



Financial Statements
June 30, 2019 (with summarized financial
Information for June 30, 2018)

**The Catholic Foundation
of Oklahoma, Inc.**

Independent Auditor’s Report 1

Financial Statements

 Statement of Financial Position 3

 Statement of Activities..... 4

 Statement of Functional Expenses..... 5

 Statement of Cash Flows 6

 Notes to Financial Statements 7



Independent Auditor's Report

To the Board of Directors,
The Catholic Foundation of Oklahoma, Inc.
Oklahoma City, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the Catholic Foundation of Oklahoma, Inc. (the Foundation), which comprises the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

What inspires you, inspires us. | eidebailly.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catholic Foundation of Oklahoma Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 9 to the financial statements, the Foundation has adopted the provisions of FASB Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*. Net assets at June 30, 2019, have been restated to combine temporarily restricted and permanently restricted net assets into a single category of net assets with donor restrictions. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Catholic Foundation of Oklahoma, Inc. 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 5, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Oklahoma City, Oklahoma
December 5, 2019

The Catholic Foundation of Oklahoma, Inc.
Statement of Financial Position
June 30, 2019
(with summarized financial information for June 30, 2018)

	2019	2018 (Restated)
Assets		
Cash and cash equivalents	\$ 184,105	\$ 346,768
Accounts receivable	191,841	14,064
Investments		
Agency	52,390,794	50,556,908
Annuities	1,686,451	1,687,498
Operating	6,916,437	6,965,271
Endowment	8,065,035	7,594,543
Other	394,857	381,064
	\$ 69,829,520	\$ 67,546,116
Liabilities and Net Assets		
Liabilities		
Distributions and accounts payable	\$ 64,367	\$ 177,326
Deferred revenue	96,141	1,800
Annuities payable	1,083,803	1,083,454
Funds held for others	52,390,794	50,556,908
	53,635,105	51,819,488
Net Assets		
Without donor restrictions		
Designated for specific purposes	1,700,221	1,576,421
Undesignated	6,916,437	6,965,261
	8,616,658	8,541,682
With donor restrictions		
Perpetual in nature	5,125,913	4,779,392
Purpose restrictions	2,249,980	2,222,462
Time-restricted for future periods	201,864	183,092
	7,577,757	7,184,946
	16,194,415	15,726,628
	\$ 69,829,520	\$ 67,546,116
	\$ 69,829,520	\$ 67,546,116

The Catholic Foundation of Oklahoma, Inc.
Statement of Activities
Year Ended June 30, 2019
(with summarized financial information for June 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Revenues, gains, and other support				
Contributions	\$ 90,554	\$ 381,809	\$ 472,363	\$ 1,767,103
Net investment return	281,539	224,635	506,174	908,333
Fund management fees	134,000	-	134,000	128,516
Royalties	208,731	-	208,731	267,484
Gross special events revenue	92,022	-	92,022	148,370
Less cost of direct benefits to donors	(59,108)	-	(59,108)	(84,761)
Net special events revenue	<u>32,914</u>	<u>-</u>	<u>32,914</u>	<u>63,609</u>
Other	36,336	-	36,336	45,981
Net assets released from restrictions	<u>213,633</u>	<u>(213,633)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	<u>997,707</u>	<u>392,811</u>	<u>1,390,518</u>	<u>3,181,026</u>
Programs expenses				
Scholarships	68,900	-	68,900	91,946
Grants	174,222	-	174,222	143,925
Other supported programs	291,679	-	291,679	90,457
Other	<u>87,968</u>	<u>-</u>	<u>87,968</u>	<u>342,907</u>
Total program expenses	<u>622,769</u>	<u>-</u>	<u>622,769</u>	<u>669,235</u>
Supporting services				
Management and general	299,962	-	299,962	344,494
Fundraising activity expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,706</u>
Total supporting services	<u>299,962</u>	<u>-</u>	<u>299,962</u>	<u>347,200</u>
Total expenses	<u>922,731</u>	<u>-</u>	<u>922,731</u>	<u>1,016,435</u>
Change in net assets	74,976	392,811	467,787	2,164,591
Net assets, beginning of year	<u>8,541,682</u>	<u>7,184,946</u>	<u>15,726,628</u>	<u>13,562,037</u>
Net assets, end of year	<u>\$ 8,616,658</u>	<u>\$ 7,577,757</u>	<u>\$ 16,194,415</u>	<u>\$ 15,726,628</u>

The Catholic Foundation of Oklahoma, Inc.
Statement of Functional Expenses
Year Ended June 30, 2019
(with summarized financial information for June 30, 2018)

	2019				2018 Total
	Program Services	Supporting Services Management and General	Fundraising Activities	Total Expenses	
Salaries	\$ -	\$ 159,133	\$ -	\$ 159,133	\$ 151,605
Payroll taxes and benefits	-	37,639	-	37,639	36,408
Office expenses	-	6,940	-	6,940	12,389
Professional fees	-	34,883	-	34,883	23,108
Rent and telephone, charged by	-	-	-	-	-
Archdiocesan Pastoral Center	-	-	-	-	3,984
Fundraising	-	-	59,108	59,108	2,706
Scholarships	68,900	-	-	68,900	91,946
Grants	174,222	-	-	174,222	143,925
Other supported programs	291,679	-	-	291,679	342,907
Other	87,968	61,367	-	149,335	207,457
Total expenses	<u>622,769</u>	<u>299,962</u>	<u>59,108</u>	<u>981,839</u>	<u>1,016,435</u>
Less expenses included with revenues on the statement of activities	<u>-</u>	<u>-</u>	<u>(59,108)</u>	<u>(59,108)</u>	<u>(84,761)</u>
Total expenses per statement of activities	<u>\$ 622,769</u>	<u>\$ 299,962</u>	<u>\$ -</u>	<u>\$ 922,731</u>	<u>\$ 931,674</u>

The Catholic Foundation of Oklahoma, Inc.
Statement of Cash Flows
Year Ended June 30, 2019
(with summarized financial information for June 30, 2018)

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ 467,787	\$ 2,164,591
Adjustments to reconcile increase in net assets to net cash used for operating activities		
Realized and unrealized (gain) loss on operating investments	(137,953)	(458,843)
Endowment net investment (return) loss	(94,204)	(270,414)
Contributions restricted to endowment	(381,809)	(1,511,871)
Changes in operating assets and liabilities		
Accounts receivable	(177,777)	2,195
Other assets	(13,793)	(34,694)
Distributions and accounts payable	(112,959)	105,018
Deferred revenue	94,341	(57,520)
Annuities payable	349	(53,639)
	(356,018)	(115,177)
Net Cash used for Operating Activities		
Cash Flows from Investing Activities		
Purchases of investments	(33,671,758)	(74,557,104)
Proceeds from sales of investments	33,483,304	73,267,480
	(188,454)	(1,289,624)
Net Cash used for Investing Activities		
Cash Flows from Financing Activities		
Collections of contributions restricted to endowment	381,809	1,511,871
	381,809	1,511,871
Net Cash from Financing Activities		
Net Change in Cash and Cash Equivalents	(162,663)	107,070
Cash and Cash Equivalents, Beginning of Year	346,768	239,698
Cash and Cash Equivalents, End of Year	\$ 184,105	\$ 346,768

Note 1 - Summary of Significant Accounting Policies

Organization

The Catholic Foundation of Oklahoma, Inc. (the Foundation) is a nonprofit corporation which serves the people of the Roman Catholic Archdiocese of Oklahoma City. The primary purpose of the Foundation is to procure and build endowment funds while serving as a permanent organization for the management and administration of funds given to the Archdiocese of Oklahoma City for the advancement and expansion of the Roman Catholic Church in Central and Western Oklahoma. The Foundation also manages funds for various related Catholic entities located in the Roman Catholic Archdiocese of Oklahoma City.

The Foundation's revenue includes contributions, investment income (loss) and royalties. It also includes service fees charged to the related entities in relation to the funds the entities have invested. Services provided by the Foundation include scholarships, grants, endowment funding, and annuity payments.

Comparative Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the Foundation's audited financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Change in Accounting Policy

As of July 1, 2018, the Foundation adopted the provisions of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities* (ASU 2016-14). The provisions of the ASU replace the existing three classes of net assets with two new classes (net assets without donor restrictions and net assets with donor restrictions) and enhance the disclosure requirements for the Foundation's donor restricted endowment funds and underwater endowments. The ASU introduces new disclosure requirements to provide information about what is included or excluded from the Foundation's intermediate measure of operations as well as disclosures to improve a financial statement user's ability to assess the Foundation's liquidity and exposure to risk. The ASU also introduces new reporting requirements to present expenses by both function and natural classification in a single location and to present investment returns on the statements of activities net of external and direct internal investment expenses.

The amendments should be applied on a retrospective basis; however, if presenting comparative financial statements, the ASU allows for the option to omit, for any periods presented before the period of adoption, the analysis of expenses by both natural classification and functional classification, and the disclosure about liquidity and availability of resources. The Foundation has elected not to present comparative information for the liquidity and availability of resources disclosures. The Foundation has adopted this standard as management believes the standard improves the usefulness and understandability of the Foundation's financial reporting.

Cash and Cash Equivalents

The Foundation considers cash to include only those amounts held in demand deposit accounts for the Foundation by depository institutions. All sweep accounts, money market funds, and time deposits held with brokerage firms or trust departments of financial institutions are included in investments.

Accounts Receivable

Accounts receivable results from the fees charged to various custodian accounts. These amounts are considered to be fully collectible by the Foundation.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position.

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values based on quoted prices in active markets in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income is reported as an increase in net assets without donor restrictions unless the donor places restrictions on the income's use.

If the income is donor restricted, it is reported as an increase in net assets with donor restrictions, depending on the nature of the restrictions. Gains or losses are reported as increases or decreases in net assets without donor restrictions unless the donor places restrictions on the gains and losses.

Investments consist of pooled funds of the Foundation and other affiliates. Pooled funds are held by a major investment company, which has discretionary investment authority over investment transactions subject to investment policies which are established and periodically updated by the board of directors of the Foundation (the Board). The pooled funds are not allocated by short-term, custody or endowment investments. The income earned on the pooled funds is allocated monthly using a blended rate of return, which represents an overall weighted average rate of return computed from the individual rates of return generated by the investment company. Investment activity including types of investment return is shown by classification on the statement of activities.

Annuities Payable

Annuities payable result from funds received from donors on which the donor, or a designee, retains the right to receive stipulated payments during their lifetime. Annuities payable represent the amounts due donors or designees based on actuarial factors including mortality tables and a discount rate computed as of the date funds are received. To the extent the present value of such liabilities is less than the fair value of the underlying assets, such amount is recognized as net assets of the Foundation (see Note 6). The annual change in annuities payable consists of accretion of interest and changes in estimates of the present value of the required annuity payments.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets 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. The governing board has designated, from net assets without donor restrictions, net assets for specific purpose and board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor 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 restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Foundation reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both

Revenue and Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Therefore, expenses require allocation on a reasonable basis that is consistently applied and are allocated on the basis of estimates of time and effort.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Income Taxes

The Foundation was organized as an Oklahoma nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi), and has been determined not to be private foundation under Sections 509(a)(1). The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Foundation is subject to unrelated business income tax on investment income and will file an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

As of June 30, 2019, the Foundation has no accrued liabilities for unrelated business taxes.

The Foundation believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Financial Instruments and Credit Risk

The Foundation manages deposit concentration risk by placing cash with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Foundation has not experienced losses in any of these accounts. Investments are made by diversified investment managers whose performance is monitored by management and the Investment Committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Investment Committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Foundation.

Subsequent Events

The Foundation has evaluated subsequent events through December 5, 2019, the date which the financial statements were available to be issued.

Note 2 - Liquidity and Availability

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, comprise the following:

Cash and cash equivalents	\$ 184,105
Accounts receivable	191,841
Operating investments	<u>6,916,437</u>
	<u>\$ 7,292,383</u>

Endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Donor-restricted endowment funds are not available for general expenditure. The majority of income from donor-restricted endowments is available for general use. However, as the income is not easily assessable by the Foundation, such funds are not considered in the liquidity disclosure above.

Note 3 - Fair Value Measurements and Disclosures

Certain assets and liabilities are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

The Catholic Foundation of Oklahoma, Inc.

Notes to Financial Statements

June 30, 2019

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Foundation's assessment of the quality, risk or liquidity profile of the asset or liability.

A significant portion of investment assets are classified within Level 1 because they comprise common stocks and open-end mutual funds with readily determinable fair values based on daily redemption values. U.S. Government obligations, government agency obligations, municipal bonds, and corporate bonds are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions and are classified within Level 2. The fair value of the land and mineral interests held by the Foundation as included in other investments is based on the assessed value of the land and mineral interests and are considered to be Level 3 measurements.

The following table presents assets and liabilities measured at fair value on a recurring basis and excludes those measured at cost or by using net asset value (NAV) as a practical expedient, at June 30, 2019:

	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investments:				
Common stocks	\$ 4,498,072	\$ 4,498,072	\$ -	\$ -
Pooled equity mutual funds	29,795,294	29,795,294	-	-
Pooled fixed income funds	616,029	616,029	-	-
Corporate bonds	7,597,547	-	7,597,547	-
U.S. Government obligations	2,680,565	-	2,680,565	-
Government agency obligations	1,835,937	-	1,835,937	-
Other	56,368	-	56,368	-
	<u>\$ 47,079,812</u>	<u>\$ 34,909,395</u>	<u>\$ 12,170,417</u>	<u>\$ -</u>
Liabilities				
Funds held for others	<u>\$ 52,390,794</u>	<u>\$ -</u>	<u>\$ 52,390,794</u>	<u>\$ -</u>

The Catholic Foundation of Oklahoma, Inc.

Notes to Financial Statements

June 30, 2019

Investment assets valued at cost include cash and money market accounts of \$3.7 million.

Net Asset Value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, is used to estimate the fair values of partnerships, limited liability companies, and real estate funds which do not have readily determinable fair values. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy.

Investments in certain entities that are measured at fair value using NAV per share as a practical expedient are as follows at June 30, 2019:

Fund/Investment Name	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
BlueBay Direct Lending Fund II SLP	\$ 1,038,027	\$ 996,931	No liquidity	N/A
H.I.G. Advantage Buyout Fund, L.P.	138,118	1,821,474	No liquidity	N/A
Kayne Anderson Energy Fund VII, L.P.	802,085	1,180,000	No liquidity	N/A
KKR Lending Partners II L.P.	1,009,750	352,000	No liquidity	N/A
KKR Lending Partners III L.P.	1,003,659	2,000,000	No liquidity	N/A
KKR Special Situations Fund II L.P.	1,532,745	798,000	No liquidity	N/A
VPC Special Opportunities Fund III Onshore	1,933,404	110,562	No liquidity	N/A
Total Partnerships and Limited Liability Companies	\$ 7,457,788			
Birch Grove Credit Strategies Fund Ltd.	\$ 2,282,450	\$ -	Quarterly	65 days notice
Highline Capital International, Ltd.	2,102,321	-	Quarterly	30 days notice
Hoplite Offshore Fund, Ltd.	2,337,873	-	Quarterly	45 days notice
MidOcean Credit Opportunity Offshore Fund, LTD.	2,161,182	-	Quarterly	45 days notice
Roystone Capital Offshore Fund LTD. ¹	15,260	-	Quarterly	30 days notice
Total Hedge Funds	\$ 8,899,086			
Henderson Park Real Estate Fund I, LP	\$ 634,909	\$ -	No liquidity	N/A
Walton Street Real Estate Partners VIII, L.P.	1,301,811	872,284	No liquidity	N/A
Total Other Real Estate	\$ 1,936,720			

¹Approximately 12.5% can be redeemed on a quarterly basis over a 2-year period for full redemption

Note 4 - Net Investment Return

Net investment return consists of the following for the years ending June 30, 2019:

Operating investments	
Interest and dividends	\$ 195,479
Net realized and unrealized gain	139,633
Change in annuities valuation	(1,680)
Less investment management and custodial fees	<u>(53,398)</u>
	<u>280,034</u>
Endowment investments	
Interest and dividends	196,538
Net realized and unrealized gain	94,204
Less investment management and custodial fees	<u>(64,602)</u>
	<u>226,140</u>
	<u>\$ 506,174</u>

Note 5 - Funds Held for Others

Funds held for others include funds that the Foundation, as agent under management agreements, invests for certain related parties. Management fees of up to 0.25% annually calculated on the beginning of the month balance are charged to such parties for these services and are included in revenues without donor restrictions. In addition, funds held for others include certain revocable and irrevocable trusts and custodian funds for which the Foundation has been designated as custodian.

The Catholic Foundation of Oklahoma, Inc.

Notes to Financial Statements

June 30, 2019

Activity in funds held for others is not reflected in the Foundation's accompanying financial statements and consists of the following for the year ended June 30, 2019:

Funds Held for Others	
Beginning of year	\$ 50,556,908
Funds received for custody management	2,647,884
Distributions and withdrawals	(2,232,871)
Investment change:	
Investment return	<u>1,418,873</u>
Total funds held for others at end of year	<u><u>\$ 52,390,794</u></u>

The Foundation receives funds related to certain irrevocable charitable remainder annuity trusts. The estimated portion of such funds held for others is included in a liability for funds held for others in the accompanying statements of financial position. The estimated present value of the liability associated with the annuity payments is included in annuities payable in the accompanying statement of financial position. Net assets consist of the estimated remainder interest which will be acquired by the Foundation upon termination of the irrevocable charitable remainder annuity trusts.

A detail list of Funds Held for Others has been removed for privacy reasons. (pgs. 15-17)

Note 6 - Endowments

The Foundation's endowment (the Endowment) consists of approximately five individual funds established by donors to provide annual funding for specific activities and general operations. The Endowment also includes certain net assets without donor restrictions that have been designated for quasi-endowment by the Board of Directors.

The Board of Directors has interpreted the Oklahoma Prudent Management of Institutional Funds Act (the "Act") as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2019, there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the Endowment and (b) any accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by the Act. The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

As of June 30, 2019, endowment net asset composition by type of fund is as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets by Type of Fund			
Board-designated endowment funds	\$ 689,142	\$ -	\$ 689,142
Donor restricted endowment funds	-	7,375,893	7,375,893
Total funds	<u>\$ 689,142</u>	<u>\$ 7,375,893</u>	<u>\$ 8,065,035</u>

Investment and Spending Policies

The Foundation has adopted investment policies for endowment funds that facilitate the Foundation's ability to provide funding for programs and provide adequate returns for invested funds. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period as well as board designated funds. Under this policy, the endowment assets are invested in a manner that is intended to provide acceptable investment returns, while assuming a moderate level of investment risk. The Foundation has established an investment committee to monitor the rates of returns of endowment funds in order to maximize earnings. Actual returns in any given year are dependent on market conditions and other factors, and they may vary from time to time.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation's investment policy relating to its investment objectives allocates its assets through a prudent diversification that includes cash, fixed income, and equity. The target annual distribution for scholarships and grants is an amount based on 3% of the average market value of the fund, with the average market value based on an average quarterly value for the preceding eight quarters. These and other expenses from the fund are based on a budget prepared at the beginning of the fiscal year and are at the discretion of the Board of Directors. The Foundation honors the specific requests of each donor and makes distributions accordingly.

Changes in Endowment net assets for the year ended June 30, 2019 are as follows:

	Without Donor Restriction	With Donor Restrictions (Restated)	Total
Endowment net assets, beginning of year	\$ 592,689	\$ 7,001,854	\$ 7,594,543
Contributions	85,584	381,809	467,393
Investment return, net			
Investment income, net of fees	9,209	122,727	131,936
Net realized and unrealized gain	6,660	87,544	94,204
Appropriation of endowment assets pursuant to spending-rate policy	(5,000)	(218,041)	(223,041)
Endowment net assets, end of year	<u>\$ 689,142</u>	<u>\$ 7,375,893</u>	<u>\$ 8,065,035</u>

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in net assets without donor restrictions. These deficiencies resulted from unfavorable market fluctuations and continued appropriation for certain programs that were deemed prudent by the Board of Directors.

As of June 30, 2019, there were no funds in a deficiency position. As part of the Foundation's spending policy, spending is permitted from underwater endowment funds, unless otherwise precluded by donor intent or relevant laws and regulations.

Note 7 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30, 2019 :

Perpetual in nature	\$ 5,125,913
Subject to expenditure for specified purpose	
Scholarship	1,725,803
Pastoral music and fine arts	12,079
Other	512,098
Subject to the passage of time	<u>201,864</u>
	<u>\$ 7,577,757</u>

Annuity net assets consist of funds received from donors on which the donor, or a designee, retains the right to receive stipulated annuity payments during their lifetime. The estimated present value of the liability associated with the annuity payments is included in annuities payable in the accompanying statement of financial position. The principal and income on these funds, net of annuity payments, will revert to the Foundation upon the death of the donor and are recognized as net assets of the Foundation.

Net assets were released from restrictions as follows during the year ended June 30, 2019:

Satisfaction of purpose restrictions	
Scholarships and grants to parishes	<u>\$ 213,633</u>

Note 8 - Related Party

The Foundation conducts business from offices located inside the building owned and occupied by the Archdiocese of Oklahoma City. The Foundation also reimburses the Archdiocese for salaries, payroll taxes, retirement and other benefits, insurance, rent, and telephone expenses. The total paid to the Archdiocese for the year ended June 30, 2019 was \$179,221. Accounts payable includes \$7,445 due to the Archdiocese. Included in funds held for others at June 30, 2019 was \$13,131,120 that is due to the Archdiocese. Fund management fees from the Archdiocese for 2019 were \$18,319.

Note 9 - Restatement Resulting from Adoption of Accounting Standards Update 2016-14

As disclosed in Note 1, the Foundation has adopted the provisions of ASU 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities* as of July 1, 2018. As a part of the adoption, changes were made to the presentation of the financial statements and the classification of net assets.

The following financial statement line items as of and for the year ended June 30, 2019, were restated as a result of the adoption:

	As Previously Reported	Adoption of ASU 2016-14	As Restated
<u>Statement of Financial Position</u>			
Unrestricted net assets	\$ 8,541,682	\$ (8,541,682)	\$ -
Temporarily restricted net assets	2,405,554	(2,405,554)	-
Permanently restricted net assets	4,779,392	(4,779,392)	-
Net assets without donor restrictions		8,541,682	8,541,682
Net assets with donor restrictions			
Perpetual in nature	-	4,779,392	4,779,392
Purpose restrictions	-	2,222,462	2,222,462
Time-restricted for future periods	-	183,092	183,092
<u>Statement of Activities</u>			
Temporarily restricted:			
Net investment return	\$ 348,770	\$ (348,770)	\$ -
Contributions	5,413	(5,413)	-
Net assets released from restrictions	(249,060)	249,060	-
With donor restrictions:			
Net investment return	-	348,770	348,770
Contributions	-	5,413	5,413
Net assets released from restrictions	-	(249,060)	(249,060)
Change in net assets - unrestricted	74,976	(74,976)	-
Change in net assets without donor restrictions	-	74,976	74,976
Change in net assets - temporarily restricted	392,811	(392,811)	-
Change in net assets with donor restrictions	-	392,811	392,811
Net Assets, Beginning of Year			
Unrestricted net assets	7,994,085	(7,994,085)	-
Temporarily restricted net assets	2,300,431	(2,300,431)	-
Permanently restricted net assets	3,267,521	(3,267,521)	-
Net assets without donor restrictions	-	7,994,085	7,994,085
Net assets with donor restrictions	-	5,567,952	5,567,952
Net Assets, End of Year			
Unrestricted net assets	8,541,682	(8,541,682)	-
Temporarily restricted net assets	2,405,554	(2,405,554)	-
Permanently restricted net assets	4,779,392	(4,779,392)	-
Net assets without donor restrictions	-	8,541,682	8,541,682
Net assets with donor restrictions	-	7,184,946	7,184,946