

# Catholic Education Foundation

Financial Report  
June 30, 2018

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RSM US LLP

## Independent Auditor's Report

Board of Directors  
Catholic Education Foundation

### Report on the Financial Statements

We have audited the accompanying financial statements of the Catholic Education Foundation (the Foundation), which comprise the statements of financial position as of June 30, 2018 and 2017, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

We believe 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 Catholic Education Foundation as of June 30, 2018 and 2017, 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.

**Other Matter**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The additional information related to unrestricted net assets and temporarily restricted net assets presented on the statements of activities and the additional breakout presented on the statement of cash flows by operations and endowment are presented for purposes of additional analysis and are not a required part of the financial statements. This information has been subjected to auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statements of activities and statements of cash flows themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the statements of activities and statements of cash flows as a whole.

*RSM US LLP*

Kansas City, Missouri  
November 1, 2018

**Catholic Education Foundation**

**Statements of Financial Position  
June 30, 2018 and 2017**

	2018	2017
<b>Assets</b>		
Current assets:		
Cash	\$ 1,115,626	\$ 478,834
Investment in the Archdiocesan Deposit and Loan Fund (Note 9)	2,846,167	1,864,760
Certificates of deposit	302,445	300,962
Prepaid expenses	14,297	13,412
Interest receivable	2,523	367
<b>Total current assets</b>	<b>4,281,058</b>	<b>2,658,335</b>
Equipment:		
Computers	40,902	39,134
Accumulated depreciation	(36,945)	(35,398)
	<b>3,957</b>	<b>3,736</b>
Interest in net assets of the Catholic Foundation of Northeast Kansas (Notes 2 and 3)	<b>4,517,780</b>	<b>4,511,974</b>
	<b>\$ 8,802,795</b>	<b>\$ 7,174,045</b>
<b>Liabilities and Net Assets (Deficit)</b>		
Current liabilities:		
Accounts payable	\$ 4,652	\$ 7
Due to Archdiocese	87,520	88,268
Deferred revenue	69,950	123,650
Other current liabilities	2,652	8,128
<b>Total current liabilities</b>	<b>164,774</b>	<b>220,053</b>
Net assets (deficit):		
Unrestricted	1,912,470	1,976,540
Unrestricted—endowments (Note 5)	(95,482)	(147,905)
Unrestricted—board designated (Note 8)	839,918	886,535
<b>Total unrestricted net assets</b>	<b>2,656,906</b>	<b>2,715,170</b>
Temporarily restricted (Notes 6 and 7)	276,623	250,782
Temporarily restricted—tax credit legislation (Notes 1 and 6)	2,153,406	436,954
<b>Total temporarily restricted net assets</b>	<b>2,430,029</b>	<b>687,736</b>
Permanently restricted (Notes 5 and 6)	3,551,086	3,551,086
	<b>8,638,021</b>	<b>6,953,992</b>
	<b>\$ 8,802,795</b>	<b>\$ 7,174,045</b>

See notes to financial statements.

## Catholic Education Foundation

### Statement of Activities Year Ended June 30, 2018

	Unrestricted	Unrestricted— Endowments	Unrestricted— Board Designated	Temporarily Restricted	Temporarily Restricted—TCL	Permanently Restricted	Total
Revenue and support:							
Contributions (Note 4)	\$ 717,367	\$ -	\$ -	\$ 48,310	\$ 2,613,669	\$ -	\$ 3,379,346
Scholarship drive income	140,573	-	-	-	-	-	140,573
Special service revenue	5,764	-	-	-	-	-	5,764
Interest income (Note 9)	21,106	-	-	-	5,116	-	26,222
Special events income, net of direct expenses	1,024,948	-	-	-	-	-	1,024,948
Endowment interest distribution	477,579	-	-	-	-	-	477,579
Interest in CFNEK FFOH endowment (Note 3)	-	52,423	(321,494)	-	-	-	(269,071)
Net assets released from restrictions (Note 7):							
Satisfaction of purpose restrictions	924,802	-	-	(22,469)	(902,333)	-	-
<b>Total revenue and support</b>	<b>3,312,139</b>	<b>52,423</b>	<b>(321,494)</b>	<b>25,841</b>	<b>1,716,452</b>	<b>-</b>	<b>4,785,361</b>
Expenses:							
Program services:							
Scholarships	2,265,576	-	-	-	-	-	2,265,576
Guardian Angel Fund	22,469	-	-	-	-	-	22,469
	2,288,045	-	-	-	-	-	2,288,045
Administration	638,589	-	-	-	-	-	638,589
Administration—TCL	142,763	-	-	-	-	-	142,763
Fundraising expense	31,935	-	-	-	-	-	31,935
<b>Total expenses</b>	<b>3,101,332</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,101,332</b>
<b>Increase (decrease) in net assets (deficit)</b>	<b>210,807</b>	<b>52,423</b>	<b>(321,494)</b>	<b>25,841</b>	<b>1,716,452</b>	<b>-</b>	<b>1,684,029</b>
Transfer	(274,877)	-	274,877	-	-	-	-
Net assets (deficit):							
Beginning of year	1,976,540	(147,905)	886,535	250,782	436,954	3,551,086	6,953,992
End of year	\$ 1,912,470	\$ (95,482)	\$ 839,918	\$ 276,623	\$ 2,153,406	\$ 3,551,086	\$ 8,638,021

See notes to financial statements.

## Catholic Education Foundation

### Statement of Activities Year Ended June 30, 2017

	Unrestricted	Unrestricted— Endowments	Unrestricted— Board Designated	Temporarily Restricted	Temporarily Restricted—TCL	Permanently Restricted	Total
Revenue and support:							
Contributions (Note 4)	\$ 822,803	\$ -	\$ -	\$ 40,207	\$ 790,000	\$ -	\$ 1,653,010
Scholarship drive income	153,384	-	-	-	-	-	153,384
Special service revenue	7,356	-	-	-	-	-	7,356
Interest income (Note 9)	20,248	-	-	-	1,377	-	21,625
Special events income, net of direct expenses	907,931	-	-	-	-	-	907,931
Endowment interest distribution	499,683	-	-	-	-	-	499,683
Interest in CFNEK FFOH endowment (Note 3)	-	148,288	(340,124)	-	-	-	(191,836)
Net assets released from restrictions (Note 7):							
Satisfaction of purpose restrictions	760,006	-	-	(22,011)	(737,995)	-	-
<b>Total revenue and support</b>	<b>3,171,411</b>	<b>148,288</b>	<b>(340,124)</b>	<b>18,196</b>	<b>53,382</b>	<b>-</b>	<b>3,051,153</b>
Expenses:							
Program services:							
Scholarships	1,993,328	-	-	-	-	-	1,993,328
Guardian Angel Fund	22,011	-	-	-	-	-	22,011
	2,015,339	-	-	-	-	-	2,015,339
Administration	462,471	-	-	-	-	-	462,471
Administration—TCL	120,640	-	-	-	-	-	120,640
Fundraising expense	45,406	-	-	-	-	-	45,406
<b>Total expenses</b>	<b>2,643,856</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,643,856</b>
<b>Increase (decrease) in net assets (deficit)</b>	<b>527,555</b>	<b>148,288</b>	<b>(340,124)</b>	<b>18,196</b>	<b>53,382</b>	<b>-</b>	<b>407,297</b>
Transfer	(277,285)	-	277,285	-	-	-	-
Net assets (deficit):							
Beginning of year	1,726,270	(296,193)	949,374	232,586	383,572	3,551,086	6,546,695
End of year	\$ 1,976,540	\$ (147,905)	\$ 886,535	\$ 250,782	\$ 436,954	\$ 3,551,086	\$ 6,953,992

See notes to financial statements.

**Catholic Education Foundation**

**Statements of Cash Flows  
Years Ended June 30, 2018 and 2017**

	2018			2017
	Operations	Endowments	Total	
Cash flows from operating activities:				
Increase in net assets	\$ 1,631,606	\$ 52,423	\$ 1,684,029	\$ 407,297
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:				
Depreciation expense	1,547	-	1,547	1,257
Gain on interest in CFNEK	-	(208,508)	(208,508)	(307,847)
Changes in assets and liabilities:				
(Increase) decrease in:				
Interest receivable	(2,156)	-	(2,156)	(81)
Prepaid expenses	(885)	-	(885)	(1,151)
Increase (decrease) in:				
Accounts payable	4,645	-	4,645	(2,140)
Due to Archdiocese	(748)	-	(748)	14,717
Deferred revenue	(53,700)	-	(53,700)	6,650
Other liabilities	(5,476)	-	(5,476)	8,128
<b>Net cash provided by (used in) operating activities</b>	<b>1,574,833</b>	<b>(156,085)</b>	<b>1,418,748</b>	<b>126,830</b>
Cash flows from investing activities:				
Purchase of computer equipment	(1,768)	-	(1,768)	(2,876)
Increase in investment in Archdiocesan Deposit and Loan Fund	(2,774,805)	-	(2,774,805)	(1,820,248)
Proceeds from certificates of deposit	300,962	-	300,962	300,299
Purchase of certificates of deposit	(302,445)	-	(302,445)	(300,962)
Withdrawals from Archdiocesan Deposit and Loan Fund	1,518,521	274,877	1,793,398	1,653,605
Additions to interest in CFNEK	-	(274,877)	(274,877)	(277,285)
Withdrawal in interest in CFNEK	-	477,579	477,579	499,683
<b>Net cash provided by (used in) investing activities</b>	<b>(1,259,535)</b>	<b>477,579</b>	<b>(781,956)</b>	<b>52,216</b>
<b>Net increase in cash</b>	<b>315,298</b>	<b>321,494</b>	<b>636,792</b>	<b>179,046</b>
Cash:				
Beginning	(108,011)	586,845	478,834	299,788
Ending	<b>\$ 207,287</b>	<b>\$ 908,339</b>	<b>\$ 1,115,626</b>	<b>\$ 478,834</b>

See notes to financial statements.



## Catholic Education Foundation

### Notes to Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies

**Nature of activities:** The Catholic Education Foundation (the Foundation) is a nonprofit organization dedicated to assisting, in any way, including raising, managing, investing and expending funds for the support of, Catholic education within the Archdiocese of Kansas City in Kansas. The Foundation's support comes primarily through donor contributions. The members of the Foundation are the Archbishop, the Chancellor and the Vicar General for Administration of the Archdiocese of Kansas City in Kansas. During year ended June 30, 2015, Kansas legislation went into effect offering a tax credit to designated Kansas businesses that donate money for low-income children to attend private schools. The Foundation is a recipient of these donations, and the activity of the tax credit legislation (TCL) is included within the financial statements.

A summary of significant accounting policies follows.

**Basis of presentation:** The Foundation prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred. The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

The unrestricted net assets of the Foundation include unrestricted undesignated net assets, which are available for any purpose, and unrestricted designated net assets, which have been designated by the Board of Directors for specific operating purposes or time periods. Temporarily restricted net assets are those that are subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or the passage of time. Permanently restricted net assets are those whose use by the Foundation is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

**Revenue recognition:** Contributions received are recorded at fair value as unrestricted, temporarily restricted or permanently restricted, depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. When restrictions on donor-restricted contributions are satisfied in the same reporting period in which the contributions are received, the contributions are classified as unrestricted donations.

**Concentration of credit risk:** The Foundation at times maintains deposits with banks in excess of the insured limits. The Foundation has not experienced any losses in such accounts.

**Equipment:** Equipment is recorded at cost. Depreciation is computed using the straight-line method. The estimated useful lives of the assets are three to five years.

**Interest in net assets of the Catholic Foundation of Northeast Kansas:** The Foundation has assets that are held as endowments and funds with the Catholic Foundation of Northeast Kansas. These are recorded at the fair value of the underlying assets in the endowments.

**Investment in the Archdiocesan Deposit and Loan Fund:** The Foundation has monies in the Archdiocesan Deposit and Loan Fund that earn a stated interest rate. Fair value approximates carrying value.

**Certificates of deposit:** Certificates of deposit have original maturities less than one year and are reported at cost, which approximates fair value.

## Catholic Education Foundation

### Notes to Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**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 and expenses during the reporting period. Actual results could differ from these estimates.

**Income taxes:** The Foundation is exempt from federal income tax under provisions of section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. In addition, the Foundation qualifies for the charitable contribution deduction under section 170(b)(1)(A) and has been classified as an organization that is not a private foundation. Uncertain tax positions, if any, are recorded in accordance with *FASB Accounting Standards Codification (ASC) Topic 740, Income Taxes*, which requires the recognition of a liability for tax positions taken that do not meet the more-likely-than-not standard that the position will be sustained upon examination by the taxing authorities. There is no liability for uncertain tax positions recorded at June 30, 2018 and 2017.

**Fundraising costs:** The Foundation expenses fundraising costs as incurred.

**Recent accounting pronouncements:** Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This guidance will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard permits the use of either the retrospective or cumulative-effect transition method. In August 2015, the FASB issued ASU No. 2015-14, which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. The Foundation is evaluating the effect the standard will have on its financial statements and related disclosures. The Foundation has not yet selected a transition method and has not determined the effect of the standard on ongoing financial reporting.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financials Statements of Not-for Profit Entities*. The new standard changes presentation and disclosure requirements with the intention of helping not-for-profits provide more relevant information about their resources to donors, grantors, creditors and other financial statement users. This pronouncement decreases the number of net assets classes from three to two. The new classes will be *net assets with donor restrictions* and *net assets without donor restrictions*. The standard will take effect for annual financial statements issued for fiscal years beginning after December 15, 2018, and for interim periods within fiscal years beginning after December 15, 2017. Therefore, this ASU will be effective for the Foundation's fiscal year ending June 30, 2019. Management is in the process of evaluating the impact of this new guidance.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for fiscal years beginning after December 15, 2018, and for interim periods within fiscal years beginning after December 15, 2019. Therefore, this ASU will be effective for the Foundation on July 1, 2020. The Foundation is currently evaluating the impact of the adoption of this guidance will have on its financial statements.

## Catholic Education Foundation

### Notes to Financial Statements

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#### Note 2. Fair Value Measurements

The Fair Value Measurements and Disclosures topic of the ASC defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. ASC 820 requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, ASC 820 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the topic are described below:

**Level 1:** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the entity has the ability to access.

**Level 2:** Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3:** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair market value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

A description of the valuation methodologies used for assets measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below:

**Interest in the Catholic Foundation of Northeast Kansas:** The Foundation's interest in net assets of the Catholic Foundation of Northeast Kansas (CFNEK) is an investment in the funds held by CFNEK. CFNEK's investments are classified as Level 1 and Level 3. Level 3 investments held at CFNEK meet the definition of alternative investments. Because the Foundation's investment is in CFNEK, not individual investments, all of the Foundation's investment in CFNEK is classified as Level 3. CFNEK values its individual securities as follows: Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy.

## Catholic Education Foundation

### Notes to Financial Statements

#### Note 2. Fair Value Measurements (Continued)

Level 1 securities would include highly liquid government bonds and exchange-traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flow. Level 2 securities would include U.S. agency securities, mortgage-based agency securities, and certain corporate, asset-backed securities and other securities. In certain cases where there is limited activity or less transparency around inputs to the valuation, including alternative investments, securities are classified within Level 3 of the valuation hierarchy.

The following tables summarize assets and liabilities measured at fair value on a recurring basis as of June 30, 2018 and 2017, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	June 30, 2018			
	Total	Level 1	Level 2	Level 3
Interest in Catholic Foundation of Northeast Kansas	\$ 4,517,780	\$ -	\$ -	\$ 4,517,780

  

	June 30, 2017			
	Total	Level 1	Level 2	Level 3
Interest in Catholic Foundation of Northeast Kansas	\$ 4,511,974	\$ -	\$ -	\$ 4,511,974

The tables above do not include the investment in the Archdiocesan Deposit and Loan Fund of \$2,846,167 and \$1,864,760 as of June 30, 2018 and 2017, respectively, or the investment in certificates of deposit of \$302,445 and \$300,962 as of June 30, 2018 and 2017, respectively. These investments are carried at cost, which approximates fair value.

The following table presents additional information about assets measured at fair value on a recurring basis, for which the Foundation has utilized Level 3 inputs to determine fair value:

	Years Ended June 30	
	2018	2017
Beginning balance	\$ 4,511,974	4,426,525
Interest and dividends, net of fees	87,235	33,181
Unrealized gains (losses)	31,578	(18,854)
Realized gains	89,695	293,520
Additions	274,877	277,285
Withdrawals	(477,579)	(499,683)
Ending balance	<u>\$ 4,517,780</u>	<u>4,511,974</u>

The Foundation does not have assets and liabilities recorded at fair value on a nonrecurring basis.

## Catholic Education Foundation

### Notes to Financial Statements

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#### **Note 3. Interest in Net Assets of the Catholic Foundation of Northeast Kansas**

During the years ended June 30, 2018 and 2017, CFNEK held funds in trust for the benefit of the Foundation. The aggregate amount, recognized in the statements of financial position as an interest in the net assets of CFNEK at June 30, 2018 and 2017, is \$4,517,780 and \$4,511,974, respectively. Income from these funds was available to the Foundation for scholarships for inner city and rural schools.

#### **Note 4. Concentrations**

The Foundation receives contributions primarily from individuals, companies, foundations, parishes and schools in the greater Kansas City metropolitan area. During the years ended June 30, 2018 and 2017, the Foundation received approximately \$330,000 and \$300,000, respectively, in contributions from campaigns and other sources of the Archdiocese of Kansas City in Kansas, which represents approximately 7 percent and 10 percent, respectively, of total revenues.

#### **Note 5. Endowments and Funds**

The Foundation has interpreted that the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted by the State of Kansas applies to the Foundation, and in accordance with UPMIFA, the Foundation considers the following factors in determining whether to expend or accumulate donor-restricted endowment funds:

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

The Foundation has three funds: A Future Full of Hope Endowment, Mulvany Scholarship Endowment and the Catholic Education Foundation Scholarship Fund. Foundation management attempts to provide a predictable stream of funding to programs supported by these endowments and funds while seeking to maintain the purchasing power of the assets. Distributions are received from the endowments according to the "income" definition of the CFNEK Board of Directors, which is determined based on the percentage of the endowment that is invested in equities and in fixed-income investments. In defining income as such, the absolute protection of the historical value of the corpus is not the uppermost consideration, but rather the long-term expectation of appreciation of assets with appropriate investment strategies and the desire for consistent income for the organization benefiting from these endowments. Distributions received from the Catholic Education Foundation Scholarship Fund are reviewed annually by the Foundation's Board of Directors.

**Catholic Education Foundation**

**Notes to Financial Statements**

**Note 5. Endowments and Funds (Continued)**

The following is activity related to endowment and fund net assets (held as investments and cash) for the years ended June 30, 2018 and 2017:

	2018				
	Unrestricted—				Total
	Unrestricted	Board Designated	Temporarily Restricted	Permanently Restricted	
Endowment net assets (deficit), beginning of year	\$ (147,905)	\$ 886,535	\$ 222,660	\$ 3,551,086	\$ 4,512,376
Investment return:					
Investment income	87,235	-	-	-	87,235
Net appreciation (realized and unrealized)	121,273	-	-	-	121,273
Total investment return	208,508	-	-	-	208,508
Contributions	-	-	-	-	-
Appropriation of endowment assets for expenditure	(156,085)	(321,494)	-	-	(477,579)
Transfer	-	274,877	-	-	274,877
Endowment net assets (deficit), end of year	\$ (95,482)	\$ 839,918	\$ 222,660	\$ 3,551,086	\$ 4,518,182
	2017				
	Unrestricted—				Total
	Unrestricted	Board Designated	Temporarily Restricted	Permanently Restricted	
Endowment net assets (deficit), beginning of year	\$ (296,193)	\$ 949,374	\$ 222,660	\$ 3,551,086	\$ 4,426,927
Investment return:					
Investment income	33,181	-	-	-	33,181
Net appreciation (realized and unrealized)	274,666	-	-	-	274,666
Total investment return	307,847	-	-	-	307,847
Contributions	-	-	-	-	-
Appropriation of endowment assets for expenditure	(159,559)	(340,124)	-	-	(499,683)
Transfer	-	277,285	-	-	277,285
Endowment net assets (deficit), end of year	(147,905)	\$ 886,535	\$ 222,660	\$ 3,551,086	\$ 4,512,376

## Catholic Education Foundation

### Notes to Financial Statements

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#### Note 6. Restricted Net Assets

The Mulvany endowment is invested in CFNEK and is using the CFNEK "income" definition for distributions. The Foundation fund is invested in both the Archdiocesan Deposit and Loan Fund and CFNEK.

Temporarily restricted net assets are available for the following purposes at June 30, 2018 and 2017:

	2018	2017
Catholic Education Foundation Scholarship Fund	\$ 222,660	\$ 222,660
TCL contributions to be used for scholarships	2,153,406	436,954
Other restricted contributions	53,963	28,122
	<u>\$ 2,430,029</u>	<u>\$ 687,736</u>

Permanently restricted net assets are to be retained in perpetuity, and income is to be used for the following purposes at June 30, 2018 and 2017:

	2018	2017
A Future Full of Hope Endowment	\$ 3,531,086	\$ 3,531,086
Mulvany Scholarship Endowment	20,000	20,000
	<u>\$ 3,551,086</u>	<u>\$ 3,551,086</u>

#### Note 7. Net Assets Released From Restrictions

Net assets were released from restrictions by incurring expenses satisfying the restricted purpose specified during the years ended June 30, 2018 and 2017, as follows:

	2018	2017
Scholarship and other restricted contributions	\$ 22,469	\$ 22,011
TCL contributions	902,333	737,995
	<u>\$ 924,802</u>	<u>\$ 760,006</u>

#### Note 8. Board-Designated Unrestricted Net Assets

Board-designated unrestricted net assets at June 30 comprise the following:

	2018	2017
CEF Scholarship Fund	<u>\$ 839,918</u>	<u>\$ 886,535</u>

## Catholic Education Foundation

### Notes to Financial Statements

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#### Note 9. Related Parties

The Archdiocese of Kansas City in Kansas provides certain administrative services for the Foundation. The Foundation recorded these services during the years ended June 30, 2018 and 2017, in administration. These amounts are considered immaterial to the presentation of the financial statements.

At June 30, 2018 and 2017, the Foundation had \$2,846,167 and \$1,864,760, respectively, held in the Archdiocesan Deposit and Loan Fund. During the years ended June 30, 2018 and 2017, the Foundation earned \$21,106 and \$20,248, respectively, on deposits held with the Archdiocese.

#### Note 10. Retirement Plan

**Lay employees retirement plan:** The Foundation participates in a noncontributory retirement plan administered by the Archdiocese. All recognized Archdiocesan organizations may participate in the plan. In accordance with plan documents, the Foundation could be required to pay the benefits of a participating organization in the event that organization could not meet its obligation. The plan name is the Archdiocese of Kansas City in Kansas Lay Employees Retirement Plan, and the employer identification number of the plan is 48-1205425. The assets for the plan are held in a separate trust for the benefit of the participants. Employees become partially vested at three years of service and 100 percent vested after seven years of service. At age 65, normal retirement age, the employee is entitled to monthly pension benefits based on the highest five years' average compensation and on years of service. The death benefit for active vested employees is the accrued benefit the employee earned to the date of death. The table below presents certain financial information about the plan from the most recent audit report and actuarial certification as of July 1, 2017 and 2016:

	Total Plan Net Assets	Present Value of Accumulated Plan Benefits	Total Contributions	Funded Status
July 1, 2017	\$ 39,806,937	\$ 76,303,970	\$ 2,358,993	Less than 65% funded
July 1, 2016	39,156,345	68,720,019	1,912,178	Less than 65% funded

The Archdiocese approved the freeze of the lay employees retirement plan effective January 1, 2014.

For the years ended June 30, 2018 and 2017, the recognized Archdiocesan organizations contributed 3.0 percent and 2.8 percent, respectively, of total payroll dollars to the retirement plan. Contributions to this plan for the years ended June 30, 2018 and 2017, from the Foundation were \$7,303 and \$9,082, respectively.

**Archdiocese of Kansas City in Kansas 401(k) Plan for Deacons and Lay Employees:** The Foundation participates in a 401(k) plan administered by the Archdiocese. The plan covers deacons and lay employees of all recognized Archdiocesan organizations. The plan allows employees to make contributions of up to 100 percent of their compensation, subject to IRS annual limits. The Archdiocese makes matching contributions of up to 50 percent of eligible employee contributions up to 4 percent of pay (2 percent maximum). Contributions to this plan for the years ended June 30, 2018 and 2017, from the Foundation were \$11,545 and \$9,514, respectively.

#### Note 11. Subsequent Events

The Foundation has evaluated and disclosed subsequent events up to and including November 1, 2018, which is the date the financial statements were available to be issued.



