

THE CATHOLIC FOUNDATION OF THE ROMAN
CATHOLIC DIOCESE OF ERIE, INC. D/B/A
CATHOLIC FOUNDATION OF NORTHWEST PENNSYLVANIA

FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

THE CATHOLIC FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF
ERIE, INC. D/B/A CATHOLIC FOUNDATION OF NORTHWEST PENNSYLVANIA

TABLE OF CONTENTS

	<u>PAGE NO.</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF FUNCTIONAL EXPENSES	5
STATEMENTS OF CASH FLOWS	6
NOTES TO THE FINANCIAL STATEMENTS	7 - 21

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Catholic Foundation of the Roman Catholic Diocese
of Erie, Inc. d/b/a Catholic Foundation of
Northwest Pennsylvania
Erie, Pennsylvania

REPORT OF THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of The Catholic Foundation of the Roman Catholic Diocese of Erie, Inc. d/b/a Catholic Foundation of Northwest Pennsylvania (Foundation), which comprise the statements of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

The Catholic Foundation of the Roman Catholic Diocese
of Erie, Inc. d/b/a Catholic Foundation of
Northwest Pennsylvania

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2020, 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.

OTHER MATTER

The financial statements of the Foundation for the year ended December 31, 2019, were audited by another auditor whose report dated May 5, 2020, included emphasis-of-matter paragraphs that described the change in the Foundation's method of recognizing revenue with customers and clarifying the accounting for contributions and grants discussed in Footnotes "A" and "J" to those financial statements, and expressed an unmodified opinion on those financial statements.

Black, Bashor & Porsch, LLP

Sharon, Pennsylvania

June 18, 2021

THE CATHOLIC FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF
ERIE, INC. D/B/A CATHOLIC FOUNDATION OF NORTHWEST PENNSYLVANIA

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

A S S E T S

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 664,159	\$ 519,868
Accounts Receivable	-	135,000
Cash Surrender Value of Life Insurance	11,869	10,197
Prepaid Expenses	-	2,072
Investments, at Fair Value	<u>19,557,809</u>	<u>15,681,374</u>
 <u>TOTAL ASSETS:-</u>	 <u>\$ 20,233,837</u>	 <u>\$ 16,348,511</u>

L I A B I L I T I E S A N D N E T A S S E T S

LIABILITIES:-

Accounts Payable	\$ 18,206	\$ 39,887
Accrued Liabilities	15,323	7,522
Amounts Held for Others	<u>6,600,160</u>	<u>5,827,126</u>
 <u>TOTAL LIABILITIES:-</u>	 <u>6,633,689</u>	 <u>5,874,535</u>

NET ASSETS:-

Without Donor Restrictions	13,181,745	9,524,839
With Donor Restrictions	<u>418,403</u>	<u>949,137</u>
 <u>TOTAL NET ASSETS:-</u>	 <u>13,600,148</u>	 <u>10,473,976</u>
 <u>TOTAL LIABILITIES AND NET ASSETS:-</u>	 <u>\$ 20,233,837</u>	 <u>\$ 16,348,511</u>

The Accompanying Notes are an Integral Part of These Financial Statements

THE CATHOLIC FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF
ERIE, INC. D/B/A CATHOLIC FOUNDATION OF NORTHWEST PENNSYLVANIA

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTALS	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTALS
<u>REVENUES, GAINS, AND OTHER</u>						
<u>SUPPORT:-</u>						
Contributions	\$ 1,951,586	\$ -	\$ 1,951,586	\$ 236,648	\$ -	\$ 236,648
Grant - Related Party	370,000	-	370,000	435,000	-	435,000
Administrative Revenue from Funds	27,774	-	27,774	45,512	-	45,512
Service Agreement Revenue	74,996	-	74,996	69,996	-	69,996
Investment Income, Net	142,529	3,527	146,056	205,574	19,432	225,006
Net Realized and Unrealized Gain on Investments	1,222,440	34,964	1,257,404	1,405,405	151,192	1,556,597
Net Assets Released from Restriction	569,225	(569,225)	-	38,417	(38,417)	-
 <u>TOTAL REVENUES, GAINS, AND OTHER SUPPORT:-</u>	 4,358,550	 (530,734)	 3,827,816	 2,436,552	 132,207	 2,568,759
 <u>EXPENSES:-</u>						
Grants Awarded	329,660	-	329,660	386,344	-	386,344
Program	213,004	-	213,004	203,435	-	203,435
Management and General	150,615	-	150,615	190,836	-	190,836
Fundraising	56,780	-	56,780	54,522	-	54,522
 <u>TOTAL EXPENSES:-</u>	 750,059	 -	 750,059	 835,137	 -	 835,137
 <u>OTHER CHANGES:-</u>						
Debt Forgiveness - Payroll Protection Loan	48,415	-	48,415	-	-	-
 <u>CHANGE IN NET ASSETS:-</u>	 3,656,906	 (530,734)	 3,126,172	 1,601,415	 132,207	 1,733,622
 <u>NET POSITION - BEGINNING OF YEAR:-</u>	 9,524,839	 949,137	 10,473,976	 7,923,424	 816,930	 8,740,354
 <u>NET POSITION - END OF YEAR:-</u>	 <u>\$ 13,181,745</u>	 <u>\$ 418,403</u>	 <u>\$ 13,600,148</u>	 <u>\$ 9,524,839</u>	 <u>\$ 949,137</u>	 <u>\$ 10,473,976</u>

The Accompanying Notes are an Integral Part of These Financial Statements

THE CATHOLIC FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF
ERIE, INC. D/B/A CATHOLIC FOUNDATION OF NORTHWEST PENNSYLVANIA

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			
	PROGRAM EXPENSES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Grants Awarded	\$ 329,660	\$ -	\$ -	\$ 329,660
Salaries and Benefits	167,629	95,375	26,011	289,015
Professional Services	-	24,367	-	24,367
Community Awareness/Advertising	12,811	-	6,898	19,709
Office Supplies	6,738	446	271	7,455
Sponsored Conferences and Travel	1,496	494	1,002	2,992
Consulting Fees	-	9,481	-	9,481
Gifts and Donations	1,464	-	-	1,464
Life Insurance Premiums	-	-	93	93
Diocese Service Fees	20,000	20,000	20,000	60,000
Other Expenses	2,866	452	2,505	5,823
	<u>\$ 542,664</u>	<u>\$ 150,615</u>	<u>\$ 56,780</u>	<u>\$ 750,059</u>
<u>TOTAL:-</u>	<u>\$ 542,664</u>	<u>\$ 150,615</u>	<u>\$ 56,780</u>	<u>\$ 750,059</u>
	2019			
	PROGRAM EXPENSES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Grants Awarded	\$ 386,344	\$ -	\$ -	\$ 386,344
Salaries and Benefits	158,426	89,456	25,267	273,149
Professional Services	-	62,800	-	62,800
Community Awareness/Advertising	10,190	-	5,487	15,677
Office Supplies	1,006	1,747	325	3,078
Sponsored Conferences and Travel	5,400	425	1,445	7,270
Consulting Fees	-	15,979	-	15,979
Gifts and Donations	5,756	-	-	5,756
Life Insurance Premiums	-	-	140	140
Diocese Service Fees	20,000	20,000	20,000	60,000
Other Expenses	2,657	429	1,858	4,944
	<u>\$ 589,779</u>	<u>\$ 190,836</u>	<u>\$ 54,522</u>	<u>\$ 835,137</u>
<u>TOTAL:-</u>	<u>\$ 589,779</u>	<u>\$ 190,836</u>	<u>\$ 54,522</u>	<u>\$ 835,137</u>

The Accompanying Notes are an Integral Part of These Financial Statements

THE CATHOLIC FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF
ERIE, INC. D/B/A CATHOLIC FOUNDATION OF NORTHWEST PENNSYLVANIA

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:-</u>		
Change in Net Assets	\$ 3,126,172	\$ 1,733,622
<u>Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities -</u>		
Net Realized and Unrealized Gain on Investments	(1,257,404)	(1,556,597)
<u>Changes in -</u>		
Accounts Receivable	135,000	(105,000)
Cash Surrender Value of Life Insurance	(1,672)	(1,625)
Prepaid Expenses	2,072	-
Accounts Payable	(21,681)	(34,038)
Other Accrued Liabilities	7,801	804
Amounts Held for Others	773,034	2,352,957
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES:-</u>	<u>2,763,322</u>	<u>2,390,123</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:-</u>		
Proceeds from Sale of Investments	9,410,328	3,883,318
Purchases of Investments	(12,029,359)	(6,147,958)
<u>NET CASH USED BY INVESTING ACTIVITIES:-</u>	<u>(2,619,031)</u>	<u>(2,264,640)</u>
<u>NET INCREASE IN CASH AND CASH EQUIVALENTS:-</u>	144,291	125,483
<u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR:-</u>	<u>519,868</u>	<u>394,385</u>
<u>CASH AND CASH EQUIVALENTS - END OF YEAR:-</u>	<u>\$ 664,159</u>	<u>\$ 519,868</u>

The Accompanying Notes are an Integral Part of These Financial Statements

THE CATHOLIC FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF
ERIE, INC. D/B/A CATHOLIC FOUNDATION OF NORTHWEST PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDING DECEMBER 31, 2020 AND 2019

1. NATURE OF ORGANIZATION AND OPERATIONS

NATURE OF OPERATIONS

The Catholic Foundation of the Roman Catholic Diocese of Erie, Inc. d/b/a Catholic Foundation of Northwest Pennsylvania (Foundation) is a public charity serving donors who want to support the Catholic community in northwest Pennsylvania. As a community foundation, the Foundation encourages the establishment of new charitable endowment funds to ensure long-term resources for the education, social and pastoral ministries in the Diocese of Erie. The Foundation also offers investment oversight for organizations that hold endowments with the Foundation. Revenues and other support for the Foundation are derived principally from the Diocese of Erie and from individual donors' contributions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

BASIS OF PRESENTATION

The Organization reports information regarding its financial position and activities according to two (2) classes of net assets: net assets without donor restrictions, and net assets with donor restrictions.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions 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 revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Accordingly, actual results could differ from those estimates.

ENDOWMENT INVESTMENT POLICY

The Foundation's investment objective is to provide long-term growth of principal and generation of income sufficient to offset distributions and investment fees and preserve the purchasing power of the Foundation. To accomplish this objective, the Foundation maintains a diversified portfolio of investments consisting of equity and debt securities with readily determinable fair values. The Foundation maintains a prudent risk policy through its Investment Policy Statement and the asset allocation described therein that is consistent with its public nature and the position of the Foundation.

THE CATHOLIC FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF
ERIE, INC. D/B/A CATHOLIC FOUNDATION OF NORTHWEST PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDING DECEMBER 31, 2020 AND 2019

ENDOWMENT INVESTMENT SPENDING POLICY

The Commonwealth of Pennsylvania has not adopted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The Commonwealth of Pennsylvania has enacted Act 141 (the Act). The Act allows the Foundation to elect a "total return" investment policy in regard to its endowment. Income is defined by the Act to mean a fixed percentage of the "value of the assets" held by the Foundation, not less than 2 percent or more than 7 percent. The "value of the assets" for purposes of the Act, is the average fair value of the assets over a three-year period (or the average value of the assets over any shorter period in the cases of assets held less than three (3) years). The Foundation adopted a total return investment policy with a spending policy of 4.0 percent and 5.0 percent for the years ended December 31, 2020 and 2019, respectively, based on the three-year average (12 quarters) fair value of the endowment's investments as of June 30th of the prior year. This spending policy determines the funds available for grant making and administrative expenses (appropriated). This calculation excludes funds where the spending policy would reduce the individual fund balances below its stipulated minimum.

CASH AND CASH EQUIVALENTS

The Foundation considers all liquid investments with original maturities of three (3) months or less to be cash equivalents. At December 31, 2020, the Foundation's cash accounts exceeded federally insured limits by approximately \$ 214,500.

INVESTMENTS AND INVESTMENT RETURN

The Foundation's assets are administered by the Foundation itself and held at two (2) locally based national banks. The Board of Directors is responsible for establishing standards and reviewing investment manager performance of all invested assets and activities.

Investments are stated at fair market value in the accompanying statement of financial position. Market value is determined by the quoted market price at the date of the statements of financial position. Investment return includes dividend, interest, and realized and unrealized gains and losses on investments.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restriction. Other investment return is reflected in the statements of activities as net assets without restriction and net assets with restriction based upon the existence and nature of any donor or legally imposed restrictions.

The Foundation maintains a pooled investment account for all of its funds. Investment income, and realized and unrealized gains and losses from securities in the investment account are allocated monthly to individual funds based on the relationship of the fair value of the interest of each fund to the total fair value of the pooled investment account, as adjusted for additions to or deductions from those accounts. The amounts held for others are also included in the pooled investment account and reflects the funds held by the Foundation for the benefit of outside parties.

THE CATHOLIC FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF
ERIE, INC. D/B/A CATHOLIC FOUNDATION OF NORTHWEST PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDING DECEMBER 31, 2020 AND 2019

ASSETS HELD FOR OTHERS

The Foundation receives contributions from other not-for-profit organizations in which the donor organization specifies itself as the beneficiary of the fund. In such instances, the Foundation records the contributed assets and any accumulated investment earnings as a liability on the statements of financial position. These amounts represent amounts held by the Foundation on behalf of other charitable organizations. Additions, withdrawals, and income (loss) of Agency Endowment funds do not affect the statements of activities amounts.

NET ASSETS

Net assets, revenues, and realized and unrealized gains and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and are not subject to donor restrictions. As noted in Note "7", the Foundation has "variance power" overall net assets within their endowments. As such, the Foundation presents these net assets as board-designated without donor restrictions.

Net assets with donor restrictions are subject to donor restrictions. Some 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 restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Donors may restrict contributions for certain beneficiaries. However, the Foundation has "variance power" over these net assets and, accordingly, they are presented as net assets without donor restriction. The Foundation abides by the donor intentions; however, it can modify donor intent when any restrictions or conditions are unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community.

PASS-THROUGH FUNDS

On occasion, the Foundation receives investment securities from various donors whereby the Foundation acts as an agent to immediately liquidate the securities and pass the proceeds to the requested beneficiary, usually a church or school within the Diocese. The corresponding assets and liabilities are not recorded on the statements of financial position.

CONTRIBUTIONS

Contributions are provided to the Foundation either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts - with or without donor restrictions. Donated securities are recorded at fair value as of the date of donation. Contributions received for a not-for-profit organization for the purpose of establishing an endowment for the benefit of that organization are not considered contributions for financial statement purposes. Such amounts are reflected in the statements of financial position as a liability (See Note "5"). The value recorded for each contribution is recognized as follows:

THE CATHOLIC FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF
ERIE, INC. D/B/A CATHOLIC FOUNDATION OF NORTHWEST PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDING DECEMBER 31, 2020 AND 2019

<u>NATURE OF THE GIFT</u>	<u>VALUE RECOGNIZED</u>
<u>Conditional gifts, with or without restriction:</u>	
Gifts that depend on the Foundation overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, i.e., the donor-imposed barrier is met
<u>Unconditional gifts, with or without restriction:</u>	
Received at date of gift - cash and other assets	Fair value
Received at date of gift - property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one (1) year	Net realizable value
Collect in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts having donor stipulations, which are satisfied in the period the gift is received, are reported as revenue and net assets without donor restrictions.

Approximately 66 percent and 80 percent of all contributions were received from one (1) donor in 2020 and two (2) donors in 2019, respectively.

THE CATHOLIC FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF
ERIE, INC. D/B/A CATHOLIC FOUNDATION OF NORTHWEST PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDING DECEMBER 31, 2020 AND 2019

INCOME TAXES

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income. The Foundation does not file Internal Revenue Service Form 990 because it qualifies under the Internal Revenue Code as an integrated auxiliary not required to file an information return.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general, and fundraising categories based upon an estimate of time spent by staff on each activity and other methods.

RECLASSIFICATIONS

Certain reclassifications have been made to the 2019 financial statements to conform to the 2020 financial statement presentation. These reclassifications had no effect on the change in net assets.

3. INVESTMENTS

Investment are carried at fair value as of December 31, 2020 and 2019, and are summarized as follows:

	<u>2020</u>	<u>2019</u>
<u>EQUITIES:-</u>		
Common Stocks	\$ 8,532,442	\$ 6,370,375
Exchange Traded Fund's	584,393	-
Mutual Funds	5,583,561	5,296,721
<u>FIXED INCOME:-</u>		
Corporate	2,228,808	1,520,322
U.S. Treasury Notes	105,278	164,644
Government Agency Bonds	392,237	495,609
Municipal Bonds	110,034	116,102
Mutual Funds	1,972,203	1,681,232
Mortgages	48,853	36,369
<u>TOTAL INVESTMENTS:-</u>	<u>\$ 19,557,809</u>	<u>\$ 15,681,374</u>

THE CATHOLIC FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF
ERIE, INC. D/B/A CATHOLIC FOUNDATION OF NORTHWEST PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDING DECEMBER 31, 2020 AND 2019

The Foundation invests in various investment securities. Investment securities 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 accompanying statements of financial position.

4. FAIR VALUE OF INVESTMENTS

In determining fair value, the Foundation follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820 regarding fair value measurements. This establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset based on market data obtained from sources independent of the organization. Unobservable inputs are inputs that would reflect an organization's assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the observability of inputs as follows:

Level 1 - Valuations based on quoted market prices in active markets for identical assets that the Foundation has the ability to access. Since valuations are based on quoted market prices that are readily available in an active market, valuations of these products do not entail a significant degree of judgment.

Level 2 - Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary from instrument to instrument and is affected by a wide variety of factors, including, for example, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable in the market, the determination of fair value requires more judgment.

The Foundation uses prices and inputs that are current as of the measurement date, obtained through multiple third-party custodians from independent pricing services. Due to the complexity, variety, and the manner in which these assets are held, the Foundation aggregates valuation data. Therefore, the Foundation uses a conservative approach to the classification of securities and uses the highest common level for the reporting of each asset class.

THE CATHOLIC FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF
ERIE, INC. D/B/A CATHOLIC FOUNDATION OF NORTHWEST PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDING DECEMBER 31, 2020 AND 2019

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2020 and 2019.

The fair value of stocks, exchange-traded funds, and closed end funds are valued using quoted market prices in active markets. Such actively traded securities are categorized in Level 1 of the fair value hierarchy.

Closed end funds are investment companies that are chartered to hold assets similar to open-ended mutual funds and have shares issued on domestic exchanges which are traded throughout the trading day. While the fund itself may have a Net Asset Valuation ("NAV"), individual share prices are set by the market. Those, which are actively traded, are classified as Level 1. In the case where there is no active market for these shares, the NAV for the fund is used as a practical expedient.

Equity and fixed-income mutual funds are open-ended Securities and Exchange Commission-registered funds, with daily NAV. The mutual funds allow investors to sell their interests at the published daily NAV, with no restrictions on redemptions. These mutual funds are categorized in Level 1 of the fair value hierarchy.

The fixed income securities held directly by the Foundation are all classified as Level 2. These include corporate bonds, government bonds, mortgage-backed securities, and municipal bonds. Such securities are relatively unique, with specific issues being thinly traded, if at all. This requires valuation to be imputed from the bonds' tenor, par value, and issuer, along with comparable market data.

The fair value hierarchy table presenting the Foundation's investments measured at fair value, excluding cash surrender value of life insurance, is as follows as of December 31, 2020 and 2019:

THE CATHOLIC FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF
ERIE, INC. D/B/A CATHOLIC FOUNDATION OF NORTHWEST PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDING DECEMBER 31, 2020 AND 2019

	DECEMBER 31, 2020		
	LEVEL 1	LEVEL 2	LEVEL 3
<u>EQUITIES:-</u>			
Common Stocks	\$ 8,532,442	\$ -	\$ -
Exchange Traded Fund's	584,393	-	-
Mutual Funds	5,583,561	-	-
<u>FIXED INCOME:-</u>			
Corporate	-	2,228,808	-
U.S. Treasury	105,278	-	-
Government Agency Bonds	-	392,237	-
Municipal Bonds	-	110,034	-
Mutual Funds	1,972,203	-	-
Mortgages	48,853	-	-
	<u>\$ 16,826,730</u>	<u>\$ 2,731,079</u>	<u>\$ -</u>
<u>DECEMBER 31, 2019</u>			
	LEVEL 1	LEVEL 2	LEVEL 3
<u>EQUITIES:-</u>			
Common Stocks	\$ 6,365,144	\$ -	\$ -
Exchange Traded Fund's	-	-	-
Mutual Funds	5,301,953	-	-
<u>FIXED INCOME:-</u>			
Corporate	-	1,526,816	-
U.S. Treasury	163,253	-	-
Government Agency Bonds	-	494,132	-
Municipal Bonds	-	114,550	-
Mutual Funds	1,679,250	-	-
Mortgages	36,276	-	-
	<u>\$ 13,545,876</u>	<u>\$ 2,135,498</u>	<u>\$ -</u>

THE CATHOLIC FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF
ERIE, INC. D/B/A CATHOLIC FOUNDATION OF NORTHWEST PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDING DECEMBER 31, 2020 AND 2019

5. AMOUNTS HELD FOR OTHERS

The Foundation enters into agreements with unrelated organizations (non-profit agencies and parishes within the Diocese of Erie) whereby the organization sets-up an endowment fund with the Foundation. Under the terms of the agreement, the Foundation agrees to make distributions back to the organization. The following represents the balances held for these other organizations under Agency Endowment Agreements at December 31, 2020 and 2019, respectively, and the activity for the years then ended:

	<u>2020</u>	<u>2019</u>
<u>BALANCE - BEGINNING OF YEAR:-</u>	\$ 5,827,126	\$ 3,474,169
Additions	202,022	1,598,144
Withdrawals	(77,984)	(98,227)
Net Investment Income (Loss)	<u>648,996</u>	<u>853,040</u>
<u>BALANCE - END OF YEAR:-</u>	<u>\$ 6,600,160</u>	<u>\$ 5,827,126</u>

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2020 and 2019, represents endowments restricted for education, pastoral, and social services. Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

7. ENDOWMENTS

As of December 31, 2020, The Foundation's endowment consists of approximately 85 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). The Foundation maintains variance power over all endowment funds without donor restrictions (including those established by donors) as provided in the fund agreement. As required by U.S. Generally Accepted Accounting Principles (U.S GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The current relevant law for the investment and distribution of restricted endowment funds in the Commonwealth of Pennsylvania is PA Act 141 (Act 141). Act 141 allows an organization to adopt and follow a "total return" investment policy to seek the best total return on the principal, whether from capital appreciation, earnings, or both. The Foundation has elected a "total return" investment policy under Act 141. In addition to the use of Act 141 for donor-restricted endowment funds, the Board of Directors of the Foundation uses Act 141 as a framework for its board-designated endowment funds without donor restriction.

THE CATHOLIC FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF
ERIE, INC. D/B/A CATHOLIC FOUNDATION OF NORTHWEST PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDING DECEMBER 31, 2020 AND 2019

In accordance with Act 141, the Foundation considers the following factors in making a determination to spend or accumulate donor-restricted and board-designated endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Foundation
7. Investment policies of the Foundation

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The 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.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment, while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Foundation must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the Foundation's policies, endowment assets are invested in a manner that is intended to produce results that exceed various industry benchmarks, which are monitored by the ad hoc investment committee of the Foundation's board of directors. Actual returns in any given year may vary from this amount.

The Foundation's investment objective is to provide long-term growth of principal and generation of income sufficient to offset distributions and investment fees and preserve the purchasing power of the Foundation. To accomplish this objective, the Foundation maintains a diversified portfolio of investments consisting of equity and debt securities with readily determinable fair values. The Foundation maintains a prudent risk policy through its Investment Policy Statement and the asset allocation described therein that is consistent with its public nature and the position of the Foundation.

In establishing its spending policy, the Foundation considers the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

THE CATHOLIC FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF
ERIE, INC. D/B/A CATHOLIC FOUNDATION OF NORTHWEST PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDING DECEMBER 31, 2020 AND 2019

The composition of net assets by type of endowment fund at December 31, 2020 and 2019, was as follows:

	DECEMBER 31, 2020		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL RELATED TO NET ASSETS
Charitable Gift Annuity	\$ 9,817	\$ -	\$ 9,817
Designated	3,264,775	418,403	3,683,178
Education	4,786,944	-	4,786,944
Catholic Charities	1,783,326	-	1,783,326
Clergy Health and Welfare	1,867,400	-	1,867,400
Evangelization	832,646	-	832,646
<u>TOTAL ENDOWMENT FUNDS:-</u>	<u>\$ 12,544,908</u>	<u>\$ 418,403</u>	<u>\$ 12,963,311</u>

	DECEMBER 31, 2019		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL RELATED TO NET ASSETS
Charitable Gift Annuity	\$ 9,210	\$ -	\$ 9,210
Designated	1,647,274	-	1,647,274
Education	3,161,930	949,137	4,111,067
Catholic Charities	1,668,498	-	1,668,498
Clergy Health and Welfare	1,747,048	-	1,747,048
Evangelization	770,487	-	770,487
<u>TOTAL ENDOWMENT FUNDS:-</u>	<u>\$ 9,004,447</u>	<u>\$ 949,137</u>	<u>\$ 9,953,584</u>

THE CATHOLIC FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF
ERIE, INC. D/B/A CATHOLIC FOUNDATION OF NORTHWEST PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDING DECEMBER 31, 2020 AND 2019

Changes in endowment net assets for the years ended December 31, 2020 and 2019, were as follows:

	DECEMBER 31, 2020		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL RELATED TO NET ASSETS
<u>ENDOWMENT NET ASSETS -</u>			
<u>BEGINNING OF YEAR:-</u>	\$ 9,004,447	\$ 949,137	\$ 9,953,584
Contributions	1,955,584	-	1,955,584
Income on Investments, Net of Fees	99,273	3,527	102,800
Assets Appropriated for Expenditure	(295,691)	-	(295,691)
Net Assets Released from Donor Restrictions	569,225	(569,225)	-
Net Appreciation in Investments	1,212,070	34,964	1,247,034
<u>CHANGE IN ENDOWMENT NET ASSETS:-</u>	3,540,461	(530,734)	3,009,727
<u>ENDOWMENT NET ASSETS -</u>			
<u>END OF YEAR:-</u>	\$ 12,544,908	\$ 418,403	\$ 12,963,311
	DECEMBER 31, 2019		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL RELATED TO NET ASSETS
<u>ENDOWMENT NET ASSETS -</u>			
<u>BEGINNING OF YEAR:-</u>	\$ 7,668,374	\$ 816,930	\$ 8,485,304
Contributions	134,929	-	134,929
Income on Investments, Net of Fees	181,955	19,432	201,387
Assets Appropriated for Expenditure	(386,216)	(38,417)	(424,633)
Net Assets Released from Donor Restrictions	-	-	-
Net Appreciation in Investments	1,405,405	151,192	1,556,597
<u>CHANGE IN ENDOWMENT NET ASSETS:-</u>	1,336,073	132,207	1,468,280
<u>ENDOWMENT NET ASSETS -</u>			
<u>END OF YEAR:-</u>	\$ 9,004,447	\$ 949,137	\$ 9,953,584

THE CATHOLIC FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF
ERIE, INC. D/B/A CATHOLIC FOUNDATION OF NORTHWEST PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDING DECEMBER 31, 2020 AND 2019

8. REVENUE FROM CONTRACTS WITH CUSTOMERS

REVENUE RECOGNITION POLICY

While substantially all of the Foundation's revenues and support is derived from contributions from donors and income, and return from investments, which are both outside of the scope of ASC 606, the Foundation also has revenue and support from customers. These revenues and support are derived from the administrative revenue from funds and service agreement revenue.

TRANSACTION PRICE

Revenue is recognized when services are provided to the Foundation's investment fund holders or affiliates, in an amount that reflects the consideration that it expects to be entitled to in exchange for those services. The amount and timing of revenue recognition varies based on the nature of the services provided and the terms and conditions of the agreements with the fund holders or affiliates. There are no finance components with these services, and consideration received is fixed (i.e., there is no variable consideration).

CONTRACT BALANCES

Contract assets or receivables will be recognized if the services have been performed for the fund holder or affiliate, but they have not yet paid. When the timing of the Foundation's provision of services are different from the timing of the payments made, the Foundation recognizes a contract asset (performance precedes contractual due date) or a contract liability (Foundation's obligation to provide services when consideration has already been received). A receivable will be recognized when the services are performed, and the customer has not yet paid. A deferred revenue will be recognized when the payment is received in advance of the service performed. The Foundation had no contract assets or liabilities recorded as of December 31, 2020 and 2019.

PERFORMANCE OBLIGATIONS AND REVENUE RECOGNITION

ADMINISTRATIVE REVENUE FROM FUNDS

The Foundation's performance obligation for administrating the funds is to provide administrative services related to the fund's investments with the Foundation. These services include, but are not limited to, recordkeeping of, managing, investing, and reinvesting assets comprising the fund in common with and in the same manner as the other assets held at the Foundation. The performance obligation is to provide the services. The fee for these services is charged monthly and revenue is recognized as the services are provided over-time.

SERVICE AGREEMENT REVENUE

The Foundation's performance obligation for the service agreements is to provide related affiliates (Diocese of Erie and Catholic Charities of the Diocese of Erie) various fundraising services. These services include, but are not limited to, providing donor newsletters, and planning and coordinating annual fund solicitation and events. The performance obligation is to provide the services. Fee for these services is charged monthly and revenue is recognized as the services are provided over-time.

THE CATHOLIC FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF
ERIE, INC. D/B/A CATHOLIC FOUNDATION OF NORTHWEST PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDING DECEMBER 31, 2020 AND 2019

The Foundation has elected the practical expedient in ASC-606-10-50-14 to not disclose the information about remaining performance obligations that have original expected durations of one (1) year or less.

DISAGGREGATION OF REVENUE

As noted above, the Foundation's in-scope material revenue sources are recognized over time and are disaggregated on the face of the statements of activities.

9. RETIREMENT PLAN

The Foundation participates in the Diocese of Erie Employees' Retirement Plan, which covers substantially all employees. The Foundation's contributions to the plan are determined annually by the Board of Directors. For both years ended December 31, 2020 and 2019, the Board approved contributions of six (6) percent. Contributions to the plan were \$ 13,042 and \$ 12,392 for the years ended December 31, 2020 and 2019, respectively.

10. RELATED PARTY TRANSACTIONS

The Foundation and the Central Administrative Offices of the Diocese of Erie (Diocese) are related parties that are not financially interrelated organizations. The grants from the Diocese to the Foundation were \$ 370,000 and \$ 435,000 during the years ended December 31, 2020 and 2019, respectively. The Foundation has entered into a service agreement with the Diocese, whereby the Diocese would provide office space, various insurance coverages, consulting, accounting, communications, information technology and human resource services to the Foundation. The term of the agreement is for one (1) year, but automatically renews for successive one-year periods, unless either party desires to terminate the agreement. The Foundation paid the Diocese \$ 60,000 for these services during both years ended December 31, 2020 and 2019. The Foundation has also entered into service agreements with the Diocese and Catholic Charities of the Diocese of Erie (Charities) to provide fundraising services. The Diocese and Charities paid the Foundation \$ 74,996 and \$ 69,996 for these services during the years ended December 31, 2020 and 2019, respectively.

Accounts payable to the Diocese were \$ 3,577 and \$ 38,076 as of December 31, 2020 and 2019, respectively. The Foundation did not receive any contributed personnel services from affiliates for which they were not charged during the years ended December 31, 2020 and 2019.

THE CATHOLIC FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF
ERIE, INC. D/B/A CATHOLIC FOUNDATION OF NORTHWEST PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDING DECEMBER 31, 2020 AND 2019

11. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one (1) year of the statements of financial position as of December 31, 2020 and 2019, are comprised of the following:

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 664,159	\$ 519,868
Payout on Donor-Restricted Endowments for Use Over Next 12 Months	15,023	31,063
Payout on Endowments for Use Over Next 12 Months	<u>387,105</u>	<u>237,588</u>
<u>TOTAL FINANCIAL ASSETS:-</u>	<u>\$ 1,066,287</u>	<u>\$ 788,519</u>

The Foundation receives significant contributions to establish endowments; the income generated from such endowments is used to fund grants and programs in accordance with donor intent. The Foundation's endowment funds consist of donor-restricted endowment funds and funds designated by the Board of Directors as endowments. Donor-restricted endowment funds are not available for general expenditures. Income generated from donor-restricted endowment funds is restricted for specific purposes, with the exception of the amounts available for general use.

The Foundation maintains financial assets in a manner that provides reasonable assurance that sufficient reserves exist for general expenses and to fund grants and programs in accordance with their mission, ensuring their sustainability. In addition, as part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenses, liabilities, and other obligations become due. The Foundation invests cash in excess of daily requirements in short-term investments.

12. SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 18, 2021, the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition or disclosure in the financial statements or notes.