

Catholic Education Foundation

Financial Report
June 30, 2019

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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, which comprise the statements of financial position as of June 30, 2019 and 2018, 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, 2019 and 2018, 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.

Emphasis of Matter

As described in Note 1, the Catholic Education Foundation adopted Accounting Standard Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, during the current year. The adoption of the standard resulted in additional footnote disclosures and significant changes to the classification of net assets and the disclosures related to net assets. The adoption was retrospectively applied to June 30, 2018, the earliest year presented. Our opinion is not modified with respect to this matter.

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 net assets without donor restrictions and net assets with donor restrictions presented on the statements of activities and the additional breakout presented on the statements 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
October 11, 2019

Catholic Education Foundation

**Statements of Financial Position
June 30, 2019 and 2018**

	2019	2018
Assets		
Current assets:		
Cash	\$ 315,407	\$ 1,115,626
Investment in the Archdiocesan Deposit and Loan Fund (Note 10)	3,741,696	2,846,167
Certificates of deposit	-	302,445
Prepaid expenses	18,834	14,297
Interest receivable	1,093	2,523
Total current assets	4,077,030	4,281,058
Equipment:		
Computers	44,635	40,902
Accumulated depreciation	(38,688)	(36,945)
	5,947	3,957
Interest in net assets of the Catholic Foundation of Northeast Kansas (Notes 3 and 4)	4,549,944	4,517,780
	\$ 8,632,921	\$ 8,802,795
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 2,119	\$ 4,652
Due to Archdiocese	65,550	87,520
Deferred revenue	78,500	69,950
Other current liabilities	3,390	2,652
Total current liabilities	149,559	164,774
Net assets:		
Without donor restrictions:		
Undesignated	2,005,056	1,912,470
Endowments (Note 6)	(63,318)	(95,482)
Board-designated (Note 9)	839,918	839,918
Total net assets without donor restrictions	2,781,656	2,656,906
With donor restrictions:		
Donor-restricted (Notes 6, 7 and 8)	3,847,581	3,827,709
Tax credit legislation (Notes 1 and 7)	1,854,125	2,153,406
Total net assets with donor restrictions	5,701,706	5,981,115
Total net assets	8,483,362	8,638,021
	\$ 8,632,921	\$ 8,802,795

See notes to financial statements.

Catholic Education Foundation

Statement of Activities Year Ended June 30, 2019

	Without Donor Restrictions			With Donor Restrictions		Total
	Undesignated	Endowments	Board-Designated	Donor-Restricted	TCL	
Revenue and support:						
Contributions (Note 5)	\$ 748,376	\$ -	\$ -	\$ 1,014	\$ 588,921	\$ 1,338,311
Scholarship drive income	117,428	-	-	-	-	117,428
Special service revenue	4,987	-	-	-	-	4,987
Interest income (Note 10)	24,314	-	-	-	17,342	41,656
Special events income, net of direct expenses	1,129,214	-	-	33,932	-	1,163,146
Endowment interest distribution	156,193	-	-	-	-	156,193
Interest in CFNEK FFOH endowment (Note 4)	-	32,164	-	-	-	32,164
Net assets released from restrictions (Note 8):						
Satisfaction of purpose restrictions	920,618	-	-	(15,074)	(905,544)	-
Total revenue and support	3,101,130	32,164	-	19,872	(299,281)	2,853,885
Expenses:						
Program services:						
Scholarships	2,286,831	-	-	-	-	2,286,831
Guardian Angel Fund	15,074	-	-	-	-	15,074
	2,301,905	-	-	-	-	2,301,905
Administration	572,199	-	-	-	-	572,199
Administration—TCL	130,627	-	-	-	-	130,627
Fundraising expense	3,813	-	-	-	-	3,813
Total expenses	3,008,544	-	-	-	-	3,008,544
Increase (decrease) in net assets (deficit)	92,586	32,164	-	19,872	(299,281)	(154,659)
Net assets (deficit):						
Beginning of year	1,912,470	(95,482)	839,918	3,827,709	2,153,406	8,638,021
End of year	\$ 2,005,056	\$ (63,318)	\$ 839,918	\$ 3,847,581	\$ 1,854,125	\$ 8,483,362

See notes to financial statements.

Catholic Education Foundation

Statement of Activities Year Ended June 30, 2018

	Without Donor Restrictions			With Donor Restrictions		Total
	Undesignated	Endowments	Board-Designated	Donor-Restricted	TCL	
Revenue and support:						
Contributions (Note 5)	\$ 717,367	\$ -	\$ -	\$ -	\$ 2,613,669	\$ 3,331,036
Scholarship drive income	140,573	-	-	-	-	140,573
Special service revenue	5,764	-	-	-	-	5,764
Interest income (Note 10)	21,106	-	-	-	5,116	26,222
Special events income, net of direct expenses	1,024,948	-	-	48,310	-	1,073,258
Endowment interest distribution	477,579	-	-	-	-	477,579
Interest in CFNEK FFOH endowment (Note 4)	-	52,423	(321,494)	-	-	(269,071)
Net assets released from restrictions (Note 8):						
Satisfaction of purpose restrictions	924,802	-	-	(22,469)	(902,333)	-
Total revenue and support	3,312,139	52,423	(321,494)	25,841	1,716,452	4,785,361
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
Total expenses	3,101,332	-	-	-	-	3,101,332
Increase (decrease) in net assets (deficit)	210,807	52,423	(321,494)	25,841	1,716,452	1,684,029
Transfer	(274,877)	-	274,877	-	-	-
Net assets (deficit):						
Beginning of year	1,976,540	(147,905)	886,535	3,801,868	436,954	6,953,992
End of year	\$ 1,912,470	\$ (95,482)	\$ 839,918	\$ 3,827,709	\$ 2,153,406	\$ 8,638,021

See notes to financial statements.

Catholic Education Foundation

Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019			2018
	Operations	Endowments	Total	
Cash flows from operating activities:				
(Decrease) increase in net assets	\$ (186,823)	\$ 32,164	\$ (154,659)	\$ 1,684,029
Adjustments to reconcile (decrease) increase in net assets to net cash (used in) provided by operating activities:				
Depreciation expense	1,743	-	1,743	1,547
Gain on interest in CFNEK	-	(188,357)	(188,357)	(208,508)
Changes in assets and liabilities:				
(Increase) decrease in:				
Interest receivable	1,430	-	1,430	(2,156)
Prepaid expenses	(4,537)	-	(4,537)	(885)
Increase (decrease) in:				
Accounts payable	(2,533)	-	(2,533)	4,645
Due to Archdiocese	(21,970)	-	(21,970)	(748)
Deferred revenue	8,550	-	8,550	(53,700)
Other current liabilities	738	-	738	(5,476)
Net cash (used in) provided by operating activities	(203,402)	(156,193)	(359,595)	1,418,748
Cash flows from investing activities:				
Purchase of computer equipment	(3,733)	-	(3,733)	(1,768)
Increase in investment in Archdiocesan Deposit and Loan Fund	(895,529)	-	(895,529)	(2,774,805)
Proceeds from certificates of deposit	302,445	-	302,445	300,962
Purchase of certificates of deposit	-	-	-	(302,445)
Withdrawals from Archdiocesan Deposit and Loan Fund	-	-	-	1,793,398
Additions to interest in CFNEK	-	-	-	(274,877)
Withdrawal in interest in CFNEK	-	156,193	156,193	477,579
Net cash (used in) provided by investing activities	(596,817)	156,193	(440,624)	(781,956)
Net (decrease) increase in cash	(800,219)	-	(800,219)	636,792
Cash:				
Beginning	207,287	908,339	1,115,626	478,834
Ending	\$ (592,932)	\$ 908,339	\$ 315,407	\$ 1,115,626

See notes to financial statements.

Catholic Education Foundation

Notes to Financial Statements

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 the 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: In 2018, the Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standard Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new standard changes presentation and disclosure requirements with the intention of helping nonprofits provide more relevant information about their resources to donors, grantors, creditors and other financial statement users. This pronouncement decreases the number of net asset classes from three to two. The new classes are net assets with donor restrictions and net assets without donor restrictions. The changes have been reflected in the financial statements, for all years presented.

Revenue recognition: Contributions received are recorded at fair value as net assets with or without donor restrictions, 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, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements 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 without donor restriction 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.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Catholic Education Foundation

Notes to Financial Statements

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

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, 2019 and 2018.

Fundraising costs: The Foundation expenses fundraising costs as incurred.

Functional classification: The Foundation has one program that is dedicated to the management and investment of all assets donated to provide children in need with scholarships to attend Catholic schools in the Archdiocese of Kansas City in Kansas. Therefore, the Foundation does not allocate expenses between program and supporting expenses.

Recent accounting pronouncements: FASB 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 Financial 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. The changes have been reflected in the financial statements.

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

Note 2. Liquidity

The Catholic Education Foundation strives to maintain liquidity at a level necessary to fund their scholarship programs and on-going operational needs. Excess liquidity is invested in generally short-term, low-risk investments to maximize return while maintaining the shorter duration needed for flexibility to meet both planned and unplanned needs. The table below represents the Catholic Education Foundation's financial assets to meet the annual operating needs of the upcoming fiscal year:

Financial assets, at June 30, 2019*	\$ 8,608,140
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restrictions by donor with time or purpose restrictions	5,701,706
Donor-restricted endowments**	(63,318)
Board designations:	
Quasi-endowment fund, primarily for long-term investing	839,918
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,168,754</u>

*Total assets, less nonfinancial assets (e.g. PP&E, prepaids)

**Excludes amounts that have been appropriated for the next 12 months that do not have purpose restrictions

Note 3. 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 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.

Catholic Education Foundation

Notes to Financial Statements

Note 3. Fair Value Measurements (Continued)

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.

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, 2019 and 2018, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	June 30, 2019			
	Total	Level 1	Level 2	Level 3
Interest in Catholic Foundation of Northeast Kansas	\$ 4,549,944	\$ -	\$ -	\$ 4,549,944

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

The tables above do not include the investment in the Archdiocesan Deposit and Loan Fund of \$3,741,696 and \$2,846,167 as of June 30, 2019 and 2018, respectively, or the investment in certificates of deposit of \$0 and \$302,445 as of June 30, 2019 and 2018, respectively. These investments are carried at cost, which approximates fair value.

Catholic Education Foundation

Notes to Financial Statements

Note 3. Fair Value Measurements (Continued)

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	
	2019	2018
Beginning balance	\$ 4,517,780	\$ 4,511,974
Interest and dividends, net of fees	85,280	87,235
Unrealized gains (losses)	32,475	31,578
Realized gains	70,602	89,695
Additions	-	274,877
Withdrawals	(156,193)	(477,579)
Ending balance	<u>\$ 4,549,944</u>	<u>\$ 4,517,780</u>

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

Note 4. Interest in Net Assets of the Catholic Foundation of Northeast Kansas

During the years ended June 30, 2019 and 2018, 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, 2019 and 2018, is \$4,549,944 and \$4,517,780, respectively. Income from these funds was available to the Foundation for scholarships for inner city and rural schools.

Note 5. 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, 2019 and 2018, the Foundation received approximately \$340,000 and \$330,000, respectively, in contributions from campaigns and other sources of the Archdiocese of Kansas City in Kansas, which represents approximately 12% and 7%, respectively, of total revenues.

Note 6. 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

Catholic Education Foundation

Notes to Financial Statements

Note 6. Endowments and Funds (Continued)

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.

The following is activity related to endowment and fund net assets (held as investments and cash) for the years ended June 30, 2019 and 2018:

	2019			Total
	Without Donor Restrictions	Without Donor Restrictions, Board-Designated	With Donor Restrictions	
Endowment net assets (deficit), beginning of year	\$ (95,482)	\$ 839,918	\$ 3,773,746	\$ 4,518,182
Investment return:				
Investment income	85,281	-	-	85,281
Net appreciation (realized and unrealized)	103,076	-	-	103,076
Total investment return	188,357	-	-	188,357
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure	(156,193)	-	-	(156,193)
Endowment net assets (deficit), end of year	\$ (63,318)	\$ 839,918	\$ 3,773,746	\$ 4,550,346

Catholic Education Foundation

Notes to Financial Statements

Note 6. Endowments and Funds (Continued)

	2018			
	Without Donor Restrictions	Without Donor Restrictions, Board-Designated	With Donor Restrictions	Total
Endowment net assets (deficit), beginning of year	\$ (147,905)	\$ 886,535	\$ 3,773,746	\$ 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	\$ 3,773,746	\$ 4,518,182

Note 7. Net Assets With Donor Restrictions

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.

Net assets with donor restrictions are available for the following purposes at June 30, 2019 and 2018:

	2019	2018
Catholic Education Foundation Scholarship Fund	\$ 222,660	\$ 222,660
TCL contributions to be used for scholarships	1,854,125	2,153,406
A Future Full of Hope Endowment	3,531,086	3,531,086
Mulvany Scholarship Endowment	20,000	20,000
Other restricted contributions	73,835	53,963
	<u>\$ 5,701,706</u>	<u>\$ 5,981,115</u>

Catholic Education Foundation

Notes to Financial Statements

Note 8. 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, 2019 and 2018, as follows:

	2019	2018
Scholarship and other restricted contributions	\$ 15,074	\$ 22,469
TCL contributions	905,544	902,333
	<u>\$ 920,618</u>	<u>\$ 924,802</u>

Note 9. Board-Designated Net Assets Without Donor Restrictions

Board-designated net assets without donor restrictions at June 30 comprise the following:

	2019	2018
CEF Scholarship Fund	<u>\$ 839,918</u>	<u>\$ 839,918</u>

Note 10. 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, 2019 and 2018, in administration. These amounts are considered immaterial to the presentation of the financial statements.

At June 30, 2019 and 2018, the Foundation had \$3,741,696 and \$2,846,167, respectively, held in the Archdiocesan Deposit and Loan Fund. During the years ended June 30, 2019 and 2018, the Foundation earned \$24,314 and \$21,106, respectively, on deposits held with the Archdiocese.

Note 11. 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% 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, 2018 and 2017:

	Total Plan Net Assets	Present Value of Accumulated Plan Benefits	Total Contributions	Funded Status
July 1, 2018	\$ 39,832,432	\$ 76,268,805	\$ 2,609,525	Less than 65% funded
July 1, 2017	39,806,937	76,303,970	2,358,993	Less than 65% funded

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Notes to Financial Statements

Note 11. Retirement Plan (Continued)

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

For the years ended June 30, 2019 and 2018, the recognized Archdiocesan organizations contributed 3.0%, respectively, of total payroll dollars to the retirement plan. Contributions to this plan for the years ended June 30, 2019 and 2018, from the Foundation were \$7,898 and \$7,303, 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% of their compensation, subject to IRS annual limits. The Archdiocese makes matching contributions of up to 50% of eligible employee contributions up to 4% of pay (2% maximum). Contributions to this plan for the years ended June 30, 2019 and 2018, from the Foundation were \$16,438 and \$11,545, respectively.

Note 12. Subsequent Events

The Foundation has evaluated and disclosed subsequent events up to and including October 11, 2019, which is the date the financial statements were available to be issued.

