

CATHOLIC COMMUNITY FOUNDATION OF SOUTH CAROLINA

FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2019 and 2018

And Report of Independent Auditor

CATHOLIC COMMUNITY FOUNDATION OF SOUTH CAROLINA
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Report of Independent Auditor

To the Board of Directors
Catholic Community Foundation of South Carolina
Charleston, South Carolina

We have audited the accompanying financial statements of the Catholic Community Foundation of South Carolina, which comprise the statement of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets and cash flows for the years ended June 30, 2019 and 2018, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Catholic Community Foundation of South Carolina as of June 30, 2019 and 2018, and the changes in its net assets and cash flows for the years ended June 30, 2019 and 2018 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 12, the World Health Organization has declared COVID-19 to constitute a “Public Health Emergency of International Concern.” At this time, the Foundation cannot reasonably estimate the duration and severity of this pandemic, which could have a material, adverse impact on the Foundation’s mission, financial position, statement of activities, and cash flows in the year ending June 30, 2020. Management’s evaluation of the events and conditions are described in Note 12. Our opinion is not modified with respect to this matter.

A handwritten signature in cursive script that reads "Cherry Bekaert LP".

Greenville, South Carolina
November 6, 2020

CATHOLIC COMMUNITY FOUNDATION OF SOUTH CAROLINA
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 3,403,609	\$ 69,513
Promises to give, net	4,754,714	-
Notes receivable, net	1,862,897	-
Investments	642,914	-
Funds held in trust for affiliates:		
Pooled investments	50,167,738	50,978,176
Total Assets	\$ 60,831,872	\$ 51,047,689
LIABILITIES AND NET ASSETS		
Liabilities:		
Funds administered for affiliates	\$ 50,167,738	\$ 50,978,176
Due to affiliates	3,793,156	486,858
Total Liabilities	53,960,894	51,465,034
Net Assets:		
Without donor restrictions	-	(417,345)
With donor restrictions	6,870,978	-
Total Net Assets	6,870,978	(417,345)
Total Liabilities and Net Assets	\$ 60,831,872	\$ 51,047,689

CATHOLIC COMMUNITY FOUNDATION OF SOUTH CAROLINA
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2019

	Without Donor Restriction	With Donor Restriction	Total
Support and Revenue:			
Contributions	\$ -	\$ 8,963,831	\$ 8,963,831
Investment returns, net	-	42,914	42,914
	-	9,006,745	9,006,745
Net assets released from restrictions	2,135,767	(2,135,767)	-
Total Support and Revenue	2,135,767	6,870,978	9,006,745
Supporting Services:			
General and administration	1,718,422	-	1,718,422
Total Supporting Services	1,718,422	-	1,718,422
Total Expenses	1,718,422	-	1,718,422
Change in net assets	417,345	6,870,978	7,288,323
Net assets, beginning of year	(417,345)	-	(417,345)
Net assets, end of year	\$ -	\$ 6,870,978	\$ 6,870,978

The accompanying notes to the financial statements are in integral part of these statements.

CATHOLIC COMMUNITY FOUNDATION OF SOUTH CAROLINA
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2018

	Without Donor Restriction	With Donor Restriction	Total
Supporting Services:			
General and administration	\$ 374,607	\$ -	\$ 374,607
Total Supporting Services	<u>374,607</u>	<u>-</u>	<u>374,607</u>
Total Expenses	<u>374,607</u>	<u>-</u>	<u>374,607</u>
Change in net assets	(374,607)	-	(374,607)
Net assets, beginning of year	<u>(42,738)</u>	<u>-</u>	<u>(42,738)</u>
Net assets, end of year	<u><u>\$ (417,345)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (417,345)</u></u>

CATHOLIC COMMUNITY FOUNDATION OF SOUTH CAROLINA
STATEMENT OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Change in net assets	\$ 7,288,323	\$ (374,607)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Net realized and unrealized gain on investments	(42,914)	-
Changes in assets and liabilities:		
Promised to give, net	(4,754,714)	-
Notes receivable	(1,862,897)	-
Due to affiliates	3,306,298	444,120
Net cash from operating activities	<u>3,934,096</u>	<u>69,513</u>
Cash flows from investing activities:		
Proceeds from sales of investments	457,410	-
Purchases of investments	(1,057,410)	-
Net cash from investing activities	<u>(600,000)</u>	<u>-</u>
Change in cash and cash equivalents	3,334,096	69,513
Cash and cash equivalents, beginning of year	69,513	-
Cash and cash equivalents, end of year	<u>\$ 3,403,609</u>	<u>\$ 69,513</u>

CATHOLIC COMMUNITY FOUNDATION OF SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 1—Organization

The Catholic Community Foundation of South Carolina (the “Foundation”), a nonprofit corporation, was incorporated on May 2, 2017 pursuant to the South Carolina Nonprofit Corporation Act of 1994. The Foundation operates exclusively for the benefit of and to carry out the religious, educational, and charitable purposes of the Bishop of Charleston, a Corporation Sole, doing business as the Roman Catholic Diocese of Charleston, and its parishes, schools, and affiliated organizations.

Note 2—Summary of significant accounting policies

Basis of Accounting – The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Accordingly, revenue is recognized when earned rather than when received and expenses are recognized when incurred rather than when paid.

Basis of Presentation – Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor 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 (or certain grantor) restrictions. The Bishop may designate, from net assets without donor restrictions, net assets for an operating reserve and other reserves.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed 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.

Cash and Cash Equivalents – The Foundation considers all highly liquid, temporary cash investments with a maturity of three months or less when purchased to be cash equivalents, except for the cash investments in the funds managed by investment companies.

Investments – The Foundation follows the provisions of Accounting Standards Codification (“ASC”) 958-320, *Not-for-Profit Entities, Investments*. Under ASC 958-320, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the changes in net assets. Donor-restricted interest and dividend income are reported as increases in net assets without donor restriction if the restrictions are met in the reporting period in which the income and gains are recognized. Investment appreciation (depreciation) and income that is not donor restricted is reported in net assets without donor restriction.

Investment Income – Investment income consists of the interest income, dividend income, and the realized and unrealized gains/losses from assets classified as investments in the accompanying financial statements.

CATHOLIC COMMUNITY FOUNDATION OF SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 2—Summary of significant accounting policies (continued)

Promises to Give – Promises to give (pledges) are recognized as support in the period in which they are received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows, using a credit risk adjusted discount rate of return appropriate for the expected term of the promise to give. Amortization of the discounts is recorded as contribution revenue in accordance with donor restrictions on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment of such factors as prior collection history, type of contribution, and fund-raising activity.

Contributions – Contributions are considered to be without donor restriction unless specifically restricted by the donors. Contributions that are restricted by the donors are reported as increases in net assets with donor restriction. When a restriction expires (that is, when the stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Fundraising Activities – The costs of fundraising activities are reported in the professional and contracted services category and do not include management and general or other program costs of the Foundation. The costs of incidental fundraising activities conducted in conjunction with other program activities are not separately reported. Incidental fundraising costs are included in the related program expenditures of the appropriate functional category. The Foundation incurred expenses related to development and fundraising of \$1,569,339 and \$339,614 during the years ended June 30, 2019 and 2018, respectively.

Notes Receivables – Notes receivables are stated at amounts the Foundation expects to collect (unpaid principal balances less estimated allowances for doubtful accounts and present value discount) based on the Foundation's assessment of the financial stability of the respective debtors. Receivables determined by the Foundation not to be collectible are charged off against the respective allowances. An allowance was determined not to be needed for the year ended June 30, 2019.

Income Taxes – The Foundation is exempt from federal and state income taxes under certain provisions of Section 501(c)(3) of the Internal Revenue Code and the South Carolina Code of Laws; therefore, no provisions for income taxes have been included in these financial statements.

The Financial Accounting Standards Board ("FASB") provides guidance on the Foundation's evaluation of accounting for uncertainty in income taxes. Management evaluated the Foundation's tax position and concluded that no uncertain tax positions exist that requires adjustment to the financial statements to comply with the provisions of this guidance.

Estimates – The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Areas requiring significant estimates include the allowance for doubtful accounts and the functional allocation of expenses. It is at least reasonably possible that the significant estimates used will change within the next year.

CATHOLIC COMMUNITY FOUNDATION OF SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 2—Summary of significant accounting policies (continued)

Recent Accounting Pronouncements Adopted – FASB issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, effective for fiscal years beginning after December 15, 2017. The amendments change presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. The amendment includes qualitative and quantitative requirements in the following areas: net asset classes, investment return, expenses, liquidity and availability of resources, and presentation of cash flows. The Foundation adopted the ASU effective July 1, 2018 and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Recently Issued Accounting Pronouncements Not Yet Adopted – In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard provides guidance on determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The adoption of this standard allows for contributions to follow guidance in FASB ASC 958-605, *Not-for-Profit Entities (Topic 958) – Revenue Recognition*, rather than the guidance provided in ASU 2014-09 (Topic 606) discussed below. This standard will be effective for the Foundation’s year ending June 30, 2020. Management is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

On May 28, 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard will be effective for the Foundation’s year ending June 30, 2021. Management is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

In February 2016, FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statements of activities. This standard will be effective for Foundation’s year ending June 30, 2023. Management is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Note 3—Functional expenses

Directly identifiable expenses are charged to programs and supporting services and have been summarized on a functional basis in the statement of activities. Expenses by function and nature consist of the following for the year ended June 30:

	2019		
	Professional and Contracted		
	Services	Other	Total
Administrative:			
General and administrative	\$ 1,573,140	\$ 145,282	\$ 1,718,422

CATHOLIC COMMUNITY FOUNDATION OF SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 3—Functional expenses (continued)

	2018		
	Professional and Contracted Services	Other	Total
Administrative:			
General and administrative	\$ 346,574	\$ 28,033	\$ 374,607

Note 4—Cash and cash equivalents, liquidity, and availability

Cash consists of interest-bearing checking accounts, savings accounts, money-market accounts, and certificates of deposit with a maturity of three months or less when purchased.

The Foundation places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. The Foundation from time to time may have amounts on deposit in excess of the insured limits. As of June 30, 2019, the Foundation had \$3,108,815 which exceeded these insured amounts.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to program and supporting services to be general expenditures. Financial assets available within one year as of June 30, 2019, without donor or other restrictions limiting their use, comprise the following:

Cash and cash equivalents	\$ 3,403,609
Investments	642,914
Total cash, cash equivalents, and investments	4,046,523
Promises to give, net	4,754,714
Notes receivables, net	1,862,897
	10,664,134
Less amounts not available to be used within one year:	
Required to satisfy donor restrictions	(6,870,978)
Financial assets available to meet cash needs for general expenditures	\$ 3,793,156

The Foundation manages its liquidity by developing and adopting annual operating and capital budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they come due. Actual performance is reported and monitored monthly in comparison to the budgets. Adjustments are made to plan as needed to ensure adequate liquidity. As part of the liquidity management plan, cash balances are invested in short-term investments.

CATHOLIC COMMUNITY FOUNDATION OF SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 5—Promises to give and the Bicentennial Campaign

Campaign Overview and Case Statement – In April 2019, the Roman Catholic Diocese of Charleston launched the Bicentennial Campaign (“BCC”) as an intentional effort designed to strengthen existing Diocesan programs, parishes, and missions, while taking strides toward sustaining and growing the Diocese into the next century. The BCC target for total funds raised is \$60,000,000 to be conducted in four phases from April 2019 through July 2020.

The BCC solicits contributions and pledges through parishes within the auspices of the Diocese of Charleston with each parish’s target being based upon 105% of the average annual offertory collected over the past three fiscal years ended June 30, 2017, 2016, and 2015. Parishes serve as solicitors in the BCC and appeal to parishioners to make pledges to support the Diocese, parishes, schools, and Catholic ministries in the state of South Carolina.

As an extraordinary effort on the part of the Diocese of Charleston to strengthen the Catholic Church in the state of South Carolina, the BCC has an established case statement to ensure that the funds raised are utilized most effectively within the Diocese. The BCC case for support is broken down as follows:

- **Strengthening Our Parishes and Missions — \$30,000,000**
 - Enhance parish-level ministries to share the Gospel more effectively
 - Acquire property in high-growth areas to ensure the future of the Church
 - Strengthen the financial position of our parishes and missions
- **Forming Catholics to Believe in the Gospel — \$19,000,000**
 - Catholic School Tuition Assistance
 - Seminarian Education Fund
 - Hispanic Ministry Endowment
 - Formation Ministries Endowment
 - Continuing Education for Diaconate & Lay Leaders
 - Facilities Endowment
- **Living the Gospel through Social Outreach — \$11,000,000**
 - Social Ministries Endowment
 - St. Clare’s Home
 - Clean of Heart
 - Outreach Program Fund

The Board of Directors authorizes the use of funds from the BCC for use in the case elements identified above.

Parish Sharing – Each parish participating as a solicitor in the BCC shares in the proceeds of the campaign through a sharing arrangement. Solicitors participating in the standard campaign will receive 50% of what is raised from its parishioners to be allocated to its own local case up to the parish target. The remaining 50% will be allocated to the Foundation, for the benefit of the Diocese of Charleston. Parish sharing is calculated based upon cash received, not promises to give. Above the parish target, each solicitor will receive 75% of what is raised from parishioners with the Foundation being allocated the remaining 25%. Once a standard campaign solicitor reaches 125% of its parish target the parish will receive 100% of all amounts collected beyond 125%.

CATHOLIC COMMUNITY FOUNDATION OF SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 5—Promises to give and the Bicentennial Campaign (continued)

Parish Sharing (continued) – Parishes can optionally conduct a combined campaign instead of a standard campaign in instances where parish leadership believes that an urgent and significant local need exists. All combined campaigns are required to be approved by the Diocesan Parish Target Review Committee and must be conducted in 2018, 2019, and 2020. Combined campaigns require the parish to pursue a local goal two times (or more) of the standard campaign target, receive approval as noted above, guarantee the Foundation's 50% share of the parish target, and participate in the established Diocesan planning and building process. Combined campaigns operate on the same 50% sharing arrangement as a standard campaign with the exception that amounts that exceed the combined campaign target are shared 97% with the parish and the remaining 3% allocated to the Foundation to cover campaign and processing expenses.

Amounts for parish sharing estimated by management to be due to parishes on pledges not yet collected are presented in the statements of financial position as a reduction of promises to give. Amounts due to parishes for parish sharing on amounts collected are presented in the statements of financial position as a part of due to affiliates and amounted to \$1,653,767 and \$-0- at June 30, 2019 and 2018, respectively. The Foundation remitted funds to parishes in the amount of \$329,358 and \$-0- for the years ended June 30, 2019 and 2018, respectively.

Campaign Expenses – The Foundation has developed a budget for the BCC which includes fundraising counsel, professional services, the design and production of campaign materials, educational brochures, travel, mailings, postage, administrative expenses, and other expenses. These costs are expenses incurred by the Foundation after all parish sharing amounts have been paid.

Contributions – Parishioners have the option to participate in the BCC through outright gifts or contributions that are recognized as contributions as received.

Promises to Give – Most promises to give are designated sums for the BCC to be paid and collected over a five year period with payments made at the parishioner's option on a monthly, quarterly, semi-annual, or annual basis. Parishioners may elect to make a promise to give over a period shorter than five years at their discretion. Donors are able to restrict their gift to one or more of the Diocesan case element(s) if the gift exceeds \$100,000. Gifts made as a promise to give over a period of time are restricted to the purposes described in the BCC case statement. Management estimates an allowance for uncollectable promises to give as described in Note 2. The discount rate used for promises to give was 2.43% at June 30, 2019.

The promises to give collectable in future years as of June 30, 2019 are as follows:

2020	\$ 4,830,226
2021	3,597,619
2022	3,404,753
2023	2,895,739
2024	1,841,036
Total uncollected promises to give	16,569,373
Less estimated amounts due on parish split	(8,652,586)
Less allowance for uncollectible promises	(2,208,554)
Less unamortized discounts to net present value	(953,519)
	<u>\$ 4,754,714</u>

CATHOLIC COMMUNITY FOUNDATION OF SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 6—Notes receivable

Notes receivable consist of amounts due from parishes under the auspices of the Diocese of Charleston that are participating in the Diocese's Bicentennial Campaign as described in Note 5. These notes are due from parishes and the promissory notes are designed to conform to the timing and goals of the BCC. All notes are unsecured and non-interest bearing. A present value discount of 4.5% has been applied to recognize the time value of amounts to be paid over time with the present value discount accreted over time.

A note receivable is defined as impaired when, based on current information and events, it is probable that a parish will be unable to pay all amounts due under the contractual terms of the loan agreement. The Foundation does not generally evaluate loans for impairment, unless there is an event that arises that brings in to question a parish's ability to pay. Those loans are evaluated for impairment on an individual basis, as needed. Due to the relationship of the parishes and schools with the Diocese and the Foundation, notes are very seldom uncollectible.

	<u>2019</u>	<u>2018</u>
\$855,000 note receivable from a parish executed on January 1, 2019 with \$15,083 monthly payments beginning June 1, 2019 for a term of five years. Note is unsecured and non-interest bearing.	\$ 739,917	\$ -
\$200,000 note receivable from a parish executed on February 6, 2019 with \$3,333 monthly payments beginning June 1, 2019 for a term of five years. Note is unsecured and non-interest bearing.	200,000	-
\$605,000 note receivable from a parish executed on February 16, 2019 with \$10,083 monthly payments beginning June 1, 2020 for a term of five years. Note is unsecured and non-interest bearing.	605,000	-
\$680,000 note receivable from a parish executed on April 16, 2019 with \$11,333 monthly payments beginning June 1, 2019 for a term of five years. Note is unsecured and non-interest bearing.	646,000	-
	2,190,917	-
Less unamortized discounts to net present value	(328,020)	-
	<u>\$ 1,862,897</u>	<u>\$ -</u>

Expected maturities of the notes payable as of June 30, 2019 is summarized as follows:

<u>Years Ending June 30,</u>	
2020	\$ 1,075,917
2021	204,491
2022	272,981
2023	272,981
2024	238,981
Thereafter	125,566
	<u>\$ 2,190,917</u>

CATHOLIC COMMUNITY FOUNDATION OF SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 7—Investments and funds held in trust for affiliates

In accordance with ASC 820, *Fair Value Measures and Disclosures*, the Foundation's investments are stated at fair value. Fair value is defined as 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. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Foundation's investments are valued at fair value under Level 1 inputs at June 30, 2019 and 2018.

Investments and funds held in trust for affiliates, along with their cost, fair value, and net unrealized gain at June 30, 2019 are as follows:

	Cost	Fair Value	Net Unrealized Gain (Loss)
Cash with investment companies	\$ 832,176	\$ 832,176	\$ -
Corporate and government debt securities	14,307,218	14,468,967	161,749
Equity securities	29,623,769	35,509,509	5,885,740
	<u>\$ 44,763,163</u>	<u>\$ 50,810,652</u>	<u>\$ 6,047,489</u>

Investments and funds held in trust for affiliates, along with their cost, fair value, and net unrealized gain at June 30, 2018 are as follows:

	Cost	Fair Value	Net Unrealized Gain (Loss)
Cash with investment companies	\$ 991,755	\$ 991,755	\$ -
Corporate and government debt securities	13,817,286	13,606,935	(210,351)
Equity securities	30,134,204	36,379,486	6,245,282
	<u>\$ 44,943,245</u>	<u>\$ 50,978,176</u>	<u>\$ 6,034,931</u>

Reconciliation of the fair value of investments at June 30:

	2019	2018
Investments	\$ 642,914	\$ -
Funds held in trust for affiliates	50,167,738	50,978,176
	<u>\$ 50,810,652</u>	<u>\$ 50,978,176</u>

CATHOLIC COMMUNITY FOUNDATION OF SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 8—Funds administered for affiliates

The Foundation holds and invests funds belonging to the Chancery of the Roman Catholic Diocese of Charleston, its parishes and schools, and other affiliates in a custodial capacity. Funds are either held or invested in an externally managed investment pool in accordance with the Foundation's investment policy. Assets under the Foundation's management at June 30 are as follows:

	2019	2018
Chancery	\$ 33,923,331	\$ 34,285,930
Parishes and Schools	11,332,125	11,097,479
Catholic Charities	1,711,331	2,444,324
Priest Retirement Fund	1,316,116	1,328,210
Other affiliates	1,884,835	1,822,233
	<u>\$ 50,167,738</u>	<u>\$ 50,978,176</u>

Note 9—Net assets with donor restrictions

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

	2019	2018
Restricted for the BCC and use in subsequent years	\$ 6,226,356	\$ -
Restricted for various endowments:		
St. Francis Catholic School Endowment	644,622	-
Total restricted for various endowments	644,622	-
	<u>\$ 6,870,978</u>	<u>\$ -</u>

Note 10—Endowments

The Foundation's endowments consist of one fund established for the benefit of a Catholic school. The endowments includes donor-restricted endowments funds. As required by U.S. GAAP, the net assets associated with the endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law – The Foundation has interpreted the state of South Carolina's enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift, as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. At June 30, 2019 and 2018, 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 by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

CATHOLIC COMMUNITY FOUNDATION OF SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 10—Endowments (continued)

In accordance with UPMIFA, the Foundation considered the following factors in making their determination to appropriate or accumulate endowment funds:

1. The duration and preservation of the funds
2. The purpose of the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and appreciation of investments
6. Other resources of the Chancery
7. Investment policies of the Chancery

The following table present the Foundation's endowment net asset classification and composition. Endowment net assets composition by type of fund at June 30, 2019:

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment fund	\$ -	\$ 644,622	\$ 644,622
	<u>\$ -</u>	<u>\$ 644,622</u>	<u>\$ 644,622</u>

No endowment funds were held by the Foundation as of June 30, 2018.

Funds with Deficiencies – 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. No such deficiencies existed at June 30, 2019 or 2018.

Strategies Employed for Achieving Investment Objectives – The Foundation follows an investment policy with long-term growth as the main objective. The Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation utilizes a diversified asset allocation, with greater emphasis on equity-based investments, to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy – The Foundation has a policy of appropriating for distribution each year, as determined by the investment committee and approved by the Bishop, 5% of its endowment funds average fair value over the prior 36 months (or since inception, if shorter) as of June 30 (measurement date) each year and allows spending from underwater endowments. In establishing these policies, the Foundation considered the expected return on its endowment. Accordingly, the Foundation expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate equal to planned payouts. Additional real growth will be provided through new gifts and excess investment return.

CATHOLIC COMMUNITY FOUNDATION OF SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 10—Endowments (continued)

As a community foundation, the Foundation holds and manages endowments for the benefit of Diocesan and non-Diocesan Catholic entities. The Foundation owns and controls these endowment funds and spending on these funds is governed by an endowment fund plan. Certain endowment fund plans may allow for distributions of up to 20% of fund principal for the stated purpose in the plan, but only in the event of extraordinary need, emergency or other crisis. Distributions of principal are subject to the approval of two-thirds of the Foundation Board, the Pastor, and the Bishop.

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

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ -	\$ -	\$ -
Total investment return	-	42,914	42,914
Contributions	-	601,708	601,708
Appropriation of endowment assets for expenditure	-	-	-
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 644,622</u>	<u>\$ 644,622</u>

At June 30, 2019 and 2018, there were no underwater endowments.

Note 11—Related party transactions with affiliates

The Foundation operates as the community foundation and fund-raising vehicle of the Roman Catholic Diocese of Charleston. The Chancery provides management services to the Foundation for accounting, administrative, and other essential services at no charge. Expenses paid by the Chancery on the Foundation's behalf are recorded as expenses on the Foundation's statement of activities as expenses when incurred, with amounts due to the Chancery (due to affiliates on the statements of financial position). For the year ended June 30, 2019 and 2018, expenses related to these expenses paid by the Chancery on the behalf of the Foundation totaled \$1,718,422 and \$374,607, respectively. Amounts due to the Chancery at June 30, 2019 and 2018 were \$2,128,833 and \$417,528, respectively. Amounts due to the Chancery are repaid from time to time at the discretion of management.

As described in Note 5, the Foundation is serving as the fund-raising arm of the Diocese of Charleston for the Bicentennial Campaign launched in 2019. As part of this campaign, parishes have the option to participate in the BCC as part of standard or shared campaign, both of which result in portions of amounts collected as contributions and promises to give due back to the parishes as part of parish sharing. These amounts are recorded as a liability to the parish as described in Note 5 and were \$1,653,767 and \$-0- at June 30, 2019 and 2018, respectively. These amounts are included in due to affiliates on the statements of financial position.

As described in Note 7, the Foundation manages investments for various parishes, schools, and other affiliates of the Diocese of Charleston. These funds are held in trust and all investment related gains or losses are reflected as changes in funds administered for affiliates. At June 30, 2019 and 2018, the Foundation held amounts due to parishes or schools for stock proceeds in the amount of \$10,556 and \$69,330, respectively. These amounts are included in due to affiliates on the statements of financial position.

CATHOLIC COMMUNITY FOUNDATION OF SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

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Note 12—Subsequent events

Toward the end of December 2019, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. During 2020, there have been various mandates and/or requests from federal, state, and local authorities resulting in uncertainty in the business environment and instability in the investment market. It is not currently possible to reliably estimate the length or severity of this outbreak and hence its financial impact. Management will continue to assess the impact of this outbreak on the Foundation's investments and the collectability of promises to give.

The Foundation has evaluated subsequent events through November 6, 2020, which is the date these financial statements were available to be issued.