

**CATHOLIC FOUNDATION OF
NORTHWEST FLORIDA, INC.**

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

**CATHOLIC FOUNDATION OF NORTHWEST FLORIDA, INC.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Catholic Foundation of Northwest Florida, Inc.

We have audited the accompanying financial statements of the Catholic Foundation of Northwest Florida, Inc. (the Foundation), which are comprised of the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Foundation of Northwest Florida, Inc. 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 discussed in Note 1 to the financial statements, the Foundation adopted Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to this matter

Warren Averett, LLC

Pensacola, Florida
October 10, 2019

**CATHOLIC FOUNDATION OF NORTHWEST FLORIDA, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018**

ASSETS		
	2019	2018
ASSETS		
Cash and cash equivalents	\$ 777,241	\$ 871,429
Investments	20,754,043	19,908,647
Other assets	9,595	9,595
Real estate held for sale	-	135,192
TOTAL ASSETS	\$ 21,540,879	\$ 20,924,863
LIABILITIES		
LIABILITIES		
Accounts payable	\$ 29,243	\$ 28,853
NET ASSETS		
Without donor restrictions	21,354,663	20,739,037
With donor restrictions	156,973	156,973
Total net assets	21,511,636	20,896,010
TOTAL LIABILITIES AND NET ASSETS	\$ 21,540,879	\$ 20,924,863

See notes to the financial statements.

**CATHOLIC FOUNDATION OF NORTHWEST FLORIDA, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND OTHER REVENUES						
Contributions	\$ 323,464	\$ -	\$ 323,464	\$ 119,440	\$ -	\$ 119,440
Diocesan subsidy	62,500	-	62,500	75,000	-	75,000
Gain on sale of real estate	15,264	-	15,264	-	-	-
Investment return, net	746,033	-	746,033	1,433,941	-	1,433,941
In-kind revenue	43,624	-	43,624	43,317	-	43,317
Total support and other revenue	1,190,885	-	1,190,885	1,671,698	-	1,671,698
EXPENSES						
Program services	471,407	-	471,407	569,981	-	569,981
Supporting services						
General and administrative	73,388	-	73,388	83,066	-	83,066
Fundraising expenses	30,464	-	30,464	30,157	-	30,157
Total expenses	575,259	-	575,259	683,204	-	683,204
CHANGES IN NET ASSETS	615,626	-	615,626	988,494	-	988,494
NET ASSETS, BEGINNING OF YEAR	20,739,037	156,973	20,896,010	19,750,543	156,973	19,907,516
NET ASSETS, END OF YEAR	\$ 21,354,663	\$ 156,973	\$ 21,511,636	\$ 20,739,037	\$ 156,973	\$ 20,896,010

See notes to the financial statements.

**CATHOLIC FOUNDATION OF NORTHWEST FLORIDA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Supporting Services</u>			<u>Total Supporting Services</u>	<u>2019 Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>		
Grants to parishes	\$ 471,407	\$ -	\$ -	\$ -	\$ 471,407
Insurance	-	519	-	519	519
Miscellaneous	-	364	-	364	364
Office expenses	-	356	-	356	356
Office space	-	13,160	14,840	28,000	28,000
Payroll	-	31,928	15,624	47,552	47,552
Professional fees	-	8,500	-	8,500	8,500
Property taxes	-	1,408	-	1,408	1,408
Repairs & maintenance	-	14,910	-	14,910	14,910
Software	-	324	-	324	324
Utilities	-	1,919	-	1,919	1,919
Total expenses	<u>\$ 471,407</u>	<u>\$ 73,388</u>	<u>\$ 30,464</u>	<u>\$ 103,852</u>	<u>\$ 575,259</u>

See notes to the financial statements.

**CATHOLIC FOUNDATION OF NORTHWEST FLORIDA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Supporting Services</u>			<u>Total Supporting Services</u>	<u>2018 Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>		
Grants to parishes	\$ 569,981	\$ -	\$ -	\$ -	\$ 569,981
Insurance	-	2,967	-	2,967	2,967
Miscellaneous	-	3,695	-	3,695	3,695
Payroll	-	34,742	-	34,742	34,742
Office expenses	-	15,877	-	15,877	15,877
Office space	-	13,160	14,840	28,000	28,000
Professional fees	-	8,500	15,317	23,817	23,817
Property taxes	-	1,497	-	1,497	1,497
Software	-	162	-	162	162
Utilities	-	2,466	-	2,466	2,466
Total expenses	<u>\$ 569,981</u>	<u>\$ 83,066</u>	<u>\$ 30,157</u>	<u>\$ 113,223</u>	<u>\$ 683,204</u>

See notes to the financial statements.

**CATHOLIC FOUNDATION OF NORTHWEST FLORIDA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets:	\$ 615,626	\$ 988,494
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Gain on sale of real estate held for sale	(15,264)	-
Realized and unrealized (gains)/losses on investments, net	(418,333)	(1,082,122)
Increase (decrease) in:		
Accounts payable	390	(16,670)
Net cash provided by (used in) operating activities	<u>182,419</u>	<u>(110,298)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(17,686,819)	(11,214,110)
Proceeds from sales of investments	17,259,756	11,199,964
Proceeds from sale of real estate held for sale	150,456	-
Net cash provided by (used in) investing activities	<u>(276,607)</u>	<u>(14,146)</u>
NET INCREASE (DECREASE) IN CASH	(94,188)	(124,444)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>871,429</u>	<u>995,873</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 777,241</u></u>	<u><u>\$ 871,429</u></u>

See notes to the financial statements.

CATHOLIC FOUNDATION OF NORTHWEST FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Catholic Foundation of Northwest Florida, Inc. (the Foundation) is a not-for-profit corporation organized in the State of Florida in 2005. The Foundation is committed to ensure that the Catholic Diocese of Pensacola-Tallahassee (the Diocese), its parishes and its ministries have the charitable and community resources necessary to sustain its programs that enhance life, spiritual health, dignity and the wholeness of those it serves. The Foundation's programs are supported primarily by contributions and investment earnings.

A summary of the Foundation's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Basis of Accounting

The Foundation follows standards of accounting and financial reporting prescribed for nonprofit organizations. The Foundation uses the accrual basis of accounting.

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions are net assets available for general use and are not subject to donor restrictions.

Net Assets With Donor Restrictions are net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met by the passage of time or the events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenue Recognition

Contributions received are recorded as increases in net assets with and without donor restrictions, depending on the existence and/or nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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 amounts reported in the financial statements. Actual results could differ from those estimates.

CATHOLIC FOUNDATION OF NORTHWEST FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

New Accounting Pronouncement

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The Foundation implemented the provisions of this new standard effective June 1, 2018, and has adjusted the presentation of its financial statements accordingly. The accompanying 2018 financial statements have been restated to conform to the 2019 presentation. In addition to changes in terminology used to describe categories of net assets, new disclosures were added regarding liquidity and availability of resources and disclosures related to functional allocation of expenses. The adoption of this standard had no effect on the change in net assets by class of net assets or in total.

Cash and Cash Equivalents

The Foundation considers all highly-liquid investments purchased within three months of maturity to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are carried at their fair value in the statement of financial position. Unrealized gains and losses are included in changes in net assets.

Fair Value

The Foundation follows the Financial Accounting Standards Board (FASB) guidance on fair-value measurements, which defines fair value and establishes a fair-value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs, which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Functional Allocation of Expenses

The costs of providing the various programs and supporting activities of the Foundation have been summarized on a functional basis in the statement of activities. Most expenses are charged directly to program services or general and administrative, and fundraising based on specific identification. Accordingly, some costs have been allocated among the program and supporting services benefited by allocations based on time and effort, occupancy costs, or a weighted average square footage basis.

Endowments Policy

Although no permanent endowments existed during the year, the Foundation has policies to follow the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) adopted by the State of Florida in July 2012.

**CATHOLIC FOUNDATION OF NORTHWEST FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Tax Exemption

The Foundation is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and except for taxes pertaining to unrelated business income, is exempt from federal and state income taxes. The Foundation is not aware of any uncertain tax positions that would require disclosure or accrual in accordance with generally accepted accounting principles.

Reclassifications

Certain prior period financial statement amounts have been reclassified to conform to current period presentation.

Subsequent Events

The Foundation has evaluated events and transactions that occurred between June 30, 2019 and October 10, 2019, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

2. INVESTMENTS

Investments are recorded at fair value, are determined from quoted prices in active markets for identical assets (level 1 inputs), and are summarized as follows:

	2019		2018	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Fixed income	\$ 8,352,667	\$ 8,520,044	\$ 8,188,870	\$ 7,993,116
Equities	<u>10,430,843</u>	<u>12,233,999</u>	<u>10,047,208</u>	<u>11,915,531</u>
	<u>\$ 18,783,510</u>	<u>\$ 20,754,043</u>	<u>\$ 18,236,078</u>	<u>\$ 19,908,647</u>

Investment return/ (loss) consisted of the following:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 443,666	\$ 467,884
Realized and unrealized gains/(losses), net	418,333	1,082,122
Expenses	<u>(115,966)</u>	<u>(116,065)</u>
	<u>\$ 746,033</u>	<u>\$ 1,433,941</u>

**CATHOLIC FOUNDATION OF NORTHWEST FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

3. ENDOWMENTS

The Foundation’s board has established various designations of net assets without donor restrictions as “board designated” endowments. The programs for which the funds are designated include religious formation, family life ministry, youth ministry, seminarian education, campus ministry, catholic schools, adult and young adult ministries, ethnic ministries, Catholic Charities, facility renovation projects, priests’ retirement and future parish site expansion. All endowment funds are held in a Merrill Lynch account as of June 30, 2019 and 2018. No other types of endowments exist.

The following depicts the activity for the board designated endowment funds for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Endowment net assets, beginning of year	\$ 20,739,037	\$ 19,750,543
Donations and other support	444,852	237,757
Investment return (loss)	746,033	1,433,941
Amounts appropriated for expenditure	<u>(575,259)</u>	<u>(683,204)</u>
	<u>\$ 21,354,663</u>	<u>\$ 20,739,037</u>

Return Objectives and Risk Parameters

The Foundation’s assets are invested in accordance with investment practices that emphasize long-term investment fundamentals. In establishing the investment objectives, the Board of Directors has taken into account the financial needs and circumstances of the Foundation, the time horizon available for investment, the nature of the Foundation’s cash flows and liabilities and other factors that affect their risk tolerance.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the investment of assets are guided by the following underlying principles: (a) to achieve a positive rate of return over the long term that will contribute to the cash flow needs of Foundation (b) to provide for asset growth at a rate in excess of the rate of inflation; (c) to diversify the assets in order to reduce the risk of wide swings in market value from year to year or of incurring large losses that could occur from concentrated positions; and (d) to achieve investment results over the long term that compare favorably with those of other endowments and organizations, professionally managed portfolios and of appropriate market indexes.

Spending Policy

The Foundation has a spending policy to govern the rate funds are expended. The spending rate is calculated on a three-year average of the market value of the endowments as of December 31. The spending policy and respective draw amounts are reviewed annually and the investment committee recommends a draw amount, either as a percentage of market value or a dollar amount, to the full Board for its consideration and approval. Annually, a maximum target of 5% may be allocated for spending.

CATHOLIC FOUNDATION OF NORTHWEST FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

4. NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2019 and 2018, \$156,973 is restricted in nature by donor intended purpose and approximately \$90,000 of this total is restricted for seminarian education.

5. RELATED PARTIES

The Foundation's office space and salary for Executive Director are provided by the Diocese at no charge. In-kind revenue and expense related to the office space and payroll totaled approximately \$43,000 for each year presented. Additionally, for the years ended June 30, 2019 and 2018, the Diocese provided \$62,500 and \$75,000, respectively, to subsidize the operations of the Foundation.

6. CONCENTRATIONS AND CREDIT RISK

The Foundation's cash and investments are held with a financial institution and an investment firm and are federally insured for \$250,000 and for \$500,000 under the Federal Deposit Insurance Corporation (FDIC) and the Securities Investors Protection Corporation (SIPC), respectively. At June 30, 2019 and 2018, the aggregate balances were in excess of the insurance and therefore, bear some risk since they are not collateralized. The Foundation has not experienced any losses on its cash or investments to date as related to the FDIC and SIPC insurance limits.

7. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation has a policy to manage its liquidity and reserves following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves. The following table reflects the Foundation's financial assets as of June 30, 2019, reduced by amounts not available for general expenditures within one year.

Cash and cash equivalents	\$ 777,241
Investments	20,754,043
Total financial assets	<u>\$ 21,531,284</u>
Contractual or donor-imposed restrictions:	
Other donor restrictions	<u>(156,973)</u>
Financial assets available to meet cash needs for expenditures within one year	<u><u>\$ 21,374,311</u></u>