

INDEPENDENT CATHOLIC FOUNDATION
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021
(WITH ACCOMPANYING INDEPENDENT AUDITOR'S REPORT)

C O N T E N T S

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6 -22
INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION	23
Schedule of Trust Activity	24 - 27

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Independent Catholic Foundation
3618 Fifth Avenue, Suite 1
Altoona, PA 16602

Opinion

We have audited the accompanying financial statements of Independent Catholic Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of Independent Catholic Foundation as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Independent Catholic Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Independent Catholic Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Independent Catholic Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Independent Catholic Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Very truly yours,

Reilly, Creppage & Co., Inc.

October 12, 2022

Altoona, Pennsylvania

**INDEPENDENT CATHOLIC FOUNDATION
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and Cash Equivalents-Unrestricted	\$ 142,810	\$ 154,764
Cash and Cash Equivalents-Restricted	70,906	0
Other Receivable, net of allowance	9,353	100,000
Prepaid Expense	<u>2,724</u>	<u>2,140</u>
Total Current Assets	\$ 225,793	\$ 256,904
<u>Security Deposit Held in Escrow</u>	1,000	1,000
<u>Investments</u>	35,702,073	41,741,860
<u>Equipment</u>		
Office Equipment, net of depreciation	<u>3,088</u>	<u>690</u>
TOTAL ASSETS	<u>\$35,931,954</u>	<u>\$42,000,454</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts Payable	\$ 17,638	\$ 26,546
Accrued Fees	0	19,237
Annuities Payable	2,533	2,686
Distributions Payable	1,491,672	1,368,493
Pass Through Contributions Payable	199,504	233,475
Notes Payable	<u>0</u>	<u>0</u>
Total Current Liabilities	\$ 1,711,347	\$ 1,650,437
<u>Net Assets</u>		
Without donor restrictions	\$ 1,485,597	\$ 1,792,766
With donor restrictions	<u>32,735,010</u>	<u>38,557,251</u>
Total Net Assets	\$34,220,607	\$40,350,017
TOTAL LIABILITIES AND NET ASSETS	<u>\$35,931,954</u>	<u>\$42,000,454</u>

See Accompanying Notes and Independent Auditor's Report

**INDEPENDENT CATHOLIC FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>
<u>Revenues, Gains, Losses, and Reclassifications</u>						
Contributions of cash and other financial assets	\$ 0	\$ 1,164,615	\$ 1,164,615	\$ 75,774	\$ 1,489,185	\$ 1,564,959
Investment Income	26,148	512,790	538,938	17,756	458,329	476,085
Net Gains (Losses) on Investments	(219,302)	(5,554,648)	(5,773,950)	341,146	7,922,897	8,264,043
Net Gains (Losses) on Equipment	0	0	0	0	0	0
Change in Value of Split Interest Agreements	0	154	154	0	207	207
Foundation Fees and Other	391,151	(391,151)	0	376,518	(376,518)	0
Miscellaneous Income	2,138	0	2,138	33,072	0	33,072
Net Assets Released from Restrictions	<u>1,554,001</u>	<u>(1,554,001)</u>	<u>0</u>	<u>1,479,687</u>	<u>(1,479,687)</u>	<u>0</u>
Total Revenues, Gains, Losses, and Reclassifications	\$ 1,754,136	\$ (5,822,241)	\$ (4,068,105)	\$ 2,323,953	\$ 8,014,413	\$ 10,338,366
<u>Expenses</u>						
<u>Program Services</u>						
Distributions and Annuity Payments	\$ 1,680,094	\$ 0	\$ 1,680,094	\$ 1,416,961	\$ 0	\$ 1,416,961
Grants	71,749	0	71,749	82,494	0	82,494
Sponsorships	16,914	0	16,914	4,375	0	4,375
Estate Fees	0	0	0	0	0	0
Bad Debt Expense	0	0	0	0	35,369	35,369
<u>Support Services</u>						
General and Administrative	207,868	0	207,868	195,710	0	195,710
Fundraising	<u>84,680</u>	<u>0</u>	<u>84,680</u>	<u>77,520</u>	<u>0</u>	<u>77,520</u>
Total Expenses	\$ 2,061,305	\$ 0	\$ 2,061,305	\$ 1,777,060	\$ 35,369	\$ 1,812,429
Change in Net Assets	\$ (307,169)	\$ (5,822,241)	\$ (6,129,410)	\$ 546,893	\$ 7,979,044	\$ 8,525,937
<u>Net Assets - Beginning of Year</u>	<u>1,792,766</u>	<u>38,557,251</u>	<u>40,350,017</u>	<u>1,245,873</u>	<u>30,578,207</u>	<u>31,824,080</u>
<u>Net Assets - End of Year</u>	<u>\$ 1,485,597</u>	<u>\$ 32,735,010</u>	<u>\$ 34,220,607</u>	<u>\$ 1,792,766</u>	<u>\$ 38,557,251</u>	<u>\$ 40,350,017</u>

See Accompanying Notes and Independent Auditor's Report

**INDEPENDENT CATHOLIC FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<u>Cash Flows from Operating Activities</u>		
Change in Net Assets	(\$ 6,129,410)	\$ 8,525,937
Adjustments to Reconcile Change in Net Assets to Net Cash (Used) by Operating Activities:		
Depreciation	658	815
Net (Gain) on Investments	5,773,950	(8,264,043)
Net (Gain)/ Loss on Equipment	0	0
Bad Debt Provision	0	35,369
(Increase) Decrease in Other Receivables	(90,647)	(135,369)
(Increase) Decrease in Prepaid Expense	(584)	3,105
Increase (Decrease) in Accounts Payable	(28,145)	24,570
(Decrease) in Annuities Payable	(153)	(207)
Increase in Distributions Payable	123,179	142,125
(Decrease) Increase in Pass Through Contributions Payable	(33,971)	(602,012)
Contributions Restricted for Long-Term Investment	(1,164,615)	(1,353,816)
Net Cash (Used) by Operating Activities	(\$ 1,549,738)	(\$ 1,623,526)
<u>Cash Flows from Investing Activities</u>		
Purchases of Investments	(\$ 1,009,281)	(\$ 1,851,909)
Sales of Investments	1,453,356	1,999,597
Purchase of Equipment	0	0
Net Cash Provided by Investing Activities	\$ 444,075	\$ 147,688
<u>Cash Flows from Financing Activities</u>		
Contributions Restricted for Long-Term Investment	\$ 1,164,615	\$ 1,353,816
Proceeds/(Forgiveness) from PPP loan	(0)	(31,000)
Net Cash Provided by Financial Activities	\$ 1,164,615	\$ 1,322,816
Net (Decrease) Increase in Cash and Cash Equivalents	58,952	(153,022)
<u>Cash, Cash Equivalents and Restricted Cash</u> - Beginning of Year	154,764	307,786
<u>Cash, Cash Equivalents and Restricted Cash</u> - End of Year	\$ 213,716	\$ 154,764

See Accompanying Notes and Independent Auditor's Report

**INDEPENDENT CATHOLIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

Note 1: Summary of Significant Accounting Policies

The financial statements of the Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Operating Entity

Independent Catholic Foundation was incorporated on June 13, 1990 as a not-for-profit corporation in the Commonwealth of Pennsylvania. The Foundation was established as an independent legal entity in support of the various ministerial endeavors within the Diocese church. The Foundation serves as a depository for charitable funds, mainly in the form of permanent endowments. Funds and property received by the Foundation shall be irrevocable, dedicated, and used exclusively for the purposes for which they are identified. The Foundation receives a quarterly distribution from the endowments based on an annual fee of 1% of market value.

The Board of Trustees have elected that the Foundation's fiscal year end be June 30.

Income Tax Status

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Independent Catholic Foundation is classified as a public charity described in IRC Sections 509(a)(1) and 170(b)(1)(A)(vi), which allows the Independent Catholic Foundation the ability to accept grants from donor-advised funds and qualified charitable distributions from IRAs. The Independent Catholic Foundation was previously classified as a supporting organization described in IRC Section 509(a)(3).

Cash and Cash Equivalents

The Foundation considers cash and cash equivalents as cash in demand accounts and money market accounts.

Contributions Receivable

Contributions to be received in one year or less are reported at net realizable value. Contributions to be received after one year, net of an allowance for uncollectible amounts, are initially reported at fair value, estimated by discounting them to their present value at a risk-adjusted rate. Thereafter, amortization of discounts is recorded as additional contributions revenue. An allowance for uncollectible contributions receivable is provided based upon management's judgment, considering such factors as prior collection history, type of contribution, relationship with donor, and other relevant factors. The allowance for uncollectible contributions for the year ended June 30, 2022 and 2021 was \$0 and \$35,369, respectively.

Property and Equipment

The Foundation generally follows the practice of capitalizing expenditures in excess of \$500 for property and equipment at cost; the fair market value of donated fixed assets is similarly capitalized. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Routine repairs and maintenance are expensed as incurred.

INDEPENDENT CATHOLIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021
(CONTINUED)

Note 1: Summary of Significant Accounting Policies (Continued)

Basis of Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) as found in the Non-Profit Section 958-210 of the FASB Codification. Under those provisions, net assets and revenues, gains, and losses are classified based on the absence or existence and nature of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions include assets that are not subject to donor-imposed restrictions.

Included in net assets without donor restrictions are two endowments designated by the Board of Trustees to be used for the funding of grants and an operating reserve to be use for any immediate liquidity needs. The one endowment is called the Fleckenstein Grant Endowment. The net asset balance associated with this board designated endowment was \$946,601 and \$1,137,212 for the years ended June 30, 2022 and 2021, respectively. A second endowment called ICF Trustee Grant Fund was set up and had a net asset balance of \$152,873 as of June 30, 2022 and \$208,090 as of June 30, 2021. The Operating Reserve Fund has a net asset balance of \$247,872 as of June 30, 2022 and \$287,640 as of June 30, 2021. See also the Schedule of Trust Activity for income and expenses of these funds during the year.

Net Assets With Donor Restrictions

Net assets with donor restrictions include mostly endowments funds that are subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of such assets permit the Foundation to use all or part of the income earned on the assets. See the Schedule of Trust Activity for income and expenses of these funds during the year.

The Foundation maintains accounting records for each endowment on annual dividend and interest income, gains or losses, the original value establishing the endowment, and the annual market value of the endowment. This information is used to calculate the amounts available for distribution. See Note 5 for the Distribution Policy.

Interpretation of Relevant Law

The Board of Trustees has interpreted the state law as requiring the preservation of the purchasing power (real value) of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, (3) 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. It also permits spending from underwater funds in accordance with prudent measures required under the law.

INDEPENDENT CATHOLIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021
(CONTINUED)

Note 1: Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Investments

Investments in marketable securities are stated at fair market value. Real estate investments are stated primarily at current appraised value. Securities not publicly traded are stated at estimated market value. For the years ended June 30, 2022 and 2021, there were no holdings of real estate.

Fair Value Measurements

The Foundation has determined the fair value of certain assets through application of FASB Codification Section 820, *Fair Value Measurements and Disclosures*. This Section requires the fund to classify its assets and liabilities into three levels based on the method used to value the assets or liabilities. Level 1 values are based on quoted prices in active markets for identical securities. Level 2 values are based on significant observable market inputs, such as quoted prices for similar securities and quoted prices in inactive markets. Level 3 values are based on significant unobservable inputs that reflect the fund's determination of assumptions that market participants might reasonably use in valuing the securities.

The fair values of all investments measured on a recurring basis at June 30, 2022 and 2021 are based on Levels 1 and 2 inputs. See Notes 2 and 7 for additional fair value disclosures.

Fair values as of June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds and CD	\$ 1,186,381			\$ 1,186,381
United State Government and Agency Obligations		\$1,892,880		1,892,880
Corporate Bonds		2,500,363		2,500,363
Taxable Municipal Bonds		1,114,228		1,114,228
Mutual Funds				
Equity Mutual Funds	21,518,358			21,518,358
Fixed Income Mutual Funds	<u>7,489,863</u>			<u>7,489,863</u>
Total Investment Assets	\$ 30,194,602	\$5,507,471		\$35,702,073

INDEPENDENT CATHOLIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021
(CONTINUED)

Note 1: Summary of Significant Accounting Policies (Continued)

Equity and fixed income mutual funds are open-ended Securities and Exchange Commission-registered funds, with daily NAV. The mutual funds allow investor to sell their interests at the published daily NAV, with no restrictions on redemptions. These mutual funds are categorized 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, and municipal bonds. Money market funds and CDs are classified as Level 1.

Fair Values as of June 30, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
CUIT Opportunistic Bond Fund Class B	\$ 8,080,743			\$ 8,080,743
CUIT Intermed Diversified Bond Fund Class B	8,022,591			8,022,591
CUIT Value Equity Fund Class B	0			0
CUIT Core Equity Index Fund Class B	14,515,802			14,515,802
CUIT Growth Fund Class B	0			0
CUIT Small Cap Equity Index Fund Class B	4,356,138			4,356,138
CUIT International Equity Fund Class B	6,202,196			6,202,196
CUIT Money Market	0			0
Wilmington Trust Money Market		400,036		400,036
CDs/Money Market Accounts-Other	<u>\$ 164,354</u>	<u>0</u>		<u>164,354</u>
Total Investment Assets	\$ 164,354	\$ 41,577,506		\$41,741,860

Net Asset Value and Valuation of Securities

Each CUIT Fund calculates its net asset value (NAV) per share each business day as of the close of trading on the New York Stock Exchange (NYSE) (normally 4:00 p.m. Eastern time). The CUIT Funds do not calculate NAV on days the NYSE is closed for trading, which include New Year's Day, Martin Luther King Jr. Day, President's Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

Revenue Recognition

Contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a 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 statement of activities as net assets released from restrictions.

Advertising Costs

Advertising costs are charged to expense when incurred. Advertising expenses was \$25,477 and \$20,218 for the years ending June 30, 2022 and 2021, respectively.

**INDEPENDENT CATHOLIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021
(CONTINUED)**

Note 2: Investments

The Foundation's endowment investment policy is based on fundamental financial principles that include prudent asset allocation, risk assessment, and long-term planning. The investment policy emphasizes total return, which allows the funds to utilize current dividend and interest income, and over time, a portion of the aggregate capital appreciation, in an attempt to provide a predictable stream of funding for grant making while seeking to maintain the purchasing power of the endowment assets. The Foundation investment policy is consistent with the moral and social teachings of the Catholic Church.

Within that framework, the investment policy establishes an achievable return objective through diversification of asset classes. The current long-term objective is to produce, after investment expenses, minimum annual compound total rate of return, as follows:

Planning Time Horizon:	Perpetual
2020 CMA Modeled Return:	6.0%
25 Year Historical Return:	8.0%
Evaluation Benchmark:	(1) Maintenance of real (inflation-adjusted) value of Assets; (2) Outperformance of Assets compared to Strategic Target-weighted benchmark, net of fees; (3) Outperformance of Assets compared to actual-weighted benchmark, net of fees; (4) Outperformance of peer group median based on risk adjusted measurements

The spending policy is reviewed annually and is determined in consultation with our portfolio manager, our external consultant and any applicable state or federal laws.

The majority of the Foundation investment portfolio as of June 30, 2022 is managed by Cornerstone Advisors while Wilmington Trust serves as the custodian of the investments. These investments are invested in a diverse portfolio of cash and cash equivalents, fixed income, and equities.

The majority of the Foundation's investment portfolio as of June 30, 2021 is managed by Christian Brothers Investment Services, in which the funds are invested within eight funds of the Catholic United Investment Trust (CUIT). CUIT is comprised of ten professionally managed, no-load, open-end, pooled investment funds (CUIT Funds) for the exclusive benefit of religious organizations that are listed, or eligible for listing, in the Kenedy Official Catholic Directory of the Roman Catholic Church in the United States. CUIT is exempt from registration under the Investment Company Act of 1940 and the Trust Units issued by CUIT are exempt from registration under the Securities Act of 1933. No terms, conditions, or limitations apply under which the Foundation may redeem their investment in the CUIT's. The Foundation also invested in Wilmington Trust Money Market Fund in 2021.

**INDEPENDENT CATHOLIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021
(CONTINUED)**

Note 2: Investments (Continued)

As of June 30, 2022, the carrying amount (market value) of investments are comprised of the following:

	<u>2022</u>
Cash	\$ 125,870
Money Market Funds	<u>1,032,926</u>
Total Cash & Cash Equivalents	1,158,796
U.S Treasury Obligations	1,895,947
Corporate & Foreign Bonds	2,519,083
Municipal Obligations	1,120,026
Taxable Fixed Income Funds	<u>7,489,863</u>
Total Fixed Income	13,024,919
Domestic Equity Mutual Funds	16,519,936
Global Funds	<u>4,998,422</u>
Total Equities	21,518,358
	 \$35,702,073
	<hr/>
Endowment Trusts	\$34,354,727
Endowment Trust - Board Designated	1,099,474
Operating Reserve	<u>247,872</u>
Total Investment Assets	\$35,702,073
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As of June 30, 2022, 60% of the total value of the portfolio is invested in Equities.

As of June 30, 2021, the carrying amount (market value) of investments are comprised of the following:

	<u>2021</u>
CUIT Opportunistic Bond Fund Class B	\$ 8,080,743
CUIT Intermediate Diversified Bond Fund Class B	8,022,591
CUIT Value Equity Fund Class B	0
CUIT Core Equity Index Fund Class B	14,515,802
CUIT Growth Fund Class B	0
CUIT Small Capitalization Equity Index Fund Class B	4,356,138
CUIT International Equity Fund Class B	6,202,196
CUIT Money Market	0
Wilmington Trust Money Market	400,036
Certificates of Deposit/Money Market Accounts-Other	<u>164,354</u>
	 \$41,741,860
	<hr/>
Endowment Trusts	\$40,108,918
Endowment Trust - Board Designated	1,345,302
Operating Reserve	<u>287,640</u>
Total Investment Assets	\$41,741,860
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**INDEPENDENT CATHOLIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021
(CONTINUED)**

Note 2: Investments (Continued)

The following summarizes maturities of investment assets:

<u>June 30, 2022</u>	<u>Total</u>	<u>Less Than 1 Year</u>	<u>1 to 5 Years</u>	<u>6 to 10 Years</u>	<u>Over 10 Years</u>
Wilmington Trust investments	\$34,669,147	\$34,669,147	\$ 0	\$ 0	\$ 0
CD's/Money Market Accounts	<u>1,032,926</u>	<u>1,032,926</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>\$35,702,073</u>	<u>\$35,702,073</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
 <u>June 30, 2021</u>	 <u>Total</u>	 <u>Less Than 1 Year</u>	 <u>1 to 5 Years</u>	 <u>6 to 10 Years</u>	 <u>Over 10 Years</u>
CUIT Funds	\$41,577,506	\$41,577,506	\$ 0	\$ 0	\$ 0
CD's/Money Market Accounts	<u>164,354</u>	<u>164,354</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>\$41,741,860</u>	<u>\$41,741,860</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

	<u>2022</u>	<u>2021</u>
<u>Investment Income</u>		
Interest and Dividends	\$ 538,938	\$ 476,085
Net Gains (Losses)	<u>(5,773,950)</u>	<u>8,264,043</u>
Total	<u>\$ (5,235,012)</u>	<u>\$ 8,740,128</u>

	<u>2022</u>	<u>2021</u>
Average Market Value of Assets (based on Market value at beginning and end of fiscal year)	\$ 38,721,967	\$ 37,683,682
Return on Average Market Value of Assets (net of Foundation fees of \$391,151 and \$376,518, respectively)	<u>(12.84)%</u>	<u>26.72%</u>

Administration fees charged by the Foundation were as follows:

	<u>2022</u>	<u>2021</u>
Foundation Administration Fees	<u>\$391,151</u>	<u>\$376,518</u>

**INDEPENDENT CATHOLIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021
(CONTINUED)**

Note 2: Investments (Continued)

In addition, as of June 30, 2022, Wilmington Trust charges 3.5 basis points for their investments, which reduce the net asset value of each respective Wilmington Trust investment. Breckenridge Capital Advisors charge an advisory fee based on the total market value of the fixed income securities: 20 basis points on the first \$1 million, 17.5 basis points on the next \$4 million, and 15 basis points on the balances thereafter.

As of June 30, 2021, CBIS charges the following basis points for their services by fund, which reduce the net asset value of each respective CUIT: Opportunistic Bond Fund Class B (35), Intermediate Diversified Bond Fund Class B (30), Core Equity Index Fund Class B (6), Small Capitalization Equity Index Fund Class B (20), and International Equity Fund Class B (74).

The following tabulation summarizes the relationship between cost values and market values of investment assets.

2022

	<u>Cost Value</u>	<u>Market Value</u>	<u>Excess of Market Over Cost</u>
<u>Balance</u> - Ending	\$40,139,129	\$35,702,073	\$ (4,437,056)
<u>Balance</u> - Beginning	<u>38,893,312</u>	<u>41,741,860</u>	<u>2,848,548</u>
Change in Unrealized Gain/(loss)	\$ 1,245,817	\$ (6,039,787)	\$ (7,285,604)
	<hr/>	<hr/>	
Realized Net Gain for the Year			<u>1,511,654</u>
Total Net Gain/(Loss) for the Year			<u>\$ (5,773,950)</u>

2021

	<u>Cost Value</u>	<u>Market Value</u>	<u>Excess of Market Over Cost</u>
<u>Balance</u> - Ending	\$38,893,312	\$41,741,860	\$ 2,848,548
<u>Balance</u> - Beginning	<u>26,837,981</u>	<u>33,625,505</u>	<u>6,787,524</u>
Change in Unrealized Gain/(Loss)	\$ 12,055,331	\$ 8,116,355	\$ (3,938,976)
	<hr/>	<hr/>	
Realized Net Gain for the Year			<u>12,203,019</u>
Total Net Gain for the Year			<u>\$ 8,264,043</u>

**INDEPENDENT CATHOLIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021
(CONTINUED)**

Note 3: Endowments Receivable, Pending and In Transit

The Foundation had restricted amounts in transit between the operating account and the endowment accounts of \$0 and \$0 as of June 30, 2022 and 2021, respectively.

Note 4: Reclassifications

Certain items in the 2021 financial statements have been reclassified to conform with the 2022 presentation.

Note 5: Endowment Distribution

The Board of Trustees has adopted an Endowment Fund Distribution Policy. Under the Endowment Fund Distribution Policy, the Board annually determines distributions based on a percentage of the average market value for the previous twenty quarters for December 30, 2022 and December 30, 2021. The distributions were based on a maximum of 5% of the average market value for the years ended December 30, 2022 and 2021. Current state law allows 2% to 7%.

During the June 15, 2022 Board of Trustees meeting, The Board approved the following spending policy for endowment that have been invested for less than five years: (1) 1-3 quarters- No distribution, (2) 4-11 quarters-50% of approved rate, and (3) 12+quarters-100% of approved rate.

The Foundation's objective is to maintain the purchasing power of the endowment assets as well as to provide additional growth through subsequent gifts and return on investments.

Also, the Foundation consistently records "Net Assets Released from Restrictions" (as listed in the Statement of Activities) when distributions are made from endowments designated as with donor restrictions. These amounts do not necessarily indicate a liquidation of principal, but rather distributions made from the accumulated earnings on the investments.

Annuity Payment

Annuity payments are determined based on the terms applicable to each annuity contract.

Note 6: Foundation Fees

An annual fee of 1% of market value was charged to the Endowment Investment Funds. The trust fees are distributed quarterly to the Foundation for operational costs. During 2021-22, this fee totaled \$391,151. During 2020-21, this fee totaled \$376,518.

**INDEPENDENT CATHOLIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021
(CONTINUED)**

Note 7: Fair Value of Financial Instruments

The Foundation did not hold financial instruments for trading purposes at June 30, 2022 or 2021. Also, the Foundation does not invest in derivative financial instruments.

The carrying amounts of cash, investment income receivable, and endowments receivable approximate fair value because of the short maturity of those financial instruments. The carrying amount of investments (which is fair value) is based upon quoted market values.

The Foundation's financial instruments at June 30 are as follows:

	<u>2022</u>		<u>2021</u>	
	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>
<u>Financial Assets</u>				
Cash and Cash Equivalents	\$ 213,716	\$ 213,716	\$ 154,764	\$ 154,764
Other Receivable	9,353	9,353	100,000	100,000
Investments	35,702,073	35,702,073	41,741,860	41,741,860

See also Note 1 regarding Fair Value disclosures.

Note 8: Split-Interest Agreement

Independent Catholic Foundation was a party to one split-interest agreement. The agreement is as follows:

Charitable Gift Annuity

Under this type of agreement, the contributed property is irrevocably transferred to the Foundation. As a general obligation of the Foundation, the donor receives distributions of a fixed amount for the life of the donor. Upon the donor's death, the remaining assets are transferred to an endowment specified by the agreement.

Assets received have been recognized at fair value and an annuity liability has been recognized at the present value of the future cash flows expected to be paid. Revenue is recognized as the difference between these two amounts until the termination of the agreement at which time it will be distributed according to the trust agreement.

To calculate the present value of the charitable gift annuity, applicable life expectancy tables and discount rates were used based on the agreement.

**INDEPENDENT CATHOLIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021
(CONTINUED)**

Note 8: Split-Interest Agreement (Continued)

Split-Interest Agreement

June 30, 2022

	<u>Discount Rate</u>	<u>Market Value</u>	<u>Present Value of Annuity</u>	<u>Net Asset Value</u>
A. Gavalier Gift Annuity	8.80%	\$ 779	\$ 2,533	\$ (1,754)
		<u> </u>	<u> </u>	<u> </u>

Split-Interest Agreement

June 30, 2021

	<u>Discount Rate</u>	<u>Market Value</u>	<u>Present Value of Annuity</u>	<u>Net Asset Value</u>
A. Gavalier Gift Annuity	8.80%	\$ 1,799	\$ 2,686	\$ (887)
		<u> </u>	<u> </u>	<u> </u>

As of June 30, 2022 and 2021, the total liability for the split-interest agreements was \$2,533 and \$2,686, respectively. While these amounts are reported as current liabilities, a portion of these obligations are payable beyond one year but are immaterial to the financial statements taken as a whole.

Note 9: Pass Through Contribution Payable

On occasion, the Foundation receives pass through contributions to be paid to separate organizations. As of June 30, 2022 and 2021, amounts total \$199,504 and \$233,475, respectively. Only \$5,715 was yet to be specified where they are to be allocated per the donors. Pass through contributions are processed at the request of donors for the benefit of other nonprofit charities of their choice. These are recorded as cash equivalents and investments with a corresponding liability for the amounts to be transferred to the beneficiary to be named.

Note 10: Concentration Risk

Deposits

The Foundation had no uninsured demand deposits as of June 30, 2022 and June 30, 2021.

NDEPENDENT CATHOLIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021
(CONTINUED)

Note 11: Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in restricted net assets were \$164,233 and \$500 as of June 30, 2022 and 2021, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor restricted endowment funds and continued appropriation for certain programs that were deemed prudent by the Board of Trustees.

	<u>2022</u>	<u>2021</u>
Fair value of underwater funds	\$ 1,384,319	\$ 9,385
Original gift amount	<u>1,548,552</u>	<u>9,885</u>
Endowment Deficiencies	<u>\$ 164,233</u>	<u>\$ 500</u>

Endowments that had deficiencies distributed \$10,583 and \$500 to their specific programs permitted by their endowments for the year ended June 30, 2022 and June 30, 2021, respectively.

Note 12: Property and Equipment

Property and equipment at June 30, 2022 and 2021, are summarized as follows by major classification:

	<u>2022</u>	<u>2021</u>
Furniture and Fixtures	\$ 10,751	\$ 8,898
Computer Equipment	<u>5,575</u>	<u>4,371</u>
	\$16,326	\$13,269
Less: Accumulated Depreciation	<u>13,238</u>	<u>12,579</u>
Net Property and Equipment	<u>\$ 3,088</u>	<u>\$ 690</u>

INDEPENDENT CATHOLIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021
(CONTINUED)

Note 13: Leases

The Foundation is obligated to a multi-year agreement for lease of its office space which is expensed as incurred. The prior agreement terminated February 2022. The new lease term shall be 24 months, commencing on March 1, 2022 and terminating on February 29, 2024. During the years ended June 30, 2022 and 2021, lease payments totaled \$13,800 and \$13,500 per year, respectively. The scheduled lease payments to be made by the Foundation over the upcoming five years are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2022-23	\$ 14,400
2023-24	9,600
2024-25	0
2025-26	0
2026-27	0

Either party may terminate the lease at the end of the original term or renewal term thereafter by giving 60 days notice. In the absence of such notice, the lease will automatically renew for an additional year under the same terms and conditions.

Note 14: Retirement Plan

The Foundation sponsors a SIMPLE IRA plan for hourly and salaried employees whereby the Foundation matches employee deferrals dollar for dollar, up to 3% of wages. Each participant may contribute pre-tax earnings to the plan up to limitations prescribed by the plan and by the Internal Revenue Code. Expenses relating to this plan for the years ended June 30, 2022 and 2021 amounted to \$4,286 and \$3,990, respectively.

Note 15: Notes Payable

On May 4, 2020, The Foundation borrowed \$31,000 under the Paycheck Protection Program (PPP loan) with an interest rate of 1%. SBA will forgive loans if all employee retention criteria are met, and the funds are used for eligible expenses.

The entire loan was forgiven in the prior fiscal year.

INDEPENDENT CATHOLIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021
(CONTINUED)

Note 16: Schedule of Functional Expenses

	<u>2022</u>	<u>2021</u>
<u>Expenses</u>		
<u>Program</u>		
Distributions and Annuity Payments	\$1,680,094	\$ 1,416,961
Discretionary and Matching Grants	71,749	82,494
Sponsorships	16,913	4,375
Delle Rose Estate Fees	0	0
Total Program	1,768,756	1,503,830
<u>General Administration</u>		
Investment Advisory Fees	20,000	23,980
Professional Fees	24,847	27,693
Office Expense and Miscellaneous	22,300	13,272
Insurance	6,227	5,921
Board Meetings and Strategic Planning	895	673
Rent	13,800	13,500
Payroll (including tax and related benefits)	119,139	109,856
Depreciation	659	815
Total General Administration	207,867	195,710
<u>Fundraising</u>		
Advertising and Marketing	24,557	20,218
Payroll	60,125	57,302
Total Fundraising	84,682	77,520
 Total Expenses	 \$2,061,305	 \$1,777,060

The costs of providing various programs have been summarized on a functional basis. The expenses that are allocated include compensation and benefits, which are allocated on basis of estimates of time.

Note 17: Endowment Funds

The Foundation's endowment consists of individual funds established within a specific framework to support various philanthropic programs and needs within the community. The funds include donor-restricted endowment funds, two funds designated by the Board to function as an endowment and an operating reserve fund. Contributions made to donor-restricted funds are maintained in perpetuity, the income of which is expendable for the donor's intended purpose. Annual distributions are in accordance with the Foundation's investment and spending policy and subject to Pennsylvania law.

INDEPENDENT CATHOLIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021
(CONTINUED)

Note 17: Endowment Funds (continued)

Change in the endowment assets as of June 30, 2022 and 2021 are as follows:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Assets- beginning of year	\$ 1,632,942	\$ 39,944,564	\$41,577,506
Contributions	0	1,265,347	1,265,347
Income Return, net of fees	(210,732)	(5,476,692)	(5,687,424)
Transfer	(3,113)	3,113	0
Amounts appropriated for Expenditure	(71,749)	(1,381,607)	(1,453,356)
Endowment Assets, end of year	\$ 1,347,348	\$ 34,354,725	\$ 35,702,073

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Assets- beginning of year	\$ 1,046,338	\$ 32,416,458	\$33,462,796
Contributions	360,609	989,818	1,350,427
Income Return, net of fees	279,264	8,127,333	8,406,597
Transfer	19,224	(19,224)	0
Amounts appropriated for Expenditure	(72,493)	(1,569,821)	(1,642,314)
Endowment Assets, end of year	\$ 1,632,942	\$ 39,944,564	\$ 41,577,506

INDEPENDENT CATHOLIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021
(CONTINUED)

Note 17: Endowment Funds (continued)

The endowment net asset composition by type of fund as of June 30, 2022 and 2021, is comprised of the following:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Contracts	\$ 0	\$ 32,917,928	\$32,917,928
Board Designated	1,099,476	0	1,099,476
Operating Reserve	247,872	0	247,872
Annuity Contract	0	779	779
Total	\$ 1,347,348	\$ 32,918,707	\$ 34,266,055

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Contracts	\$ 0	\$ 38,502,465	\$38,502,465
Board Designated	1,345,302	0	1,345,302
Operating Reserve	287,640	0	287,640
Annuity Contract	0	1,799	1,799
Total	\$ 1,632,942	\$ 38,502,264	\$ 40,137,206

Note 18: Related-Party Transactions

During the years ended June 30, 2022 and 2021, Independent Catholic Foundation recognized \$126,000 and \$49,350, respectively, in contributions from members of the Board of Trustees.

INDEPENDENT CATHOLIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021
(CONTINUED)

Note 19: Liquidity and Availability

The following represents the Foundation's financial assets available to meet general expenditures as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Financial Assets		
Cash and Cash Equivalents-Unrestricted	\$ 142,810	\$ 154,764
Operating Reserve	247,872	287,640
Less:		
Accounts Payable	<u>(17,638)</u>	<u>(29,546)</u>
Operating Cash and Investments	<u>373,044</u>	<u>412,858</u>

The Foundation's primary source of revenue is the fee income related to assets management. General expenditures include management, general expenses, and fundraising expenses. As part of the Foundation's liquidity management, it maintains adequate liquid assets to meet financial needs, adheres to distribution policies and maintains a liquidity reserve which can be drawn on to meet an immediate financial need.

Note 20: Accounting Pronouncement Not Yet Adopted

In February 2016, the FASB issues ASU 2016-02, Leases (Topic 842), as amended. Under the new provisions, all lessees will report on the balance sheet a right-of-use asset and liability for the obligation to make payments with the exception of those leases with a term of 12 months or less. The new provision will be effective for Independent Catholic Foundation in fiscal year 2023.

Note 21: COVID-19

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen. This matter may negatively impact its operating results. The extent to which COVID-19 may impact the Organization's financial condition or results of operations is uncertain and cannot be reasonably estimated at this time.