



Financial Statements  
June 30, 2018

Catholic Foundation  
of Oklahoma, Inc.  
Archdiocese of Oklahoma City

Catholic Foundation of Oklahoma, Inc.  
Archdiocese of Oklahoma City  
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June 30, 2018

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## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying statement of financial position of Catholic Foundation of Oklahoma, Inc. Archdiocese of Oklahoma City (the Foundation) as of June 30, 2018, and the related statements of activities 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 the 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.

### 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. Archdiocese of Oklahoma City as of June 30, 2018, 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.

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**Report on Summarized Comparative Information**

We have previously audited the Catholic Foundation of Oklahoma, Inc. Archdiocese of Oklahoma City's 2017 financial statements, and our report dated November 10, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Eide Sully LLP".

Oklahoma City, Oklahoma  
December 5, 2018

Catholic Foundation of Oklahoma, Inc.  
 Archdiocese of Oklahoma City  
 Statement of Financial Position  
 June 30, 2018  
 (With Comparative Totals for 2017)

	2018	2017
Assets		
Cash and cash equivalents	\$ 346,768	\$ 239,698
Accounts receivable	14,064	16,259
Investments		
Agency	50,556,908	48,082,134
Annuities	1,687,498	1,452,415
Operating	6,965,271	6,779,199
Endowment	7,594,543	5,996,817
Other	381,064	346,370
Total assets	\$ 67,546,116	\$ 62,912,892
Liabilities and Net Assets		
Liabilities		
Distributions and accounts payable	\$ 177,326	72,308
Deferred revenue	1,800	59,320
Annuities payable	1,083,454	1,137,093
Funds held for others	50,556,908	48,082,134
Total liabilities	51,819,488	49,350,855
Net Assets		
Unrestricted		
Designated for specific purposes	8,541,682	7,994,085
Temporarily restricted	2,405,554	2,300,431
Permanently restricted	4,779,392	3,267,521
Total net assets	15,726,628	13,562,037
Total liabilities and net assets	\$ 67,546,116	\$ 62,912,892

Catholic Foundation of Oklahoma, Inc.  
Archdiocese of Oklahoma City  
Statement of Activities  
Year Ended June 30, 2018  
(With Comparative Totals for 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
Revenues, gains, and other support					
Contributions	\$ 249,819	\$ 5,413	\$ 1,511,871	\$ 1,767,103	\$ 638,447
Net investment return	559,563	348,770	-	908,333	1,354,974
Fund management fees	128,516	-	-	128,516	116,068
Royalties	267,484	-	-	267,484	280,625
Gross special events revenue	148,370	-	-	148,370	160,226
Less cost of direct benefits to donors	(84,761)	-	-	(84,761)	(72,236)
Net special events revenue	<u>63,609</u>	<u>-</u>	<u>-</u>	<u>63,609</u>	<u>87,990</u>
Other	45,981	-	-	45,981	35,649
Net assets released from restrictions	<u>249,060</u>	<u>(249,060)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	<u>1,564,032</u>	<u>105,123</u>	<u>1,511,871</u>	<u>3,181,026</u>	<u>2,513,753</u>
Administrative expenses					
Salaries	151,605	-	-	151,605	129,874
Payroll taxes and benefits	36,408	-	-	36,408	38,270
Office expense	12,389	-	-	12,389	14,031
Professional fees	23,108	-	-	23,108	31,000
Rent and telephone, charged by Archdiocesan Pastoral Center	3,984	-	-	3,984	3,684
Other	<u>117,000</u>	<u>-</u>	<u>-</u>	<u>117,000</u>	<u>23,672</u>
Total administrative expenses	<u>344,494</u>	<u>-</u>	<u>-</u>	<u>344,494</u>	<u>240,531</u>
Fund raising expenses					
Fund raising activity expenses	87,467	-	-	87,467	75,287
Less cost of direct benefits to donors included with revenues	<u>(84,761)</u>	<u>-</u>	<u>-</u>	<u>(84,761)</u>	<u>(72,236)</u>
Total fund raising expenses	<u>2,706</u>	<u>-</u>	<u>-</u>	<u>2,706</u>	<u>3,051</u>
Programs and other expenses					
Scholarships	91,946	-	-	91,946	99,614
Grants	143,925	-	-	143,925	163,103
Change in annuities payable	90,457	-	-	90,457	86,569
Other supported programs	<u>342,907</u>	<u>-</u>	<u>-</u>	<u>342,907</u>	<u>306,019</u>
Total programs and other expenses	<u>669,235</u>	<u>-</u>	<u>-</u>	<u>669,235</u>	<u>655,305</u>
Total expenses	<u>1,016,435</u>	<u>-</u>	<u>-</u>	<u>1,016,435</u>	<u>898,887</u>
Change in net assets	547,597	105,123	1,511,871	2,164,591	1,614,866
Net assets, beginning of year	<u>7,994,085</u>	<u>2,300,431</u>	<u>3,267,521</u>	<u>13,562,037</u>	<u>11,947,172</u>
Net assets, end of year	<u>\$ 8,541,682</u>	<u>\$ 2,405,554</u>	<u>\$ 4,779,392</u>	<u>\$ 15,726,628</u>	<u>\$ 13,562,038</u>

Catholic Foundation of Oklahoma, Inc.  
 Archdiocese of Oklahoma City  
 Statement of Cash Flows  
 Year Ended June 30, 2018  
 (With Comparative Totals for 2017)

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	\$ 2,164,591	\$ 1,614,866
Adjustments to reconcile increase in net assets to net cash used for operating activities		
Realized and unrealized gain on operating investments	(458,843)	(250,224)
Endowment realized and unrealized gain	(270,414)	(948,512)
Contributions restricted to endowment	(1,511,871)	(379,018)
Changes in operating assets and liabilities		
Accounts receivable	2,195	3,606
Other assets	(34,694)	(20,293)
Distributions and accounts payable	105,018	(44,952)
Deferred revenue	(57,520)	59,320
Annuities payable	(53,639)	(114,501)
Net Cash used for Operating Activities	(115,177)	(79,708)
Cash Flows from Investing Activities		
Purchases of investments	(74,557,104)	(29,590,899)
Proceeds from sales of investments	73,267,480	29,413,067
Net Cash used for Investing Activities	(1,289,624)	(177,832)
Cash Flows from Financing Activities		
Collections of contributions restricted to endowment	1,511,871	379,018
Net Cash from Financing Activities	1,511,871	379,018
Net Change in Cash and Cash Equivalents	107,070	121,478
Cash and Cash Equivalents, Beginning of Year	239,698	118,220
Cash and Cash Equivalents, End of Year	\$ 346,768	\$ 239,698

## **Note 1 - Summary of Significant Accounting Policies**

### **Organization**

The Catholic Foundation of Oklahoma, Inc. – Archdiocese of Oklahoma City (the Foundation) is a non-profit 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.

### **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**

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 unrestricted net assets unless the donor places restrictions on the income's use.

If the income is donor restricted, it is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. Gains or losses are reported as increases or decreases in the unrestricted class of net assets unless the donor places temporary or permanent 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 5). 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:

*Unrestricted Net Assets* – Net assets available for use in general operations. Unrestricted board-designated net assets consist of net assets designated by the Board of Directors for specific purposes and board-designated endowment.

*Temporarily Restricted Net Assets* – Net assets subject to donor restrictions that may or will be met by expenditures or actions and/or the passage of time, and certain income earned on permanently restricted net assets that has not yet been appropriated for expenditure by the Board of Directors.

The Foundation reports contributions as temporarily restricted support 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

*Permanently Restricted Net Assets* – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Foundation's actions. The restrictions stipulate that resources be maintained permanently but permit expending the income generated in accordance with the provisions of the agreements.

### **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.

### **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, 2018, the Foundation has approximately \$78,000 accrued for unrelated business taxes owed for the past two fiscal years.

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. The Foundation's filings by state, local, or non-U.S. tax authorities are no longer subject to tax examination for years before 2014.

### **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, 2018, the date which the financial statements were available to be issued.

### **Comparative Data**

The financial statements include certain 2017 comparative information. With respect to the statement of activities, such prior year information is not presented by net asset class. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

## **Note 2 - 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 the Foundation can access 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, the Foundation develops inputs using the best information available in the circumstances.

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 the Foundation's investment assets are classified within Level 1 because they are comprised of 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.

Catholic Foundation of Oklahoma, Inc.  
Archdiocese of Oklahoma City  
Notes to Financial Statements  
June 30, 2018

The following table presents assets and liabilities measured at fair value on a recurring basis at June 30, 2018:

Assets	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Common stocks	\$ 5,248,265	\$ 5,248,265	\$ -	\$ -
Pooled equity mutual funds	28,140,056	28,140,056	-	-
Pooled fixed income funds	584,199	584,199	-	-
Corporate bonds	4,073,748	-	4,073,748	-
U.S. Government obligations	5,538,036	-	5,538,036	-
Government agency obligations	1,528,345	-	1,528,345	-
Other	39,159	-	-	39,159
	<u>\$ 45,151,808</u>	<u>\$ 33,972,520</u>	<u>\$ 11,140,129</u>	<u>\$ 39,159</u>
<u>Liabilities</u>				
Funds held for others	<u>\$ 50,556,908</u>	<u>\$ -</u>	<u>\$ 50,556,908</u>	<u>\$ -</u>

There were no changes in the Level 3 investments for the year ended June 30, 2018.

Investment assets valued at cost include cash and money market accounts of \$3.1 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.

Catholic Foundation of Oklahoma, Inc.  
Archdiocese of Oklahoma City  
Notes to Financial Statements  
June 30, 2018

Investments in the entities and funds that calculate a NAV per share is as follows at June 30, 2018:

Fund/Investment Name	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Birch Grove Credit Strategies Fund LP	\$ 2,164,097	\$ -	Quarterly	65 days notice
BlueBay Direct Lending Fund II SLP	1,415,989	633,000	No liquidity	N/A
Gruss Global Investors (Enhanced), Ltd.	2,196,766	-	Quarterly	45 days notice
Holdback for Roystone Capital Offshore Fund	13,012	-	N/A	N/A
KKR Lending Partners II L.P.	1,759,088	352,000	No liquidity	N/A
KKR Lending Partners III L.P.	59,140	2,000,000	No liquidity	N/A
KKR Special Situations Fund II L.P.	1,018,502	798,000	No liquidity	N/A
MidOcean Credit Opportunity Fund	2,212,782	-	Quarterly	45 days notice
VPC Special Opportunities Fund III Onshore	1,295,231	609,000	No liquidity	N/A
Total Partnerships and Limited Liability Companies	<u>\$ 12,134,607</u>			
Highline Capital International, Ltd.	\$ 2,349,906	\$ -	Quarterly	30 days notice
Hoplite Offshore Fund, Ltd.	2,318,484	-	Quarterly	45 days notice
Roystone Capital Offshore Fund <sup>1</sup>	812,828	-	Quarterly	30 days notice
Total Hedge Funds	<u>\$ 5,481,218</u>			
Walton Street Real Estate Partners VIII, L.P.	\$ 957,101	\$ 1,064,000	No liquidity	N/A
Total Other Real Estate	<u>\$ 957,101</u>			

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

### Note 3 - Net Investment Return

Net investment return consists of the following for the year ended June 30, 2018:

Operating investments	
Interest and dividends	\$ 133,527
Net realized and unrealized gain	415,383
Change in annuities valuation	43,460
Less investment management and custodial fees	<u>(24,728)</u>
	<u>567,642</u>
Endowment investments	
Interest and dividends	106,990
Net realized and unrealized gain	270,414
Less investment management and custodial fees	<u>(36,713)</u>
	<u>340,691</u>
	<u>\$ 908,333</u>

**Note 4 - Funds Held for Others**

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, 2018:

Funds Held for Others	
Beginning of year	\$ 48,082,134
Funds received for custody management	2,098,407
Distributions and withdrawals	(2,187,023)
Investment change:	
Investment return	<u>2,563,390</u>
Total funds held for others at end of year	<u>\$ 50,556,908</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. 13-15)

**Note 5 - Net Assets**

The Foundation's net assets consist of the following at June 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Undesignated	\$ 7,948,993	\$ -	\$ -	\$ 7,948,993
Donor endowment funds				
Scholarship	-	1,694,285	-	1,694,285
Pastoral Music and Fine Arts	-	11,760	-	11,760
Other	-	516,417	4,779,392	5,295,809
Quasi-endowment funds				
Directors endowment and CFO matching funds	592,689	-	-	592,689
Total endowment and quasi-endowment	592,689	2,222,462	4,779,392	7,594,543
Annuity	-	183,092	-	183,092
Total net assets	\$ 8,541,682	\$ 2,405,554	\$ 4,779,392	\$ 15,726,628

Endowment net assets are funds for which donors have specified that principal be maintained intact permanently or for a specified period of time. Quasi-endowment net assets are funds which the Board, rather than a donor, has determined are to be retained and invested. Since these funds are internally designated rather than externally restricted, the Board has the right to decide at any time to expend the principal.

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.

**Note 6 - 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, 2018 was \$184,602. Accounts Payable includes \$45,549 due to the Archdiocese. Included in funds held for others at June 30, 2018 was \$13,112,519 which is due to the Archdiocese. Fund management fees from the Archdiocese for 2018 were \$18,275.

The Foundation also conducts business with a vendor for office supplies, copies, and other miscellaneous expenses. The Executive Director of the Foundation has a partial ownership interest in this vendor. The total paid to for the year ended June 30, 2018 was \$6,217.

**Note 7 - 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 unrestricted net assets designated for quasi-endowment by the Board of Directors. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation has interpreted the Oklahoma Prudent Management of Institutional Funds Act (the “Act”) as requiring the preservation of the fair value of a donation as of the date on which the donation was made, except where the donor provides different instructions or conditions in connection with the donation. Consistent with this interpretation, the Foundation shows its permanently restricted net assets in the amount of the original value of donations made to the permanent endowment as well as the original value of subsequent donations made to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are approved for distribution by the Foundation in a manner consistent with the standards set forth in the Act. In accordance with the Act, the Foundation considers the following factors in making a determination to maintain or distribute 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

At June 30, 2018, the Foundation had the following endowment net asset composition by type of fund:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Donor restricted endowment funds	\$ -	\$ 2,222,462	\$ 4,779,392	\$ 7,001,854
Unrestricted board designated funds	592,689	-	-	592,689
 Total funds	\$ 592,689	\$ 2,222,462	\$ 4,779,392	\$ 7,594,543

*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 during 2018 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Endowment net assets				
Balance, June 30, 2017	\$ 589,696	\$ 2,139,600	\$ 3,267,521	\$ 5,996,817
Contribution	-	5,413	1,511,871	1,517,284
Investment return:				
Investment income, net of fees	5,289	64,988	-	70,277
Net realized and unrealized gain	20,143	250,271	-	270,414
Appropriation of endowment assets for expenditure	(22,439)	(237,810)	-	(260,249)
Total endowment net assets at June 30, 2018	<u>\$ 592,689</u>	<u>\$ 2,222,462</u>	<u>\$ 4,779,392</u>	<u>\$ 7,594,543</u>

**Note 8 - Restricted Net Assets**

*Temporarily Restricted*

Temporarily restricted net assets at June 30, 2018, consist of:

Restricted by donors for Scholarships and grants to parishes	<u>\$ 2,405,554</u>
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Net assets were released from restrictions as follows during the year ended June 30, 2018:

Net assets released from restrictions Satisfaction of purpose restrictions Scholarships and grants to parishes	<u>\$ 249,060</u>
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*Permanently Restricted*

Permanently restricted net assets consist of endowment funds restricted by donors for investment in perpetuity. Earnings on endowment funds are available for the purposes specified by the donors, or in certain cases, for the unrestricted use of the Foundation. The permanently restricted net assets balances, classified by restriction on the use of earnings, are as follows at June 30, 2018:

Permanently Restricted Scholarships and grants to parishes	<u>\$ 4,779,392</u>
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