	435,121	-	435,121
Fundraising	<u>465,058</u>	<u>-</u>	<u>465,058</u>
Total Supporting Services	<u>900,179</u>	<u>-</u>	<u>900,179</u>
Total Expenses	<u>3,592,395</u>	<u>-</u>	<u>3,592,395</u>
Change in Net Assets	1,832,776	12,722,818	14,555,594
Net Assets, Beginning of Year	<u>12,139,300</u>	<u>53,417,464</u>	<u>65,556,764</u>
Net Assets, End of Year	<u>\$ 13,972,076</u>	<u>\$ 66,140,282</u>	<u>\$ 80,112,358</u>

The accompanying notes are an integral part of these financial statements.

THE CATHOLIC FOUNDATION OF NORTH GEORGIA, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, Gains, and Other Support:			
Donations and pledges	\$ 2,163,627	\$ 2,219,100	\$ 4,382,727
Investment income, net	535,214	578,711	1,113,925
In-kind contributions	7,250	-	7,250
Events	500	-	500
Fees	167,218	-	167,218
Net assets released from restrictions	<u>1,396,489</u>	<u>(1,396,489)</u>	<u>-</u>
Total Revenues, Gains, and Other Support	<u>4,270,298</u>	<u>1,401,322</u>	<u>5,671,620</u>
Expenses:			
Program Services			
Grants and distributions	2,086,745	-	2,086,745
Other program expenses	<u>116,457</u>	<u>-</u>	<u>116,457</u>
Total Program Services	<u>2,203,202</u>	<u>-</u>	<u>2,203,202</u>
Supporting Services			
General and administrative	422,838	-	422,838
Fundraising	<u>478,866</u>	<u>-</u>	<u>478,866</u>
Total Supporting Services	<u>901,704</u>	<u>-</u>	<u>901,704</u>
Total Expenses	<u>3,104,906</u>	<u>-</u>	<u>3,104,906</u>
Change in Net Assets	1,165,392	1,401,322	2,566,714
Net Assets, Beginning of Year	<u>10,973,908</u>	<u>52,016,142</u>	<u>62,990,050</u>
Net Assets, End of Year	<u>\$ 12,139,300</u>	<u>\$ 53,417,464</u>	<u>\$ 65,556,764</u>

The accompanying notes are an integral part of these financial statements.

THE CATHOLIC FOUNDATION OF NORTH GEORGIA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	Program Services	Supporting Activities		Totals
		General and Administrative	Fundraising	
Grants and distributions	\$ 2,571,359	\$ -	\$ -	\$ 2,571,359
Salaries and wages	74,614	216,842	243,794	535,250
Payroll taxes	5,247	15,250	16,547	37,044
Employee benefits	16,966	50,101	52,083	119,150
Board and volunteer expenses	-	721	-	721
Communications	-	-	67,856	67,856
Grant and donor advised fund expenses	13,450	-	-	13,450
Other expenses	912	72,420	9,701	83,033
Professional fees	2,597	58,260	8,188	69,045
Rent	7,071	20,440	22,298	49,809
Stewardship and development	-	-	44,591	44,591
Depreciation	-	1,087	-	1,087
	<u>\$ 2,692,216</u>	<u>\$ 435,121</u>	<u>\$ 465,058</u>	<u>\$ 3,592,395</u>

The accompanying notes are an integral part of these financial statements.

THE CATHOLIC FOUNDATION OF NORTH GEORGIA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	Program Services	Supporting Activities		Totals
		General and Administrative	Fundraising	
Grants and distributions	\$ 2,086,745	\$ -	\$ -	\$ 2,086,745
Salaries and wages	72,112	210,571	227,405	510,088
Payroll taxes	5,034	14,629	15,874	35,537
Employee benefits	16,965	50,055	53,351	120,371
Board and volunteer expenses	-	857	-	857
Communications	-	-	67,381	67,381
Grant and donor advised fund expenses	11,969	-	-	11,969
Other expenses	891	47,410	4,991	53,292
Professional fees	2,470	76,526	7,789	86,785
Rent	7,016	20,238	22,124	49,378
Stewardship and development	-	1,184	79,951	81,135
Depreciation	-	1,368	-	1,368
	<u>\$ 2,203,202</u>	<u>\$ 422,838</u>	<u>\$ 478,866</u>	<u>\$ 3,104,906</u>

The accompanying notes are an integral part of these financial statements.

THE CATHOLIC FOUNDATION OF NORTH GEORGIA, INC.
STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 14,555,594	\$ 2,566,714
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Required) by Operating Activities:		
Unrealized (gain) loss of investments	(15,262,891)	273,426
Depreciation	1,087	1,368
Restricted contributions	(866,178)	(2,219,100)
Change in assets and liabilities:		
Other assets	(1,371)	2,073
Accounts payable and accrued expenses	3,799	(5,242)
Annuities payable	(7,010)	(21,038)
Total adjustments	<u>(4,582)</u>	<u>(24,207)</u>
Net Cash Provided (Required) by Operating Activities	<u>(1,576,970)</u>	<u>598,201</u>
 Cash Flows from Investing Activities:		
Purchase of investments	(7,675,063)	(14,587,658)
Proceeds from sale of investments	<u>3,503,685</u>	<u>7,158,500</u>
Net Cash Required by Investing Activities	<u>(4,171,378)</u>	<u>(7,429,158)</u>
 Cash Flows from Financing Activities:		
Restricted contributions received	866,178	2,219,100
Increase (decrease) in custodian funds payable	27,450	(3,426)
Proceeds from beneficiary endowment	<u>4,439,886</u>	<u>3,120,724</u>
Net Cash Provided by Financing Activities	<u>5,333,514</u>	<u>5,336,398</u>
 Net Decrease in Cash and Cash Equivalents	(414,834)	(1,494,559)
 Cash and Cash Equivalents at Beginning of Year	<u>2,508,939</u>	<u>4,003,498</u>
 Cash and Cash Equivalents at End of Year	<u>\$ 2,094,105</u>	<u>\$ 2,508,939</u>

The accompanying notes are an integral part of these financial statements.

THE CATHOLIC FOUNDATION OF NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 – NATURE OF THE ORGANIZATION

The Catholic Foundation of North Georgia, Inc. (the “Foundation”), is a Georgia non-profit organization governed by a board of directors composed of laypersons, priests, and the Archbishop of the Roman Catholic Archdiocese of Atlanta (the “Archdiocese”), to help Catholics make a lasting difference in the community. The Foundation attracts, professionally manages, and invests gifts to support the current and long-term financial needs of parishes, schools, charities, and other ministries.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Foundation follows accounting standards set by the Financial Accounting Standards Board (“FASB”). The FASB sets accounting principles generally accepted in the United States of America (“GAAP”).

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Risks and Uncertainties

The Foundation’s financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and investments. At times, cash and cash equivalent balances exceed federally insured amounts. The Foundation believes it reduces risks associated with balances in excess of federal insured amounts by maintaining its cash with major financial institutions with sound financial standing. Investment securities are exposed to various risks, such as interest rate risk, market risk, and credit risk.

The Foundation has not experienced a significant disruption of normal business operations caused from COVID-19. However; any overall impact cannot be determined through the date of this report; and it is reasonably possible that changes in risks in the near term could occur which could result in a material change to the financial statements.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

THE CATHOLIC FOUNDATION OF NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

The Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the periods they occur. Investment income and realized and unrealized gains and losses are included in the change in net assets in the accompanying statements of activities net of external and direct internal investment expenses. The Foundation's investments are in pooled investment funds.

Property and Equipment

The Foundation capitalizes all expenditures in excess of \$5,000 and with a useful life greater than one year. Property and equipment are stated at cost or estimated fair value at time of donation. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets, ranging from 3-10 years.

Fair Values Measured on Recurring Basis

FASB establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs in which little or no market data exists (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, assets or liabilities;

Level 2 - Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Fair values for investments are determined by reference to quote market prices and other relevant information generated by market transactions.

The investments measured at net asset value practical expedient are composed of investments in private investment funds and are considered illiquid and designed for long-term growth.

THE CATHOLIC FOUNDATION OF NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Values Measured on Recurring Basis (Continued)

The table below represents fair value measurement hierarchy of the assets at fair value as of June 30:

	2021				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV(*)</u>	<u>Total</u>
Money Market	\$ 3,563,678	\$ -	\$ -	\$ -	\$ 3,563,678
Mutual Funds	<u>56,880,069</u>	<u>-</u>	<u>-</u>	<u>47,040,746</u>	<u>103,920,815</u>
	<u>\$ 60,443,747</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,040,746</u>	<u>\$ 107,484,493</u>

	2020				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV(*)</u>	<u>Total</u>
Money Market	\$ 3,429,140	\$ -	\$ -	\$ -	\$ 3,429,140
Mutual Funds	<u>45,598,194</u>	<u>-</u>	<u>-</u>	<u>33,814,792</u>	<u>79,412,986</u>
	<u>\$ 49,027,334</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,814,792</u>	<u>\$ 82,842,126</u>

Investments Measured at Net Asset Value Per Share or Equivalent (*)

In accordance with GAAP, certain investments that are measured using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the carrying values disclosed in the accompanying statement of financial position. The following table discloses the nature and risks of the significant alternative investments at June 30:

	2021	2020	Redemption Notice Period
Canyon Balanced Fund (1)	\$ 1,793,926	\$ 1,357,490	90 Days
Catholic United Investment Trust (2)	6,449,627	3,878,283	30 Days
Conway Rief Onshore Access Fund (3)	1,374,910	1,511,675	10 Days
Ironwood Institutional Multi-Strategy Fund (4)	4,486,364	2,583,893	30 - 120 Days
State Street Global Advisors Trust (5)	<u>32,935,919</u>	<u>24,483,451</u>	N/A
	<u>\$ 47,040,746</u>	<u>\$ 33,814,792</u>	

There are no unfunded commitments associated with these investments.

THE CATHOLIC FOUNDATION OF NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments Measured at Net Asset Value Per Share or Equivalent (*) (Continued)

- (1) Canyon Balanced Fund – The Balanced Fund’s investment objective is to seek long-term capital appreciation and current income through investing in a combination of equity securities, fixed-income securities and derivatives.
- (2) Catholic United Investment Trust Fund – The Fund’s investment objective is to replicate the price and yield performance of the S&P SmallCap 600 Index, an index which emphasizes small-capitalization companies. The S&P SmallCap 600 Index is designed to track the small-cap segment of the U.S. equity market. The S&P SmallCap 600 Index was created to be an efficient benchmark composed of small cap companies that meet investment and financial viability criteria.
- (3) Conway Rief Onshore Access Fund – The Access Fund invests exclusively into one Private Investment Fund. This investment is subject to the terms of the respective agreements, private placement memoranda and other governing agreements of such Private Investment Fund.
- (4) Ironwood Institutional Multi-Strategy Fund – The Multi-Strategy Fund’s investment objective is to seek long-term capital appreciation and current income through investing in a combination of equity securities, fixed-income securities and derivatives. All funds can be redeemed on a quarterly basis.
- (5) State Street Global Advisors Trust Fund – The Fund seeks an investment return that approximates, as closely as practicable, before expenses, the performance of the S&P 500® over the long term. The Fund implements a screen of certain social or environmental criteria.

Net Assets

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

- Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions. Included within this category are Board-designated net assets, which are funds not specifically restricted by outside donors, but designated by the Board of Directors for a specific purpose.
- Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that such resources be maintained in perpetuity.

THE CATHOLIC FOUNDATION OF NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

Contribution revenues are recorded as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. All restricted contributions are reported as an increase in net assets with donor restrictions. Contributions subject to temporary donor-imposed restrictions are recorded as support with donor restrictions and are reclassified to support without donor restrictions when the donor-imposed restriction has been fulfilled or the stipulated time period has elapsed.

Split-interest Agreements

The Foundation has entered into a number of charitable gift annuity (“CGA”) agreements with its donors. Under the terms of these agreements, the donor contributes assets to the Foundation in exchange for the right to receive a fixed-dollar annual return during the life of the annuitant(s).

At the inception of the CGA agreement, the excess of the fair value of assets received over the present value of annuity payments to be made to annuitant(s) is recognized as a contribution at the date of gift. The annuity liability is reported at the estimated present value of future cash outflows, based on discount rates and mortality tables. The annuity liabilities are revalued annually. Actuarial changes are included in investment income, net on the statement of activities and changes in net assets.

The contributed funds and the related liabilities immediately become part of the general assets and liabilities of the Foundation. The Foundation maintains adequate reserve funds to meet future payments under its charitable gift annuity contracts as required by state law. The cash and investments related to the charitable gift annuities and state reserve requirements totaled \$534,355 and \$470,599 at June 30, 2021 and 2020, respectively.

Custodian Funds Payable

The Foundation manages a fund for the Archdiocese, who acts as the Trustee. The fund is invested and managed in the Foundation’s name and the Foundation receives a fee for managing the fund. Distributions from the fund are made at the beneficiary’s request and in accordance with the Foundation’s policies and procedures.

Beneficiary Endowments

Beneficiary endowments represent funds that have been legally and permanently transferred to the Foundation for long-term investment purposes in which the transferring organization named itself, as the beneficiary of the investment income earned on the funds. Distributions are made to the beneficiary organization based on the terms of an endowment agreement between the Foundation and the transferring organization. These funds are reported as a liability in the statement of financial position.

THE CATHOLIC FOUNDATION OF NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allocation of Functional Expenses

The costs of providing the various programs and other activities are summarized on a functional basis in the accompanying statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include conference and meeting costs, advertising, and rent as well as salaries, benefits, payroll taxes, contract labor, professional fees, office expenses, and other, which are allocated on the basis of estimates of time and effort.

Income Taxes

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, as amended, and is classified by the Internal Revenue Service as other than a private foundation. Accordingly, no provision or liability for federal and state income taxes has been recorded in the accompanying financial statements.

The Foundation annually evaluates all federal and state income tax positions. This process includes an analysis of whether these income tax positions the Foundation takes meet the definition of an uncertain tax position under the Income Taxes Topic of the Financial Accounting Standards Codification. In the normal course of business, the Foundation is subject to examination by the federal and state taxing authorities. In general, the Foundation is no longer subject to tax examinations for tax years ending before June 30, 2018.

Subsequent Events

Management has evaluated subsequent events through the date of this report, which is the date the financial statements were available to be issued.

NOTE 3 – ENDOWMENT FUNDS

GAAP requires the following financial statement disclosures for the Foundation:

- Classification of net assets

Endowment funds are used to account for investments in which the principal is donor-restricted or Board-designated for a specific purpose.

THE CATHOLIC FOUNDATION OF NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 3 – ENDOWMENT FUNDS (Continued)

- Interpretation of Relevant Law

The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), enacted in the state of Georgia, 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 net assets with donor restriction as the original value of gifts donated to the donor restricted endowment, and the original value of subsequent gifts to the donor restricted endowment. Investment income from the donor restricted endowment is classified as net assets with donor restrictions (a purpose restriction) until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the donor stipulated purpose within the standard produce prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

- Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds.

- Spending Policy and Strategies Employed for Achieving Objectives

The Foundation’s spending policy reflects the fundamental objective of preserving and enhancing the resources of the Foundation, both at present and in the future. Current spending and the long-term objectives of preserving and enhancing the assets are balanced by considerations given to reasonable expectations of investment returns, contributions, operating expenses, and inflation. The Foundation has a policy of appropriating for distribution each year amounts that are required to be distributed under the terms of donor-restricted endowment agreements and amounts needed to fund grants and other distributions. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at a rate that will maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

THE CATHOLIC FOUNDATION OF NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 3 – ENDOWMENT FUNDS (Continued)

- Underwater Endowment Funds

The Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has complied with UPMIFA to permit spending from an underwater endowment.

The following is a reconciliation of the beginning and ending balances of the Foundation's endowment net assets for the years ended June 30, 2021 and 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2019	\$ 10,060,900	\$ 52,016,142	\$ 62,077,042
Contributions, net	1,948,865	2,219,100	4,167,965
Transfers	383,938	-	383,938
Investment return, net	372,013	578,711	950,724
Appropriation of assets for expenditure	<u>(1,058,845)</u>	<u>(1,396,489)</u>	<u>(2,455,334)</u>
Endowment net assets, June 30, 2020	11,706,871	53,417,464	65,124,335
Contributions, net	642,561	866,178	1,508,739
Investment return, net	2,631,019	13,398,178	16,029,197
Appropriation of assets for expenditure	<u>(1,749,363)</u>	<u>(1,541,538)</u>	<u>(3,290,901)</u>
Endowment net assets, June 30, 2021	<u>\$ 13,231,088</u>	<u>\$ 66,140,282</u>	<u>\$ 79,371,370</u>

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NOTE 4 – NET ASSETS

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

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Roman Catholic Archdiocese of Atlanta	\$ 5,360,905	\$ 4,057,506
Campus ministry	131,793	66,268
Cemeteries	2,255,399	1,621,177
Community service	2,752,491	1,575,781
Education	3,868,082	1,516,726
Elderly and retired clergy	983,164	461,855
Operations	5,070,633	3,117,577
Parishes	4,152,946	1,926,901
Seminary	<u>5,540,600</u>	<u>3,795,496</u>
	<u>30,116,013</u>	<u>18,139,287</u>
 Subject to spending policy and appropriation:		
Roman Catholic Archdiocese of Atlanta	924,503	924,502
Campus ministry	180,033	175,485
Cemeteries	462,066	447,066
Community service	3,512,418	3,378,145
Education	13,157,709	13,072,011
Elderly and retired clergy	1,721,720	1,717,652
Operations	5,262,576	5,240,387
Parishes	7,088,903	6,608,935
Seminary	<u>3,714,341</u>	<u>3,713,994</u>
	<u>36,024,269</u>	<u>35,278,177</u>
 Total net assets with donor restrictions	 <u>\$ 66,140,282</u>	 <u>\$ 53,417,464</u>

The Board of Directors has designated net assets without donor restrictions at June 30 for the following purposes:

	<u>2021</u>	<u>2020</u>
Charitable gift annuities	\$ 534,355	\$ 470,599
Donor advised funds	10,403,197	9,268,731
Operations	2,230,738	1,916,218
Parish and organizational support	<u>62,798</u>	<u>51,323</u>
	<u>\$ 13,231,088</u>	<u>\$ 11,706,871</u>

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NOTE 5 – LIQUIDITY AND AVAILABILITY OF RESOURCES

For purposes of analyzing resources available to meet general expenditures for subsequent years, the Foundation considers financial assets that will be collected and available for programs that are ongoing to the Foundation. Financial assets available within one year are as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 2,094,105	\$ 2,508,939
Investments	107,484,493	82,842,126
Other	<u>2,752</u>	<u>1,491</u>
Financial assets, at year end	109,581,350	85,352,556
Less amounts not available for general expenditures within one year:		
Board designated funds	(13,231,088)	(11,706,871)
Donor restricted funds	(66,140,282)	(53,417,464)
Beneficiary endowments	<u>(29,168,228)</u>	<u>(19,520,244)</u>
	(108,539,598)	(84,644,579)
Add back portion appropriated for expenditures within one year:	<u>4,314,348</u>	<u>3,746,874</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,356,100</u>	<u>\$ 4,454,851</u>

The Foundation receives contributions with donor restrictions to be used in accordance with the purpose or time requirement made by the donor. A portion of these donor restricted funds can be used for operations within the next year, if needed (see Note 4). Additionally, \$2,827,891 of board designated funds may be made available for operational purposes, if needed, with approval from the board. Other contributions received are to be held in perpetuity, however, the income generated from these endowments may be used to fund programs. The Foundation also receives certain support without donor restrictions which may be used by the Foundation to fund operations.

NOTE 6 – EMPLOYEE BENEFIT PLAN

The Foundation participates in a defined contribution plan (the “Plan”), which covers substantially all employees who are over the age of twenty-one and have completed one year of service. Contributions to the Plan are determined based on a percentage of the employees’ salaries, not in excess of amounts allowable under the Internal Revenue Code. The Foundation’s contributions to the Plan on behalf of the employees were \$18,961 and \$24,977, for the years ended June 30, 2021 and 2020, respectively.