

Foundations in Faith, Inc.

Financial Statements with Independent Auditor's Report

Years Ended June 30, 2023 and 2022

Foundations in Faith, Inc.

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements:	
Statements of Financial Position	3
Statements of Activities.....	4
Statements of Functional Expenses	5
Statements of Cash Flows.....	6
Notes to the Financial Statements.....	7

Independent Auditor's Report

To the Board of Directors
Foundations in Faith, Inc.

Opinion

We have audited the accompanying financial statements of Foundations in Faith, Inc., (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2023 and 2022, 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 Foundations in Faith, Inc. as of June 30, 2023 and 2022, 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.

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 Foundations in Faith, Inc. 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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 Foundations in Faith, Inc.'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.
- 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 Foundations in Faith, Inc.'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 Foundations in Faith, Inc.'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.

Nanavaty, Davenport, Studley & White, LLP

February 28, 2024

Statements of Financial Position

As of June 30,

<u>ASSETS</u>	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 2,717,809	\$ 2,598,397
Investments	21,836,219	20,441,242
Contributions receivable, net	932,420	2,754,892
Intangible assets - software, net	21,000	27,000
Other receivables	2,555	-
Total assets	<u>\$ 25,510,003</u>	<u>\$ 25,821,531</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Liabilities:		
Accounts payable and accrued expenses	\$ 18,271	\$ 29,573
Distributions payable	718,334	1,415,300
Obligations due under split interest agreement	281,935	254,758
Total Liabilities	<u>1,018,540</u>	<u>1,699,631</u>
Net Assets:		
With donor restrictions	<u>24,491,463</u>	<u>24,121,900</u>
Total Net Assets	<u>24,491,463</u>	<u>24,121,900</u>
Total Liabilities and Net Assets	<u>\$ 25,510,003</u>	<u>\$ 25,821,531</u>

The accompanying notes are an integral part of this financial statement.

Foundations in Faith, Inc.

Statements of Activities

Years Ended June 30,

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues:						
Contributions	\$ -	\$ 664,548	\$ 664,548	\$ -	\$ 1,390,167	\$ 1,390,167
Contributions from We Stand With Christ, Inc.	-	24,586	24,586	-	577,216	577,216
Other income	-	2,000	2,000	-	-	-
Investment return, net	-	2,287,042	2,287,042	-	(3,729,649)	(3,729,649)
Total support and revenues	-	2,978,176	2,978,176	-	(1,762,266)	(1,762,266)
Net assets released from restrictions	1,292,131	(1,292,131)	-	2,487,130	(2,487,130)	-
Expenses:						
Program	1,156,140	-	1,156,140	2,374,377	-	2,374,377
Management and general	135,991	-	135,991	112,753	-	112,753
Total expenses	1,292,131	-	1,292,131	2,487,130	-	2,487,130
Change in net assets	-	1,686,045	1,686,045	-	(4,249,396)	(4,249,396)
Net assets at the beginning of the year	-	24,121,900	24,121,900	-	28,371,296	28,371,296
Transfer of net assets to Foundations in Education, Inc.	-	(1,316,482)	(1,316,482)	-	-	-
Net assets at the end of the year	<u>\$ -</u>	<u>\$ 24,491,463</u>	<u>\$ 24,491,463</u>	<u>\$ -</u>	<u>\$ 24,121,900</u>	<u>\$ 24,121,900</u>

The accompanying notes are an integral part of this financial statement.

Foundations in Faith, Inc.

Statements of Functional Expenses

Years Ended June 30,

	2023			2022		
	Program	Management and General	Total	Program	Management and General	Total
Mission parishes support	\$ 294,220	\$ -	\$ 294,220	\$ 295,520	\$ -	\$ 295,520
Elementary school support and programs	264,632	-	264,632	317,100	-	317,100
Religious education	233,100	-	233,100	269,300	-	269,300
Other programs	123,111	-	123,111	15,900	-	15,900
Vocations and seminary education	119,352	-	119,352	663,000	-	663,000
Administrative expenses	-	97,166	97,166	-	79,490	79,490
Retired priests	36,316	-	36,316	202,300	-	202,300
Scholarships	35,409	-	35,409	31,011	-	31,011
Professional fees	-	32,825	32,825	-	30,263	30,263
Nursing homes program support	27,000	-	27,000	63,100	-	63,100
Program support for individuals with disabilities	23,000	-	23,000	33,500	-	33,500
Amortization expense	-	6,000	6,000	-	3,000	3,000
High school support	-	-	-	483,646	-	483,646
Total expenses	<u>\$ 1,156,140</u>	<u>\$ 135,991</u>	<u>\$ 1,292,131</u>	<u>\$ 2,374,377</u>	<u>\$ 112,753</u>	<u>\$ 2,487,130</u>

The accompanying notes are an integral part of this financial statement.

Foundations in Faith, Inc.

Statements of Cash Flows

Years Ended June 30,

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,686,045	\$ (4,249,396)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net (appreciation) depreciation in fair values of securities	(1,337,485)	4,804,524
Amortization expense	6,000	3,000
Change in operating assets and liabilities:		
Decrease in contribution receivable, net	1,822,472	1,446,273
Increase in other receivables	(2,555)	-
(Decrease) increase in accounts payable and accrued expenses	(11,302)	23,178
(Decrease) increase in distributions payable	(696,966)	734,800
Increase (decrease) in obligations due under split interest agreement	27,177	(201,795)
Net cash provided by operating activities	<u>1,493,386</u>	<u>2,560,584</u>
Cash flows from investing activities:		
Proceeds from sales of investments, net of transfers	11,950	11,005
Purchases of investments	(1,385,924)	(1,505,525)
Payments for the purchase of software	-	(30,000)
Net cash used in investing activities	<u>(1,373,974)</u>	<u>(1,524,520)</u>
Net increase in cash	119,412	1,036,064
Cash and cash equivalents at beginning of year	2,598,397	1,562,333
Cash and cash equivalents at end of year	<u>\$ 2,717,809</u>	<u>\$ 2,598,397</u>

The accompanying notes are an integral part of this financial statement.

Notes to the Financial Statements

NOTE 1 - ORGANIZATION

Foundations in Faith, Inc. ('Foundations'), formerly Faith in the Future Fund, Inc., is a Connecticut nonprofit, non-stock corporation formed in February 1996 by the Bridgeport Roman Catholic Diocesan Corporation, Inc. (the 'Diocese'). Members of Foundations shall include that person holding the office of the Bishop, or in the event of a vacancy of the office of the Bishop, the Administrator of the Diocese, and such other persons as may be appointed by the Bishop of the Diocese. The members of the corporation shall elect the Board of Directors.

Foundations was incorporated to raise, manage and administer funds, endowments and trusts to support and assist programs, operations and initiatives related to Diocesan pastoral needs. These needs include Catholic education, vocation and seminary education, priests' residence and retirement, faith formation and youth and young adult ministry, pastoral services for the elderly, parish evangelization efforts in parishes and schools, and individuals with disabilities.

The Foundations board approved the following endowment and other funds to fulfill its mission:

St. Elizabeth Ann Seton Education Fund - to provide special resources and help keep tuition affordable within Diocesan elementary schools.

The St. Charles Borromeo Seminary Fund - to support the cost of educating and forming young men for the Catholic priesthood within the Diocese.

St. John Vianney Retired Priest Fund - to meet the future care needs of retired priests who have faithfully served the people of God within the Diocese.

The Lourdes Pastoral Care Fund - to meet the growing need for pastoral care services for the elderly within the nursing homes of St. Joseph Center, St. Camillus Center and St. John Paul II Center.

St. John Paul II Fund for Faith Formation - to support the work of faith formation and youth and young adult ministry, including parish religious education throughout the Diocese.

The Saint Therese Evangelization Fund - to increase participation in parish life and support the ongoing evangelization efforts on both the parish and Diocesan level.

St. Catherine Center for Special Needs Fund - to support the mission of the Center as it provides pastoral and educational support for individuals with disabilities.

St. John Bosco Fund - to support children with special educational needs in our Catholic elementary and high schools.

St. Francis Xavier Fund - to provide resources to missionary parishes that are deemed vital to the Diocese, vibrant in their leadership and ministries yet struggle with economic burdens. This fund is supported from non-endowment donor restricted contributions.

Notes to the Financial Statements (continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation - The financial statements of Foundations have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Accordingly, the accounts of Foundations are reported in the following net asset categories:

Net Assets Without Donor Restrictions - Net assets without donor restrictions represent available resources other than donor-restricted contributions. These resources may be expended at the discretion of the Board of Directors. Undesignated net assets represent the portion of expendable funds that is available for support of operations. Designated net assets represent reserves or special designations established by the Board of Directors.

Net Assets With Donor Restrictions - Net assets with donor restrictions represent contributions that are restricted by the donor as to purpose or time of expenditure. Foundations has different categories of net assets with donor restrictions including donor contributions with purpose or time restrictions. Other donor restrictions consist of funds that are subject to donor-imposed restrictions of gift instruments requiring that the principal be invested in perpetuity and the income be used for specific or general purposes. However, when restrictions on donor-restricted contributions are met in the same accounting period, such amounts are reported as part of net assets without donor restrictions.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Cash and Cash Equivalents - Cash and cash equivalents are defined as highly liquid investments with original maturities of up to 90 days, except for money market accounts held with investment brokers, which are considered to be investments.

Investment Valuation and Income Recognition - Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 5 for a discussion of fair value measurements. Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains include Foundations' gains and losses on investments bought and sold as well as held during the year.

Revenue and Revenue Recognition - Contributions are recognized when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest; is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the condition on which they depend has been met.

Contributions receivable that are expected to be collected in more than one year are discounted to their present value. An allowance for uncollectible contributions receivable is provided in the net asset category in which the contribution receivable resides based on an assessment of the credit worthiness of the respective donor, when deemed necessary.

Notes to the Financial Statements (continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foundations reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with restrictions are reclassified to net assets released from restrictions. Contributions received whose restrictions are met in the same period are recognized as net assets without donor restrictions.

Intentions to give under various wills and trust agreements are recorded as bequests receivable when Foundations has an irrevocable right to the bequest and the proceeds are measurable.

Contributed services are recognized in the financial statements if they enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. While many individuals volunteer their time, and perform a variety of tasks that assist Foundations, no amounts have been recognized in the accompanying financial statements for such services because the criteria for recognition of such volunteer efforts have not been met.

Allowance for Uncollectible Contributions - Contributions receivable are stated net of an allowance for doubtful accounts. Amounts due from the We Stand With Christ, Inc. campaign include a general allowance of 10% recorded by We Stand With Christ, Inc. when the pledge was received. During the prior year, the management of We Stand With Christ, Inc. changed to estimating the allowance based on an analysis of specific donors, taking into consideration the aging of the past due amounts and an assessment of the donor's ability to pay.

Distributions Payable - Foundations makes distributions for pastoral needs of the Diocese. The minimum amount for which Foundations is obligated is recorded upon the Board of Directors' approval. Distributions that are expected to be paid within one year are recorded as liabilities at their full value. Scholarships and grants that are expected to be paid in more than one year are recorded at the present value of their estimated cash flows. The discounts on the awards are computed using treasury rates applicable to the years in which the promises were made.

Split-Interest Agreement - Foundations holds assets under a split-interest agreement consisting of an irrevocable trust for which Foundations serves as the trustee. The agreement provides for annual payments to the stipulated beneficiaries of all income earned on related investments. Assets held under this agreement are included in investments. As trustee, Foundations has recorded a liability for the present value of the estimated future obligations to the beneficiaries which approximates the fair value of the trust assets. The liability is adjusted during the term of the agreement for changes in the estimates of future payments.

The change in value of the split-interest agreement is an increase of \$27,177 and a decrease of \$54,097 which are included in investment returns within the statement of activities for the years ended June 30, 2023 and 2022, respectively. Distributions of \$-0- and \$147,698 were made to organizations during the years ended June 30, 2023 and 2022, respectively. At June 30, 2023 and 2022, the amount of Foundations' obligations under this split-interest agreement totaled \$281,935 and \$254,758, respectively.

Notes to the Financial Statements (continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible Assets - Foundations entered into an agreement with a third-party during the prior year to develop its internal grant database software at a cost of \$30,000. This intangible asset is amortized on a straight-line basis over an estimated useful life of 5 years. Amortization cost was \$6,000 and \$3,000 for the years ended June 30, 2023 and 2023, respectively.

Income Taxes - Foundations is a nonprofit organization and is exempt from federal and state income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. Foundations recognizes the benefits of income tax positions only if those positions are more likely than not of being sustained. Foundations is subject to routine audits by the Internal Revenue Service. There are currently no audits for any tax periods in progress and Foundations believes that it is no longer subject to audits for years prior to 2019.

Functional Expenses and Cost Allocation - The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that may be allocated include personnel expenses and operations expenses. These expenses, if any, are allocated on the basis of time and effort spent in the applicable functions and are determined by Foundations management.

Reclassifications - Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These reclassifications have no effect on previously reported change in net assets.

Subsequent Events - In preparing these financial statements, management has evaluated subsequent events through February 28, 2024, which represents the date the financial statements were available to be issued. There are no subsequent events that require disclosure.

NOTE 3 - CONCENTRATIONS

Cash and Cash Equivalents

Foundations maintains a single bank account with one local financial institution. Accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

Investments

Foundations investments include a diversified portfolio of securities managed by professional investment advisors, designed to minimize market concentration risks.

Contributions Receivable

Contributions receivable are generally from donors who have previously contributed to Foundations, and, therefore, management considers the pledges to represent minimal credit risk. An allowance for uncollectible contributions receivable is provided in the net asset category in which the contribution receivable resides based on an assessment of the credit worthiness of the respective donor, when deemed necessary.

Notes to the Financial Statements (continued)

NOTE 4 - LIQUIDITY AND AVAILABILITY OF RESOURCES

Foundations financial assets available within one-year of the statements of financial position date for general expenditure are as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 2,717,809	\$ 2,598,397
Investments	21,836,219	20,441,242
Contributions receivable, net (due within one-year)	932,420	2,754,892
Other receivables	2,555	-
Total financial assets	<u>25,489,003</u>	<u>25,794,531</u>
Less: amounts unavailable to be used within one year:		
Obligations due under split interest agreement	(281,935)	(254,758)
Net assets with donor restrictions	<u>(24,491,463)</u>	<u>(24,121,900)</u>
Total financial assets available to management to meet general expenditures within one year	<u>\$ 715,605</u>	<u>\$ 1,417,873</u>

Liquidity Management

Foundations maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition to financial assets available to meet general expenditures over the next 12 months, Foundations anticipates sufficient revenue to cover general expenditures.

NOTE 5 - FAIR VALUE MEASUREMENTS

The Financial Accounting Standards Board (“FASB”) Topic 820, under the FASB Accounting Standards Codification (“ASC”) defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This standard provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the respective asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is categorized into three levels based on the transparency of inputs as follows:

- Level 1** - Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Notes to the Financial Statements (continued)

NOTE 5 - FAIR VALUE MEASUREMENTS (continued)

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities includes investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed. Also included in Level 2 are investments measured using a net asset value (“NAV”) per share, or its equivalent, that may be redeemed at NAV at the date of the statement of financial position or in the near term, which Foundations has determined to be within 90 days.

Level 3 - Securities that have little to no pricing observability as of the report date. These securities are measured using management’s best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation. Also included in Level 3 are investments measured using a NAV per share, or its equivalent, that can never be redeemed at NAV or for which redemption at NAV is uncertain due to lockup periods or other investment restrictions.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. 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. However, the determination of what constitutes “observable” requires significant judgment by Foundations.

Foundations considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to Foundation’s perceived risk of that instrument. Foundations’ policy is to recognize transfers in and transfers out of levels at the end of the reporting period.

The following is a description of the valuation methodologies used for assets measured at fair value at June 30, 2023 and 2022:

Money Market Funds - Money market funds are valued at the quoted net asset value of shares reported in the active market in which money market funds are traded.

Equity and Bond Mutual Funds - Equity and bond mutual funds are valued at the quoted net asset value of shares held by Foundations at year-end.

There have been no changes in the methodologies used at June 30, 2023 and 2022.

Notes to the Financial Statements (continued)

NOTE 5 - FAIR VALUE MEASUREMENTS (continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Foundations believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Assets Measured at Fair-value on a Recurring Basis - The following is a summary of the source of fair-value measurements for assets that are measured at fair-value on a recurring basis as of June 30:

<u>Investment Description</u>	<u>2023</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Cash and money market funds	\$ 515,632	\$ -	\$ -	\$ 515,632
Fixed income funds	4,990,206	-	-	4,990,206
Mutual funds	16,327,300	-	-	16,327,300
Alternative investments	-	-	3,081	3,081
Total Fair Value Measurements	<u>\$21,833,138</u>	<u>\$ -</u>	<u>\$ 3,081</u>	<u>\$ 21,836,219</u>

<u>Investment Description</u>	<u>2022</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Cash and money market funds	\$ 497,286	\$ -	\$ -	\$ 497,286
Fixed income funds	5,043,986	-	-	5,043,986
Mutual funds	14,896,254	-	-	14,896,254
Alternative investments	-	-	3,716	3,716
Total Fair Value Measurements	<u>\$20,437,526</u>	<u>\$ -</u>	<u>\$ 3,716</u>	<u>\$ 20,441,242</u>

Assets Measured at Fair-Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3) - The following is a summary of the changes in the balances of investments measured at fair-value on a recurring basis, using significant unobservable inputs for June 30:

	<u>Level 3 Investments</u>	
Balance at June 30, 2022 and 2021	\$ 3,716	\$ 1,495
Total gains and losses (realized and unrealized) included in the change in net assets	(635)	2,221
Balance at June 30, 2023 and 2022	<u>\$ 3,081</u>	<u>\$ 3,716</u>

Notes to the Financial Statements (continued)

NOTE 5 - FAIR VALUE MEASUREMENTS (continued)

Investment return consists of the following at June 30:

	<u>2023</u>	<u>2022</u>
Dividends and interest	\$ 817,805	\$ 1,137,645
Net realized gains	117,110	2,275
Net unrealized (loss) gains	1,337,485	(4,804,524)
Change in value of split-interest agreement	27,177	(54,097)
Total investment gains (loss)	<u>2,299,577</u>	<u>(3,718,701)</u>
Less: investment expenses	(12,535)	(10,948)
Investment return, net	<u>\$ 2,287,042</u>	<u>\$ (3,729,649)</u>

NOTE 6 - RELATED PARTY TRANSACTIONS

Foundations has a participation agreement with the Diocese to provide accounting, legal, human resources, and other services for \$15,000 per year.

NOTE 7 - CONTRIBUTIONS RECEIVABLE

Contributions receivable, net, consist of the following unconditional promises to give at June 30:

	<u>2023</u>	<u>2022</u>
Amounts expected to be collected in:		
Less than one year	\$ 932,420	\$ 556,488
Two to five years	-	2,225,953
	<u>932,420</u>	<u>2,782,441</u>
Less: discount to net present value	-	(27,549)
Contributions receivable, net	<u>\$ 932,420</u>	<u>\$ 2,754,892</u>

Contributions that are expected to be collected after one year have been discounted at .5% to 1.5% and are reflected in the financial statements at their net present value.

Included in contributions receivable above are \$932,420 and \$2,754,892 for June 30, 2023 and 2022, respectively, representing amounts from We Stand With Christ, Inc. (“WSWC”). The funds are from a Diocesan-wide campaign benefitting the parishes within the Diocese and its three foundations: Foundations in Faith, Inc., Foundations in Charity, Inc., and Foundations in Education, Inc.

The management of WSWC has determined that the capital campaign will accept payments on the outstanding pledges through June 30, 2024. Once the campaign is ended WSWC will be dissolved.

Notes to the Financial Statements (continued)

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at June 30:

	<u>2023</u>	<u>2022</u>
Endowment funds restricted in perpetuity:		
St. Elizabeth Ann Seton Education Fund	\$ 4,321,792	\$ 4,321,792
St. Charles Borromeo Seminary Fund	2,650,868	2,650,668
St. John Vianney Retired Priest Fund	779,208	779,208
The Lourdes Pastoral Care Fund	391,039	74,275
St. John Paul II Fund for Faith Formation	1,876,889	1,874,889
St. Catherine Center for Special Needs Fund	9,000	9,000
St. Therese Evangelization Fund	1,000	1,000
Scholarships	-	1,200,941
Other undesignated funds	9,559,709	9,535,124
Total Endowment funds restricted in perpetuity	<u>19,589,505</u>	<u>20,446,897</u>
Accumulated gains and income on donor-restricted endowment assets restricted until appropriation for:		
St. Elizabeth Ann Seton Education Fund	1,330,838	992,814
St. Charles Borromeo Seminary Fund	393,151	211,119
St. John Vianney Retired Priest Fund	147,023	91,635
The Lourdes Pastoral Care Fund	30,355	(6,723)
St. John Paul II Fund for Faith Formation	414,495	283,472
St. Catherine Center for Special Needs Fund	1,869	1,219
St. Therese Evangelization Fund	(504)	(192)
Scholarships	-	57,695
Accumulated gains (losses) on endowment funds	<u>98,180</u>	<u>(485,650)</u>
Total accumulated gains and income on donor-restricted endowment assets	<u>2,415,407</u>	<u>1,145,389</u>
Total Endowment funds	<u>22,004,912</u>	<u>21,592,286</u>
Purpose restricted:		
St. Francis Xavier Fund	2,475,285	2,424,554
Adoration chapel	-	96,427
Other	11,266	8,633
Total purpose restricted funds	<u>2,486,551</u>	<u>2,529,614</u>
Total Net Assets With Donor Restrictions	<u><u>\$ 24,491,463</u></u>	<u><u>\$ 24,121,900</u></u>

Notes to the Financial Statements (continued)

NOTE 10 - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restrictions as follows during the year ended June 30:

	<u>2023</u>	<u>2022</u>
Purpose restricted Endowment funds:		
St. Elizabeth Ann Seton Education Fund	\$ 221,632	\$ 265,500
St. Charles Borromeo Seminary Fund	119,352	663,000
St. John Vianney Retired Priest Fund	36,316	202,300
The Lourdes Pastoral Care Fund	27,000	63,100
St. John Paul II Fund for Faith Formation	120,800	182,300
St. Therese Evangelization Fund	112,300	87,000
St. Catherine Center for Special Needs Fund	23,000	33,500
St. John Bosco Fund	43,000	51,600
Scholarships	35,409	31,011
Diocesan High School Fund	-	483,646
Other undesignated funds	162,675	128,653
Total net asset releases from Endowment funds	<u>901,484</u>	<u>2,191,610</u>
Purpose restricted funds:		
St. Francis Xavier Fund	294,220	295,520
Adoration chapel	96,427	-
Total net asset releases from purpose restricted funds	<u>390,647</u>	<u>295,520</u>
Total Releases of Net Assets With Donor Restrictions	<u>\$ 1,292,131</u>	<u>\$ 2,487,130</u>

NOTE 11 - ENDOWMENT

Foundations endowment includes only donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The Board of Directors of Foundations has interpreted the Connecticut Prudent Management of Institutional Funds Act (CTPMIFA) 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, Foundations classifies as restricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The portion of the endowment fund that is not classified as net assets with donor restrictions in perpetuity is classified as net assets with donor restrictions for future periods until those amounts are appropriated for expenditure by Foundations in a manner consistent with the standard of prudence prescribed by CTPMIFA.

Notes to the Financial Statements (continued)

NOTE 11 - ENDOWMENT (continued)

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

- The duration and preservation of the fund
- The purposes of Foundations and the donor-restricted endowment fund
- The investment policies of Foundations
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of Foundations

Net Assets - Endowment net assets (all with donor restrictions) is as follows as of June 30:

	<u>2023</u>	<u>2022</u>
Total funds restricted in perpetuity	\$ 19,589,505	\$ 20,446,897
Total accumulated gains and income on donor-restricted endowment assets	<u>2,415,407</u>	<u>1,145,389</u>
Total Endowment funds	<u><u>\$ 22,004,912</u></u>	<u><u>\$ 21,592,286</u></u>

Changes in endowment net assets (all with donor restrictions) for the years ended June 30, 2023 and 2022 are as follows:

Endowment net assets - June 30, 2021	\$ 25,883,687
Investment return, net	(3,729,649)
Contributions	1,629,858
Appropriation of endowment assets	<u>(2,191,610)</u>
Endowment net assets - June 30, 2022	<u>21,592,286</u>
Investment return, net	2,287,042
Transfer of endowment net assets	(1,316,482)
Contributions	343,550
Appropriation of endowment assets	<u>(901,484)</u>
Endowment net assets - June 30, 2023	<u><u>\$ 22,004,912</u></u>

Funds with Deficiencies - From time to time, the fair value of investments associated with donor-restricted endowment funds may fall below the level that the donor or CTPMIFA requires Foundations to retain as a fund of perpetual duration. There was one donor-restricted endowment fund, which has an original gift value of \$1,000, a current fair value of \$496 and a deficiency of \$504 as of June 30, 2023. In the previous year, there were several donor-restricted endowment funds, which together have an original gift value of \$9,610,399, a current fair value of \$9,117,834 and a deficiency of \$492,565 as of June 30, 2022. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for these funds with deficiencies will be determined by the Board of Directors, if prudent.

Notes to the Financial Statements (continued)

NOTE 11 - ENDOWMENT (continued)

Return Objectives and Risk Parameters - Foundations has adopted an investment policy for endowment assets with the objective of achieving investment results over the long term that compare favorably with those of other endowments, professionally managed portfolios and appropriate benchmark indices. All investments are invested in accordance with the investment policy.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, Foundations engages a professional investment advisor and has adopted a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Consistent with that strategy, Foundations targets a diversified asset allocation emphasizing long-term investment performance and targets 70% to equity-type investments, 24% to fixed income, and 6% to real estate.

Spending Policy and How the Investment Objectives Relate to Spending Policy - Foundations Board of Directors has approved a spending policy that evaluates an annual spending target of 4.00% of the average quarterly ending market value over the preceding twelve quarters. This is consistent with Foundations objective to 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.

NOTE 12 - NET ASSET TRANSFERS

Foundations recognized net asset transfers totaling \$1,316,482 in the Statement of Activities for assets transferred to Foundations in Education, Inc. Foundations in Education, Inc. is a nonprofit organization that was established to promote and support Catholic education in diocesan schools throughout Fairfield County. The transfer occurred as part of an alignment of the three Diocesan foundations whereby Foundations transferred restricted net assets that it was managing for the active Diocesan high schools to Foundations in Education, Inc.