



# CATHOLIC FOUNDATION

*of Northwest Pennsylvania*

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

**INDEPENDENT AUDITOR'S REPORT  
AND FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**THE CATHOLIC FOUNDATION  
OF THE ROMAN CATHOLIC DIOCESE OF ERIE D/B/A  
CATHOLIC FOUNDATION OF NORTHWEST PENNSYLVANIA  
TABLE OF CONTENTS**

---

<b>INDEPENDENT AUDITOR'S REPORT</b> .....	1
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position.....	3
Statements of Activities .....	4
Statements of Functional Expenses.....	5
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7



2402 West 8<sup>th</sup> Street  
Erie, PA 16505  
**814.453.6594**  
Fax: 814.455.3642  
www.mpbcpa.com

## INDEPENDENT AUDITOR'S REPORT

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

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 statement of financial position as of December 31, 2019, and the related statement of activities, statement of functional expenses and statement of 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.

***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, 2019, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As described in Notes A and J to the financial statements, in 2019, the Foundation adopted ASU 2014-09, *Revenue from Contracts with Customers*, regarding recognition of revenue with customers.

As described in Note A to the financial statements, in 2019, the Foundation adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, regarding accounting for contributions and grants.

***Prior Year Audited by Other Auditors***

The 2018 financial statements were audited by other auditors, and their report thereon, dated October 22, 2019, expressed an unmodified opinion.

*McGill, Power, Bell & Associates, LLP*

McGill, Power, Bell & Associates, LLP  
Erie, Pennsylvania  
May 5, 2020

**THE CATHOLIC FOUNDATION  
 OF THE ROMAN CATHOLIC DIOCESE OF ERIE D/B/A  
 CATHOLIC FOUNDATION OF NORTHWEST PENNSYLVANIA  
 STATEMENTS OF FINANCIAL POSITION  
 DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash	\$ 519,868	\$ 394,385
Accounts Receivable	135,000	30,000
Cash Surrender Value of Life Insurance	10,197	8,572
Other Assets	2,072	2,072
Investments, at Fair Value	<u>15,681,374</u>	<u>11,860,137</u>
<b>TOTAL ASSETS</b>	<u>\$ 16,348,511</u>	<u>\$ 12,295,166</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 39,887	\$ 73,925
Other Accrued Liabilities	7,522	6,718
Amounts Held for Others	<u>5,827,126</u>	<u>3,474,169</u>
<b>TOTAL LIABILITIES</b>	<u>5,874,535</u>	<u>3,554,812</u>
<b>NET ASSETS</b>		
Without Donor Restrictions	9,524,839	7,923,424
With Donor Restrictions	<u>949,137</u>	<u>816,930</u>
<b>TOTAL NET ASSETS</b>	<u>10,473,976</u>	<u>8,740,354</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 16,348,511</u>	<u>\$ 12,295,166</u>

See notes to financial statements.

**THE CATHOLIC FOUNDATION  
OF THE ROMAN CATHOLIC DIOCESE OF ERIE D/B/A  
CATHOLIC FOUNDATION OF NORTHWEST PENNSYLVANIA  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019		
	Without Donor Restrictions	With Donor Restrictions	Totals
<b>REVENUES, GAINS AND OTHER SUPPORT</b>			
Contributions	\$ 236,648	\$ -	\$ 236,648
Grant - Related Party	435,000	-	435,000
Administrative Revenue from Funds	69,131	-	69,131
Service Agreement Revenue	69,996	-	69,996
Investment Income, Net	181,955	19,432	201,387
Other Revenue	-	-	-
Net Assets Released from Restriction	38,417	(38,417)	-
<b>TOTAL REVENUES, GAINS AND OTHER SUPPORT</b>	<u>1,031,147</u>	<u>(18,985)</u>	<u>1,012,162</u>
<b>EXPENSES</b>			
Grants Awarded	386,344	-	386,344
Program	203,435	-	203,435
Management and General	190,836	-	190,836
Fundraising	54,522	-	54,522
<b>TOTAL EXPENSES</b>	<u>835,137</u>	<u>-</u>	<u>835,137</u>
<b>CHANGE IN NET ASSETS BEFORE NET APPRECIATION (DEPRECIATION) ON INVESTMENTS</b>	196,010	(18,985)	177,025
<b>NET APPRECIATION (DEPRECIATION) ON INVESTMENTS</b>	<u>1,405,405</u>	<u>151,192</u>	<u>1,556,597</u>
<b>CHANGE IN NET ASSETS</b>	1,601,415	132,207	1,733,622
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>7,923,424</u>	<u>816,930</u>	<u>8,740,354</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 9,524,839</u>	<u>\$ 949,137</u>	<u>\$ 10,473,976</u>

<b>2018</b>		
<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Totals</b>
\$ 84,970	\$ -	\$ 84,970
575,599	-	575,599
60,320	-	60,320
-	-	-
133,945	14,418	148,363
16,000	-	16,000
39,030	(39,030)	-
<u>909,864</u>	<u>(24,612)</u>	<u>885,252</u>
347,920	-	347,920
157,075	-	157,075
165,557	-	165,557
107,492	-	107,492
<u>778,044</u>	<u>-</u>	<u>778,044</u>
131,820	(24,612)	107,208
<u>(947,794)</u>	<u>(101,085)</u>	<u>(1,048,879)</u>
(815,974)	(125,697)	(941,671)
<u>8,739,398</u>	<u>942,627</u>	<u>9,682,025</u>
<u>\$ 7,923,424</u>	<u>\$ 816,930</u>	<u>\$ 8,740,354</u>

See notes to the financial statements.

**THE CATHOLIC FOUNDATION  
OF THE ROMAN CATHOLIC DIOCESE OF ERIE D/B/A  
CATHOLIC FOUNDATION OF NORTHWEST PENNSYLVANIA  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<b>2019</b>			
	<b>Program Expenses</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
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>

	<b>2018</b>			
	<b>Program Expenses</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Grant Awarded	\$ 347,920	\$ -	\$ -	\$ 347,920
Salaries and Benefits	105,691	76,159	66,834	248,684
Professional Services	-	35,869	-	35,869
Community Awareness/ Advertising	4,435	-	2,388	6,823
Office Supplies	18,151	6,877	2,147	27,175
Sponsored Conferences and Travel	5,045	471	1,074	6,590
Consulting Fees	-	25,850	-	25,850
Gifts and Donations	553	-	-	553
Life Insurance Premiums	-	-	187	187
Diocese Service Fees	20,000	20,000	20,000	60,000
Other Expenses	3,200	331	14,862	18,393
	<u>\$ 504,995</u>	<u>\$ 165,557</u>	<u>\$ 107,492</u>	<u>\$ 778,044</u>

See notes to financial statements.



**THE CATHOLIC FOUNDATION  
OF THE ROMAN CATHOLIC DIOCESE OF ERIE D/B/A  
CATHOLIC FOUNDATION OF NORTHWEST PENNSYLVANIA  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 1,733,622	\$ (941,671)
Items not Requiring (Providing) Operating Activities Cash Flows		
Net Realized and Unrealized (Gains) Losses on Investments	(1,556,597)	1,048,879
Changes in		
Accounts Receivable	(105,000)	(30,000)
Cash Surrender Value of Life Insurance	(1,625)	(1,578)
Other Assets	-	(2,072)
Accounts Payable	(34,038)	55,985
Other Accrued Liabilities	804	2,825
	<u>37,166</u>	<u>132,368</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sale of Investments	3,883,318	5,043,432
Purchases of Investments	(6,147,958)	(5,218,018)
	<u>(2,264,640)</u>	<u>(174,586)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Change in Amounts Held for Others	2,352,957	333,203
	<u>2,352,957</u>	<u>333,203</u>
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		
<b>INCREASE IN CASH</b>	125,483	290,985
<b>CASH, BEGINNING OF YEAR</b>	<u>394,385</u>	<u>4,064</u>
<b>CASH, END OF YEAR</b>	<u>\$ 519,868</u>	<u>\$ 295,049</u>

See notes to financial statements.

**THE CATHOLIC FOUNDATION  
OF THE ROMAN CATHOLIC DIOCESE OF ERIE D/B/A  
CATHOLIC FOUNDATION OF NORTHWEST PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS**

---

**NOTE A NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES**

*Nature of Operations*

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

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Actual results could differ from those estimates.

*Cash Equivalents*

The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2019, the Foundation's cash accounts exceeded federally insured limits by approximately \$270,000.

*Investments and Investment Return*

Investments are carried at fair value. Investment return includes dividend, interest and other investment income, and realized and unrealized gains and losses on investments carried at fair value.

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 investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the investments accounts, as adjusted for additions to or deductions from those accounts.

**THE CATHOLIC FOUNDATION  
OF THE ROMAN CATHOLIC DIOCESE OF ERIE D/B/A  
CATHOLIC FOUNDATION OF NORTHWEST PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS**

---

*Grants Payable*

Grants that are not paid in the year of the award are shown as grants payable at year end and are typically paid in the subsequent year.

*Net Assets*

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 restriction or conditions are unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community.

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

Net assets without donor restrictions are available for use in general operations and are not subject to donor restrictions. As noted in Note D, the Foundation has “variance power” over certain net assets within their endowment. As such, the Foundation presents these net assets as board-designated without donor restrictions.

*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.

**THE CATHOLIC FOUNDATION  
OF THE ROMAN CATHOLIC DIOCESE OF ERIE D/B/A  
CATHOLIC FOUNDATION OF NORTHWEST PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS**

---

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. The value recorded for each contribution is recognized as follows:

<b>Nature of the Gift</b>	<b>Value Recognized</b>
<i>Conditional gifts, with or without restriction</i>	
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>i.e.</i> the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
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 year	Net realizable value
Collected 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.

**THE CATHOLIC FOUNDATION  
OF THE ROMAN CATHOLIC DIOCESE OF ERIE D/B/A  
CATHOLIC FOUNDATION OF NORTHWEST PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS**

---

*Income Taxes*

The Foundation is exempt from income taxes under Section 501 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 IRS Form 990 because it qualifies under the Internal Revenue Code as an integrated auxiliary not required to file information returns.

*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 2018 financial statements to conform to the 2019 financial statement presentation. These reclassifications had no effect on the change in net assets.

*Recent Accounting Pronouncements*

Revenue from Contracts with Customers: In May 2014, the Financial Accounting Standards Board ("FASB") issued a new accounting standard (ASC Topic 606) that amends the accounting guidance on revenue recognition. The new standard is intended to provide a more robust framework for addressing revenue issues, improve comparability of revenue recognition practices, and improve disclosure requirements. Under the new standard, revenue is recognized when a customer obtains control of promised goods or services and is recognized in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. The principles in the standard should be applied using a five-step model that includes 1) identifying the contract(s) with a customer, 2) identifying the performance obligations in the contract, 3) determining the transaction price, 4) allocating the transaction price to the performance obligations in the contract, and 5) recognizing revenue when (or as) the performance obligations are satisfied. The standard also requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. In addition, the standard amends the existing requirements for the recognition of a gain or loss on the transfer of nonfinancial assets that are not in a contract with a customer (for example, sales of real estate) to be consistent with the standard's guidance on recognition and measurement (including the constraint on revenue). The FASB also subsequently issued several amendments to the standard, including clarification on principal versus agent guidance, identifying performance obligations, and immaterial goods and services in a contract.

**THE CATHOLIC FOUNDATION  
OF THE ROMAN CATHOLIC DIOCESE OF ERIE D/B/A  
CATHOLIC FOUNDATION OF NORTHWEST PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS**

---

The new accounting standard update must be applied using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a modified retrospective approach with the cumulative effect on initially adopting the standard recognized at the date of adoption (which requires additional footnote disclosures).

Also, while Topic 606 is generally applied to an individual contract with a customer, as a practical expedient, the Foundation will apply this guidance to a portfolio of contracts (or performance obligations) with similar characteristics. The Foundation reasonably expects that the effects of applying this guidance to the portfolio would not differ materially from applying the guidance to the individual contracts (or performance obligations) within the portfolio.

The new accounting standard is effective for reporting periods beginning after December 15, 2018. The Foundation adopted the standard effective January 1, 2019, using the modified retrospective approach applied only to contracts not completed as of the date of adoption, with no restatement of comparative periods. Therefore, the comparative information has not been adjusted and continues to be reported under ACS Topic 605. Adoption of the new accounting standard had no impact on opening net assets.

Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made: In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The Guidance also helps determine whether a contribution is conditional and better distinguishes a donor-imposed condition from a donor-imposed restriction. The Foundation adopted ASU No. 2018-08 effective January 1, 2019 utilizing the modified retrospective basis and determined that the adoption will not result in a material change to how it accounts for revenue from gifts, grants, and contracts.

**THE CATHOLIC FOUNDATION  
OF THE ROMAN CATHOLIC DIOCESE OF ERIE D/B/A  
CATHOLIC FOUNDATION OF NORTHWEST PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS**

---

**NOTE B AMOUNTS 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 statement of activities amounts. The following represents the activity of the Amounts Held for Others for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
<b>BALANCE, BEGINNING OF YEAR</b>	\$ 3,474,169	\$ 3,140,966
Additions	1,598,144	795,283
Withdrawals	(98,227)	(139,901)
Net Investment Income (Loss)	<u>853,040</u>	<u>(322,179)</u>
<b>BALANCE, END OF YEAR</b>	<u><u>\$ 5,827,126</u></u>	<u><u>\$ 3,474,169</u></u>

**NOTE C NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at December 31 is associated with 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.

**NOTE D ENDOWMENT**

As of December 31, 2019, The Foundation's endowment consists of approximately eighty 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). As required by accounting principles generally accepted in the United States of America (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 and trust funds in the Commonwealth of Pennsylvania is PA Act 141 (Act 141). Act 141 requires 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. If Act 141 is applicable and elected by an organization, the board is required to make an annual "spending" election of between 2% and 7% of the value of endowment assets. For purposes of this provision, the value of the trust principal is the

**THE CATHOLIC FOUNDATION  
OF THE ROMAN CATHOLIC DIOCESE OF ERIE D/B/A  
CATHOLIC FOUNDATION OF NORTHWEST PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS**

---

fair market value of the trust assets averaged over the past three or more years. 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.

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



**THE CATHOLIC FOUNDATION  
OF THE ROMAN CATHOLIC DIOCESE OF ERIE D/B/A  
CATHOLIC FOUNDATION OF NORTHWEST PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS**

The composition of net assets by type of endowment fund at December 31, 2019 and 2018 was:

	<b>2019</b>				
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total Related to Net Assets</b>	<b>Agency Endowments</b>	<b>Total</b>
Donor-Restricted Endowment Funds	\$ -	\$ 949,137	\$ 949,137	\$ 5,827,126	\$ 6,776,263
Board-Designated Endowment Funds	<u>9,004,447</u>	<u>-</u>	<u>9,004,447</u>	<u>-</u>	<u>9,004,447</u>
Total Endowment Funds	<u>\$ 9,004,447</u>	<u>\$ 949,137</u>	<u>\$ 9,953,584</u>	<u>\$ 5,827,126</u>	<u>\$ 15,780,710</u>
	<b>2018</b>				
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total Related to Net Assets</b>	<b>Agency Endowments</b>	<b>Total</b>
Donor-Restricted Endowment Funds	\$ -	\$ 816,930	\$ 816,930	\$ 3,474,169	\$ 4,291,099
Board-Designated Endowment Funds	<u>7,668,374</u>	<u>-</u>	<u>7,668,374</u>	<u>-</u>	<u>7,668,374</u>
Total Endowment Funds	<u>\$ 7,668,374</u>	<u>\$ 816,930</u>	<u>\$ 8,485,304</u>	<u>\$ 3,474,169</u>	<u>\$ 11,959,473</u>

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 restriction or conditions are unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community.

**THE CATHOLIC FOUNDATION  
OF THE ROMAN CATHOLIC DIOCESE OF ERIE D/B/A  
CATHOLIC FOUNDATION OF NORTHWEST PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS**

Changes in endowment net assets for the years ended December 31 were:

	<b>2019</b>				
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total Related to Net Assets</b>	<b>Agency Endowments</b>	<b>Total</b>
Endowment Net Assets, Beginning of Year	\$ 7,668,374	\$ 816,930	\$ 8,485,304	\$ 3,474,169	\$ 11,959,473
Investment Return					
Investment Income	181,955	19,432	201,387	742,774	944,161
Net Appreciation	1,405,405	151,192	1,556,597	110,266	1,666,863
Total Investment Return	1,587,360	170,624	1,757,984	853,040	2,611,024
Additions	134,929	-	134,929	1,598,144	1,733,073
Appropriation of Endowment Assets for Expenditure	(386,216)	(38,417)	(424,633)	(98,227)	(522,860)
Endowment Net Assets, End of Year	<u>\$ 9,004,447</u>	<u>\$ 949,137</u>	<u>\$ 9,953,584</u>	<u>\$ 5,827,126</u>	<u>\$ 15,780,710</u>
	<b>2018</b>				
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total Related to Net Assets</b>	<b>Agency Endowments</b>	<b>Total</b>
Endowment Net Assets, Beginning of Year	\$ 8,750,173	\$ 942,627	\$ 9,692,800	\$ 3,140,966	\$ 12,833,766
Investment Return					
Investment Income	233,281	14,418	247,699	48,652	296,351
Net Depreciation	(947,794)	(101,085)	(1,048,879)	(370,831)	(1,419,710)
Total Investment Return	(714,513)	(86,667)	(801,180)	(322,179)	(1,123,359)
Additions	117,185	-	117,185	795,283	912,468
Appropriation of Endowment Assets for Expenditure	(484,471)	(39,030)	(523,501)	(139,901)	(663,402)
Endowment Net Assets, End of Year	<u>\$ 7,668,374</u>	<u>\$ 816,930</u>	<u>\$ 8,485,304</u>	<u>\$ 3,474,169</u>	<u>\$ 11,959,473</u>

**THE CATHOLIC FOUNDATION  
OF THE ROMAN CATHOLIC DIOCESE OF ERIE D/B/A  
CATHOLIC FOUNDATION OF NORTHWEST PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS**

---

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.

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 a policy (the spending policy) of appropriating for expenditure each year a percentage of its endowment fund's average fair value over the prior three years, or twelve quarters, through June 30 of the preceding fiscal year in which expenditure is planned. At December 31, 2019 and 2018, the approved spending policy for the Foundation was 5% and 7%, respectively. In establishing this policy, the Foundation considered 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.

**NOTE E 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 \$435,000 and \$575,599 in 2019 and 2018, respectively. During January 2018, the Foundation entered into a services 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 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 2019 and 2018. During December 2018, the Foundation entered into service agreements with the Diocese and Catholic Charities of the Diocese of Erie (Charities) to provide fundraising services. The Diocese and the Charities paid the Foundation \$39,996 and \$30,000, respectively, for these services during 2019.

Accounts payable to the Diocese were \$38,076 and \$8,852 as of December 31, 2019 and 2018, respectively.

**THE CATHOLIC FOUNDATION  
OF THE ROMAN CATHOLIC DIOCESE OF ERIE D/B/A  
CATHOLIC FOUNDATION OF NORTHWEST PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS**

---

The Foundation did not receive any contributed personnel services from affiliates for which they were not charged for the years ended December 31, 2019 and 2018.

**NOTE F DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES**

Fair value is 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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of 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 supported by little or no market activity and are significant to the fair value of the assets or liabilities

**THE CATHOLIC FOUNDATION  
OF THE ROMAN CATHOLIC DIOCESE OF ERIE D/B/A  
CATHOLIC FOUNDATION OF NORTHWEST PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS**

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2019 and 2018:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>December 31, 2019</b>				
<b>Assets</b>				
Investments				
Cash and Cash Equivalents	\$ 506,857	\$ 506,857	\$ -	\$ -
U.S. Treasury Notes	163,253	163,253	-	-
Corporate Bonds	1,526,816	-	1,526,816	-
Municipal Bonds	114,550	-	114,550	-
Government Agency Bonds	494,132	-	494,132	-
Mutual Funds				
Index	5,301,953	5,301,953	-	-
Total Return	36,276	36,276	-	-
Fixed Income	1,172,393	1,172,393	-	-
Common Stocks	6,365,144	6,365,144	-	-
Total Investments	<u>\$ 15,681,374</u>	<u>\$ 13,545,876</u>	<u>\$ 2,135,498</u>	<u>\$ -</u>

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>December 31, 2018</b>				
<b>Assets</b>				
Investments				
Cash and Cash Equivalents	\$ 360,809	\$ 360,809	\$ -	\$ -
U.S. Treasury Notes	332,254	332,254	-	-
Corporate Bonds	1,040,878	-	1,040,878	-
Municipal Bonds	85,739	-	85,739	-
Government Agency Bonds	477,528	-	477,528	-
Mutual Funds				
Index	3,924,249	3,924,249	-	-
Total Return	23,756	23,756	-	-
Fixed Income	1,054,948	1,054,948	-	-
Common Stocks	4,559,976	4,559,976	-	-
Total Investments	<u>\$ 11,860,137</u>	<u>\$ 10,255,992</u>	<u>\$ 1,604,145</u>	<u>\$ -</u>

**THE CATHOLIC FOUNDATION  
OF THE ROMAN CATHOLIC DIOCESE OF ERIE D/B/A  
CATHOLIC FOUNDATION OF NORTHWEST PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS**

---

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, 2019.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

**NOTE G LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2019 and 2018, comprise the following:

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 519,868	\$ 394,385
Payout on Donor-Restricted Endowments for Use Over Next 12 Months	31,063	16,430
Payout on Endowments for Use Over Next 12 Months	<u>237,588</u>	<u>374,509</u>
Total Financial Assets	<u>\$ 788,519</u>	<u>\$ 785,324</u>

The Foundation's endowment funds consist of donor-restricted endowments and funds designated by the Board of Directors as endowments. Donor-restricted endowment funds are not available for general expenditure. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use.

Additionally, the Foundation charges a 12.5 basis point administrative fee to the endowment funds each quarter (total of 50 basis points annually). This fee was approximately \$70,000 for 2019 and is expected to be similar for 2020.

**THE CATHOLIC FOUNDATION  
OF THE ROMAN CATHOLIC DIOCESE OF ERIE D/B/A  
CATHOLIC FOUNDATION OF NORTHWEST PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS**

---

**NOTE H 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. Contributions to the plan were \$12,392 and \$11,918 for the years ended December 31, 2019 and 2018, respectively.

**NOTE I SIGNIFICANT ESTIMATES AND CONCENTRATIONS**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Contributions

Approximately 80% and 87% of all contributions were received from two donors in 2019 and one donor in 2018, respectively.

Investments

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.

**NOTE J 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).

**THE CATHOLIC FOUNDATION  
OF THE ROMAN CATHOLIC DIOCESE OF ERIE D/B/A  
CATHOLIC FOUNDATION OF NORTHWEST PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS**

---

*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, 2019.

*Performance Obligations and Revenue Recognition*

**Administrative Revenue from Funds**

The Foundation's performance obligation for administering 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 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 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 statement of activities.

**NOTE K SUBSEQUENT EVENTS**

Subsequent events have been evaluated through May 5, 2020, which is the date the financial statements were available to be issued.



**THE CATHOLIC FOUNDATION  
OF THE ROMAN CATHOLIC DIOCESE OF ERIE D/B/A  
CATHOLIC FOUNDATION OF NORTHWEST PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS**

---

*Current Economic Conditions*

The current economic environment due to the COVID-19 pandemic has shown an unprecedented decline, which has presented a number of challenges and circumstances worldwide, which in some cases may result in large and unanticipated declines in the fair value of investments and other assets, declines in contributions and receivables, and overall constraints on liquidity. Given the volatility of these economic conditions, management is evaluating the impact to the Foundation and their financial statements and believes the impact and duration cannot be reasonably estimated at this time.