

**CATHOLIC EDUCATION FOUNDATION OF THE
ARCHDIOCESE OF WASHINGTON, INC.**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020



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**CATHOLIC EDUCATION FOUNDATION OF THE ARCHDIOCESE OF WASHINGTON, INC.
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YEARS ENDED JUNE 30, 2021 AND 2020**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Catholic Education Foundation of the Archdiocese of Washington, Inc.
Hyattsville, Maryland

We have audited the accompanying financial statements of Catholic Education Foundation of the Archdiocese of Washington, Inc., which comprise the statements of financial position as of June 30, 2021 and 2020, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

Board of Directors
Catholic Education Foundation of the Archdiocese of Washington, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catholic Education Foundation of the Archdiocese of Washington, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
December 7, 2021

CATHOLIC EDUCATION FOUNDATION OF THE ARCHDIOCESE OF WASHINGTON, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash (note 1(d))	\$ 6,728,805	\$ 4,575,790
Contributions receivable, net (notes 1(e), 4 and 7)	260,790	441,542
Funds held by others (note 1(f))	10,640	10,822
Investments (note 3)	17,660,708	15,923,330
Total assets	\$ 24,660,943	\$ 20,951,484
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 19,840	\$ 19,485
Payable to affiliates (note 7)	105,100	115,101
Deferred revenue	-	450
Funds held on behalf of others (notes 1(h))	-	9,550
Total liabilities	124,940	144,586
NET ASSETS		
Net assets without donor restrictions	11,323,526	8,454,649
Net assets with donor restrictions (notes 5 and 6)	13,212,477	12,352,249
Total net assets	24,536,003	20,806,898
Total liabilities and net assets	\$ 24,660,943	\$ 20,951,484

CATHOLIC EDUCATION FOUNDATION OF THE ARCHDIOCESE OF WASHINGTON, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS AND OTHER SUPPORT			
Contributions, donations, and gifts	\$ -	\$ 5,946,133	\$ 5,946,133
Administrative fees	450	-	450
Net assets released from restrictions	5,613,661	(5,613,661)	-
Total revenue, gains and other support	5,614,111	332,472	5,946,583
EXPENSES			
Program services:			
Tuition assistance	5,613,661	-	5,613,661
Total program services	5,613,661	-	5,613,661
Management and general	341,209	-	341,209
Total expenses	5,954,870	-	5,954,870
Change in net assets from operations	(340,759)	332,472	(8,287)
NON-OPERATING ACTIVITIES			
Net investment income	3,209,636	527,756	3,737,392
CHANGE IN NET ASSETS	2,868,877	860,228	3,729,105
Net assets, beginning of year	8,454,649	12,352,249	20,806,898
NET ASSETS, END OF YEAR	\$ 11,323,526	\$ 13,212,477	\$ 24,536,003

CATHOLIC EDUCATION FOUNDATION OF THE ARCHDIOCESE OF WASHINGTON, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS AND OTHER SUPPORT			
Contributions, donations, and gifts	\$ -	\$ 4,141,937	\$ 4,141,937
Change in funds held by others	-	11,204	11,204
Administrative fees	14,850	-	14,850
Net assets released from restrictions	5,653,102	(5,653,102)	-
Total revenue, gains and other support	5,667,952	(1,499,961)	4,167,991
EXPENSES			
Program services:			
Tuition assistance	5,868,362	-	5,868,362
Total program services	5,868,362	-	5,868,362
Management and general	355,135	-	355,135
Total expenses	6,223,497	-	6,223,497
Change in net assets from operations	(555,545)	(1,499,961)	(2,055,506)
NON-OPERATING ACTIVITIES			
Net investment income	114,235	17,723	131,958
Transfer of ownership of net assets (note 9)	(590,413)	(1,113,086)	(1,703,499)
CHANGE IN NET ASSETS	(1,031,723)	(2,595,324)	(3,627,047)
Net assets, beginning of year	9,486,372	14,947,573	24,433,945
NET ASSETS, END OF YEAR	\$ 8,454,649	\$ 12,352,249	\$ 20,806,898

**CATHOLIC EDUCATION FOUNDATION OF THE ARCHDIOCESE OF WASHINGTON, INC.
 STATEMENT OF FUNCTIONAL EXPENSES
 YEAR ENDED JUNE 30, 2021**

	Program Services - Tuition Assistance	Management and General	Total
Tuition assistance	\$ 5,613,661	\$ -	\$ 5,613,661
Administrative services	-	320,000	320,000
Professional fees	-	21,209	21,209
 Total expenses	 \$ 5,613,661	 \$ 341,209	 \$ 5,954,870

CATHOLIC EDUCATION FOUNDATION OF THE ARCHDIOCESE OF WASHINGTON, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	Program Services - Tuition Assistance	Management and General	Total
Tuition assistance	\$ 5,868,362	\$ -	\$ 5,868,362
Administrative services	-	320,000	320,000
Professional fees	-	35,135	35,135
 Total expenses	 \$ 5,868,362	 \$ 355,135	 \$ 6,223,497

CATHOLIC EDUCATION FOUNDATION OF THE ARCHDIOCESE OF WASHINGTON, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,729,105	\$ (3,627,047)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Unrealized investment gains	(3,737,378)	(131,833)
Net asset transfer to CPA	-	1,703,499
Contributions collected and revenues restricted for long term investments	(67,735)	(390)
Decrease (increase) in assets:		
Contributions receivable	180,752	59,983
Funds held by others	182	(9,811)
Increase (decrease) in liabilities:		
Accounts payable	355	(9,234)
Deferred revenue	(450)	(15,975)
Payable due to affiliates	(10,001)	82,219
Funds held on behalf of others	(9,550)	(272,213)
	85,280	(2,220,802)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	2,000,000	-
	2,000,000	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from revenues restricted for investment in endowment	67,735	390
	67,735	390
NET CHANGE IN CASH	2,153,015	(2,220,412)
Cash, beginning of year	4,575,790	6,796,202
CASH, END OF YEAR	\$ 6,728,805	\$ 4,575,790

CATHOLIC EDUCATION FOUNDATION OF THE ARCHDIOCESE OF WASHINGTON, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Organization

Catholic Education Foundation of the Archdiocese of Washington, Inc. (Catholic Education Foundation) (formerly named Cornerstone for Tomorrow, Inc.) was incorporated as a 501(c)(3) corporation on April 22, 1988. The purpose of Catholic Education Foundation is to support Catholic education in the Archdiocese of Washington. Catholic Education Foundation operates exclusively for charitable and educational purposes, including, but not limited to, the stewardship of funds received from donors and the distribution of these funds in the form of tuition assistance to entities of the Archdiocese of Washington, or other Catholic entities approved by the Roman Catholic Archbishop of Washington, in order for students to attend Catholic schools.

(b) Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) on the accrual basis of accounting.

(c) Estimates

The preparation of financial statements in conformity with U.S. GAAP requires Catholic Education Foundation to make certain estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(d) Cash

Catholic Education Foundation maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. Catholic Education Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash balances.

(e) Contributions Receivable

Contributions are recognized as revenue in the period received or pledged by the donor. Contributions receivable are initially recorded net of a discount for the time value of money for payments to be received in future years and net of an allowance for uncollectible amounts. The contributions receivable are subsequently adjusted for accretion of discount and changes in estimates of collectability.

(f) Funds Held By Others

Funds held by others includes beneficial interests in trusts administered on behalf of Catholic Education Foundation by independent financial institutions. The amounts are recorded at fair value as reported by the financial institution. Funds held by others also includes annuities which are administered by the Central Pastoral Administration of the Archdiocese of Washington (CPA) for the benefit of Catholic Education Foundation.

CATHOLIC EDUCATION FOUNDATION OF THE ARCHDIOCESE OF WASHINGTON, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Investments

Investments are recorded at fair value, which is determined using quoted market prices or, with respect to investments without quoted market prices, at estimated fair values provided by external investment managers. Management reviews and evaluates the fair values provided by the external investment managers and believes that the valuation methods and assumptions used in determining their estimated fair values are reasonable.

(h) Funds Held on Behalf of Others

Catholic Education Foundation has undertaken a special fundraising campaign for contributions for Catholic education on behalf of itself as well as for certain other Catholic educational institutions. Funds raised for others are recorded as a liability until paid to the related entities. Those entities pay an administrative fee to Catholic Education Foundation to help recover a portion of the fundraising costs.

(i) Revenue Recognition and Net Assets

Net assets and revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions; accordingly, the net assets of Catholic Education Foundation and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions. This category includes amounts for general use in operations and board-designated net assets, which are funds designated for specific purposes by the Board of Directors (see Note 5).

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Generally, the donors of these assets permit Catholic Education Foundation to use all or part of the income earned on related investments for general or specific purposes. 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.

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Contributions, which include unconditional promises to give, are recognized as revenue in the period the promise is made by the donor. Conditional promises to give, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. At the time the conditions are met, those promises become unconditional and are recognized as contributions with or without donor restrictions. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift.

CATHOLIC EDUCATION FOUNDATION OF THE ARCHDIOCESE OF WASHINGTON, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Revenue Recognition and Net Assets (continued)

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional revenue and used in accordance with donor-imposed restrictions, if any, on the contributions.

(j) Administrative Services

CPA provides administrative services to Catholic Education Foundation. Catholic Education Foundation reimbursed CPA for these services totaling \$320,000 each for the years ended June 30, 2021 and 2020.

(k) Measure of Operations

Catholic Education Foundation has chosen to present changes in net assets from operations. Net investment income is excluded from the operating measure.

(l) Income Taxes

Catholic Education Foundation is exempt from federal income tax, except on unrelated activities, under the provisions of Section 501(c)(3) of the Internal Revenue Code. No provision has been made for income taxes during the fiscal years ended June 30, 2021 and 2020, as Catholic Education Foundation had no significant unrelated business income.

Tax positions are recognized or derecognized based on a more-likely than-not threshold. This applies to positions taken or expected to be taken in a tax return. The Catholic Education Foundation recognizes interest accrued related to unrecognized tax benefits and penalties related to unrecognized tax benefits in accounts payable and accrued liabilities, if assessed. No interest expense or penalties have been recognized as of and for the years ended June 30, 2021 and 2020. Management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

(m) Tuition Assistance Grants

Tuition assistance grants are approved as a not-to-exceed total by the board of directors and distributed in the following fiscal year. As of June 30, 2021, the board of directors approved up to \$6,200,000 for tuition assistance grants for the next fiscal year. With the exception of amounts approved for guaranteed funding schools, tuition assistance grants to specific schools are treated as intentions to give that become an obligation in the following year based on enrollment and specific requests of each school. Certain schools within the Archdiocese of Washington are guaranteed funding schools for which the board approves a set amount of assistance. These amounts are conditional promises to give that are recognized and paid to those schools when the performance barriers have been satisfied. The barriers are satisfied when the applications demonstrating a financial need have been approved by the school and the student has enrolled and begun to attend class. The Catholic Education Foundation has the right of release from this commitment if the barriers are not met. As of both June 30, 2021 and 2020, conditional promises to give to the guaranteed funding schools was \$1,960,000. The timing of tuition assistance payments is dependent on the cash flow needs of each school.

CATHOLIC EDUCATION FOUNDATION OF THE ARCHDIOCESE OF WASHINGTON, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. The statement of functional expenses presents the natural classification detail of expenses by function. All costs are directly assigned to the program services or management and general expenses as applicable.

(o) Liquidity

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 as of June 30:

	2021	2020
Cash	\$ 6,728,805	\$ 4,575,790
Contributions receivable, net of amounts to be given to others	260,790	431,992
Funds held by others	10,640	10,822
Investments	17,660,708	15,923,330
	24,660,943	20,941,934
Less:		
Amounts subject to donor restrictions	(13,212,477)	(12,352,249)
Amounts subject to board designations	(1,069,648)	(6,828,157)
	\$ 10,378,818	\$ 1,761,528

Catholic Education Foundation maintains an investment portfolio that is subject to an investment policy designed to invest and grow its endowment funds. Catholic Education Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

(p) Subsequent Events

In preparing these financial statements, Catholic Education Foundation has evaluated events and transactions for potential recognition or disclosure through December 7, 2021, the date that the financial statements were available to be issued.

CATHOLIC EDUCATION FOUNDATION OF THE ARCHDIOCESE OF WASHINGTON, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 CONCENTRATIONS

Credit Risk

Catholic Education Foundation invests in various investment securities. Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of financial position.

Revenue

During the year ended June 30, 2021, Catholic Education Foundation recognized \$2,000,000 in contributions from a single donor. In addition, contributions from CPA and other related parties totaled approximately \$3,600,000 and \$3,700,000 for the years ended June 30, 2021 and 2020, respectively. These related party sources of revenue combined equal 61% and 89% of total contribution revenue for the years ended June 30, 2021 and 2020, respectively.

NOTE 3 INVESTMENTS AND FAIR VALUE MEASUREMENTS

Fair value refers to the price that would be received upon selling an asset or the price paid to transfer a liability (an exit price) in the principal or most advantageous market for an asset or liability in an orderly transaction between market participants at the reporting date. In accordance with the authoritative guidance on fair value measurements and disclosures under U.S. GAAP, as a practical expedient, an entity holding investments in certain entities that calculate NAV per share or its equivalent for which the fair value is not readily determinable, is permitted to measure the fair value of such investments on the basis of that NAV per share or its equivalent without adjustment.

Management uses its best judgment in estimating the fair value of Catholic Education Foundation's investments including its consideration on the use of NAV as a practical expedient. There are inherent limitations in any estimation technique. Because of the inherent uncertainty of valuation, this estimated fair value may differ significantly from the value that would have been used had a ready market for the investments existed, and the difference could be significant.

Catholic Education Foundation entered into a Trust Agreement with the Catholic Investment Trust of Washington (CITW) on March 29, 2012. Pursuant to this agreement, the Catholic Education Foundation transferred its long-term investments to CITW effective April 2, 2012. The Catholic Education Foundation owns only its interest in CITW and has no claim on the interest held by other participants in CITW and no other participants have a claim on the Catholic Education Foundation's interest in CITW.

CATHOLIC EDUCATION FOUNDATION OF THE ARCHDIOCESE OF WASHINGTON, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 3 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Effective July 1, 2014, CITW entered into a limited partnership agreement with Cambridge Associates Resources, LLC, as General Partner, creating CITW Fund LP. CITW Fund LP invests in publicly-traded stocks, exchange-traded funds, mutual funds, bonds, derivative contracts, unaffiliated limited partnerships, limited liability companies, private equity, and/or venture capital funds. CITW Fund LP generally seeks to achieve long-term equity-like returns through broadly diversifying by asset class, investment manager, geography, economic sector, and security.

For the years ended June 30, 2021 and 2020, CITW invested in CITW Fund LP, which maintains two portfolios, Liquid and Illiquid. The investment objective of each portfolio, consistent with the Investment Policy Statement approved by CITW's Board of Trustees, is long-term total return net of fees exceeds the aggregate Portfolio benchmark's total return with less risk.

Redemptions from CITW Fund LP are permitted quarterly upon written notice received by the General Partner at least one week prior to the fiscal quarter end, although earlier is encouraged. The General Partner has the discretion to suspend withdrawals if considered necessary to prevent an adverse impact on CITW Fund LP. Amounts held in the Illiquid portfolio were approximately 14% of the total balance as of June 30, 2021 and were not available for redemption.

In accordance with ASC subtopic 820-10, *Fair Value Measurement – Overall*, the investments measured at NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value of the investments in CITW of \$17,660,708 and \$15,923,330 at June 30, 2021 and 2020, respectively, is estimated using the NAV as a practical expedient. There are no unfunded commitments for this investment.

NOTE 4 CONTRIBUTIONS RECEIVABLE

Contributions receivable totaled \$260,790 and \$441,542 as of June 30, 2021 and 2020, respectively, all of which were expected to be collected in less than one year. The balance at June 30, 2021 includes a receivable due from a related party of \$10,790, as discussed in Note 7.

CATHOLIC EDUCATION FOUNDATION OF THE ARCHDIOCESE OF WASHINGTON, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 5 NET ASSETS

Net Assets without Donor Restrictions

The following table summarizes the nature of the net assets without donor restrictions as of June 30:

	<u>2021</u>	<u>2020</u>
Board-designated endowment funds:		
Tuition assistance (high school/elementary)	\$ -	\$ 5,758,509
Designated for tuition assistance	1,069,648	1,069,648
Undesignated	10,253,878	1,626,492
Net assets without donor restrictions	<u>\$ 11,323,526</u>	<u>\$ 8,454,649</u>

Net Assets with Donor Restrictions

The following table summarizes the nature of the net assets with donor restrictions and the purposes for which such net assets may be used as of June 30:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Tuition assistance (high school/elementary)	\$ 9,631,383	\$ 9,002,150
Subject to endowment spending policy and appropriation:		
Tuition assistance (high school/elementary)	3,581,094	3,357,237
Underwater endowments	-	(7,138)
Net assets with donor restrictions	<u>\$ 13,212,477</u>	<u>\$ 12,352,249</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Satisfaction of purpose restrictions:		
Tuition assistance (high school/elementary)	\$ 5,316,903	\$ 5,381,641
Restricted purpose spending-rate distributions and appropriations:		
Tuition assistance (high school/elementary)	296,758	271,461
Net assets released from donor restrictions	<u>\$ 5,613,661</u>	<u>\$ 5,653,102</u>

CATHOLIC EDUCATION FOUNDATION OF THE ARCHDIOCESE OF WASHINGTON, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 6 ENDOWMENTS

Effective January 23, 2008, the District of Columbia enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the provisions of which apply to funds existing on or established after that date. The State of Maryland enacted UPMIFA effective April 14, 2009.

The board of directors of Catholic Education Foundation (the Board) has interpreted UPMIFA as allowing Catholic Education Foundation to spend or accumulate the amount of an endowment fund that Catholic Education Foundation determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. As a result of this interpretation, Catholic Education Foundation retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the endowment funds, and (b) any accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, Catholic Education Foundation considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of Catholic Education Foundation and the donor restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of Catholic Education Foundation, and (7) the investment policies of the Catholic Education Foundation.

Endowment net assets composition by type of fund were as follows as of June 30:

June 30, 2021	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ -	\$ -	\$ -
Donor-restricted endowment funds:			
Original donor-restricted gift amounts and amounts required to be maintained in perpetuity	-	3,196,617	3,196,617
Accumulated investment gains	-	384,479	384,479
	\$ -	\$ 3,581,096	\$ 3,581,096
June 30, 2020	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 5,758,509	\$ -	\$ 5,758,509
Donor-restricted endowment funds			
Original donor-restricted gift amounts and amounts required to be maintained in perpetuity	-	3,128,882	3,128,882
Accumulated investment gains	-	221,216	221,216
	\$ 5,758,509	\$ 3,350,098	\$ 9,108,607

CATHOLIC EDUCATION FOUNDATION OF THE ARCHDIOCESE OF WASHINGTON, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 6 ENDOWMENTS (CONTINUED)

Catholic Education Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that Catholic Education Foundation must hold in perpetuity or for donor specified period(s) as well as designated funds. Under this policy, as approved by the Board, Catholic Education Foundation expects its endowment funds, over time, to provide an average rate of return that, net of fees, exceeds the aggregate benchmark's total return with less risk. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, Catholic Education 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). Catholic Education Foundation targets a diversified asset allocation that places a greater emphasis on equity based investments to achieve its long-term return objectives within prudent risk constraints.

Catholic Education Foundation's policy includes the following: the classification of restricted gifts, the investment of restricted gifts, the definition of income earned, and the calculation of annual distributions. Gifts are pooled and invested to ensure assets increase over time thereby enhancing the funds' long-term health and fiscal viability. Income earned includes interest, dividends, and realized/unrealized gains and losses unless otherwise specified by the donor. Distributions can be made annually at a rate not to exceed 4% of the sum of the fair market value of the endowment assets and the income earned (which are classified as net assets with donor restrictions) using a three-year rolling average.

Changes in endowment net assets are as follows for the years ended June 30:

<u>June 30, 2021</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 5,758,509	\$ 3,350,098	\$ 9,108,607
Investment return, net	-	527,756	527,756
Appropriation of endowment assets pursuant to spending policy	-	(296,758)	(296,758)
Distribution from board-designated pursuant to distribution policy	(5,758,509)	-	(5,758,509)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 3,581,096</u>	<u>\$ 3,581,096</u>

CATHOLIC EDUCATION FOUNDATION OF THE ARCHDIOCESE OF WASHINGTON, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 6 ENDOWMENTS (CONTINUED)

June 30, 2020	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 6,537,223	\$ 4,470,977	\$ 11,008,200
Investment return, net	26,959	17,363	44,322
Appropriation of endowment assets			
pursuant to spending policy	-	(271,461)	(271,461)
Distribution from board-designated			
pursuant to distribution policy	(215,259)	-	(215,259)
Transfer of ownership of net assets	(590,414)	(866,781)	(1,457,195)
Endowment net assets, end of year	<u>\$ 5,758,509</u>	<u>\$ 3,350,098</u>	<u>\$ 9,108,607</u>

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). Catholic Education Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. A fund with an original gift value of \$535,264 and a deficiency of \$7,138 at June 30, 2020, was reported in net assets with donor restrictions. There was no deficiency at June 30, 2021.

NOTE 7 RELATED PARTY TRANSACTIONS

Catholic Education Foundation has significant transactions with related entities of the Archdiocese of Washington. Below is a summary of the impact of these transactions with related parties on the statements of financial position and the statements of activities as of and for the years ended June 30:

	2021	2020
Statements of Financial Position:		
Receivable due from Central Pastoral Administration (CPA)	\$ 10,095	\$ -
Receivable due from a parish	695	-
Funds held by CPA	10,640	10,822
Payable to affiliates:		
Consortium of Catholic Academies	105,100	-
Central Pastoral Administration	-	115,101
Funds held on behalf of others (note 5)	-	9,550
Statement of Activities:		
Contributions for tuition assistance from CPA and parishes	2,288,622	2,342,647
Contributions for tuition assistance from Forward in Faith	1,359,000	1,337,000
Tuition assistance expense for Archdiocesan Catholic schools	5,233,926	5,448,851
Expenses incurred with CPA:		
Management and general paid to CPA	320,000	320,000

A member of the Board of Catholic Education Foundation is also a member of the board of trustees of CITW and a member of the Archdiocesan finance council.

CATHOLIC EDUCATION FOUNDATION OF THE ARCHDIOCESE OF WASHINGTON, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 8 NET ASSET TRANSFER TO CPA

During fiscal year 2020, the board of directors of the Catholic Education Foundation approved a one-time transfer of certain net assets from Catholic Education Foundation to the Central Pastoral Administration. The net assets include board-designated and donor-restricted amounts for seminarian education. It was determined that the net assets better support one of the programs of the Central Pastoral Administration, formation of priests, as opposed to the purpose of Catholic Education Foundation, to provide tuition assistance for students to attend Catholic schools. The transfer of \$1,703,499 is recorded as non-operating activity in the accompanying statement of activities for the year ended June 30, 2020.