

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

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019



**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, 2020 and 2019, 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, 2020 and 2019, 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.

Warren Averett, LLC

Pensacola, Florida

October 22, 2020

**CATHOLIC FOUNDATION OF NORTHWEST FLORIDA, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019**

ASSETS		
	2020	2019
ASSETS		
Cash and cash equivalents	\$ 1,704,255	\$ 777,241
Investments	20,582,837	20,754,043
Other assets	9,067	9,595
TOTAL ASSETS	\$ 22,296,159	\$ 21,540,880
LIABILITIES		
LIABILITIES		
Accounts payable	\$ 946	\$ 29,244
NET ASSETS		
Without donor restrictions	22,138,240	21,354,663
With donor restrictions	156,973	156,973
Total net assets	22,295,213	21,511,636
TOTAL LIABILITIES AND NET ASSETS	\$ 22,296,159	\$ 21,540,880

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, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
SUPPORT AND OTHER REVENUES		
Contributions	\$ 171,699	\$ 323,464
Diocesan subsidy	-	62,500
Gain on sale of real estate	-	15,264
Investment return, net	1,045,181	746,033
In-kind revenue	43,624	43,624
Total support and other revenue	<u>1,260,504</u>	<u>1,190,885</u>
EXPENSES		
Program services	395,314	471,407
Supporting services		
General and administrative	35,015	73,388
Fundraising expenses	46,598	30,464
Total expenses	<u>476,927</u>	<u>575,259</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTION	783,577	615,626
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS	<u>-</u>	<u>-</u>
TOTAL CHANGE IN NET ASSETS	783,577	615,626
NET ASSETS, BEGINNING OF YEAR	<u>21,511,636</u>	<u>20,896,010</u>
NET ASSETS, END OF YEAR	<u>\$ 22,295,213</u>	<u>\$ 21,511,636</u>

See notes to the financial statements.

**CATHOLIC FOUNDATION OF NORTHWEST FLORIDA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Supporting Services</u>			Total Supporting Services	2020 Total
	Program Services	Management and General	Fundraising		
Grants to parishes	\$ 395,314	\$ -	\$ -	\$ -	\$ 395,314
Insurance	-	-	-	-	-
Miscellaneous	-	146	-	146	146
Office expenses	-	639	16,134	16,773	16,773
Office space	-	13,160	14,840	28,000	28,000
Payroll	-	5,572	15,624	21,196	21,196
Professional fees	-	15,268	-	15,268	15,268
Property taxes	-	-	-	-	-
Repairs & maintenance	-	-	-	-	-
Software	-	165	-	165	165
Utilities	-	65	-	65	65
Total expenses	\$ 395,314	\$ 35,015	\$ 46,598	\$ 81,613	\$ 476,927

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>			Total Supporting Services	2019 Total
	Program Services	Management and General	Fundraising		
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	\$ 471,407	\$ 73,388	\$ 30,464	\$ 103,852	\$ 575,259

See notes to the financial statements.

CATHOLIC FOUNDATION OF NORTHWEST FLORIDA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets:	\$ 783,577	\$ 615,626
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	(568,954)	(418,333)
Increase (decrease) in:		
Accounts payable	(28,298)	390
Other assets	528	-
	<u>186,853</u>	<u>182,419</u>
Net cash provided by (used in) operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(18,202,555)	(17,686,819)
Proceeds from sales of investments	18,942,716	17,259,756
Proceeds from sale of real estate held for sale	-	150,456
	<u>740,161</u>	<u>(276,607)</u>
Net cash provided by (used in) investing activities		
NET INCREASE (DECREASE) IN CASH	927,014	(94,188)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>777,241</u>	<u>871,429</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 1,704,255</u></u>	<u><u>\$ 777,241</u></u>

See notes to the financial statements.

CATHOLIC FOUNDATION OF NORTHWEST FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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

Revenues are reported as increases in net assets donor restrictions unless their use is limited by donor-imposed restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Gifts and grants, including unconditional promises to give, are recognized as revenues as either without or with donor restrictions in the period verifiably committed by the donor. Gifts and grants of assets other than cash are recorded at their estimated fair value and per the fair value policies. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows using a risk adjusted discount rate depending on the time period involved. Amortization of the discount is included in gift and grant revenue in accordance with the donor-imposed restrictions, if any, on the gifts or grants. Gifts or grants with donor-imposed restrictions that can be met through the passage of time or upon the incurring of expenses consistent with the purposes are recorded as net assets with restrictions and reclassified to net assets without donor restrictions when such time or purposes restriction has been satisfied.

CATHOLIC FOUNDATION OF NORTHWEST FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF 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 amounts reported in the financial statements. Actual results could differ from those estimates.

New Accounting Pronouncements

Effective July 1, 2019, the Foundation adopted ASU-2014-09, *Revenue from Contracts with Customers* (Topic 606), which amends existing revenue recognition standards and establishes a new Accounting Standards Codification (ASC) Topic 606. The adoption of ASC 606 did not have an impact on the Foundation's financial statements.

Effective July 1, 2019, the Foundation adopted the ASU-No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU No. 2018-08 requires that unconditional contributions (those that do not include a measurable performance-related or other barrier, or those in which the Foundation has limited discretion over how the contribution should be spent) are recognized as revenues in the period received and are reported as increases in the appropriate categories of net assets in accordance with donor restrictions. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Contributions that include a measurable barrier or those for which the Foundation has limited discretion over how the contributions should be spent are recorded as conditional contributions. Conditional contributions are not recognized until they have become unconditional; that is, when the conditions surrounding the indications of the barrier have been met. The adoption of ASU No. 2018-08 did not have an impact on the financial statements at June 30, 2020 and 2019.

Cash and Cash Equivalents

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

Investments

Investments in equity 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 fair value accounting standards define 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.

**CATHOLIC FOUNDATION OF NORTHWEST FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

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

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 2012.

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, 2020 and October 22, 2020, 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 determined from quoted prices in active markets for identical assets (level 1 inputs), and are summarized as follows:

	2020			2019		
	Cost	Unrealized gains/(losses)	Fair Value	Cost	Unrealized gains/(losses)	Fair Value
Fixed income	\$ 5,977,264	\$ 317,979	\$ 6,295,243	\$ 8,352,667	\$ 167,377	\$ 8,520,044
Equities	13,595,578	692,015	14,287,593	10,430,843	1,803,156	12,233,999
	<u>\$ 19,572,842</u>	<u>\$ 1,009,994</u>	<u>\$ 20,582,836</u>	<u>\$ 18,783,510</u>	<u>\$ 1,970,533</u>	<u>\$ 20,754,043</u>

**CATHOLIC FOUNDATION OF NORTHWEST FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

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, 2020 and 2019. No other types of endowments exist.

The following depicts the activity for the board designated endowment funds for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Endowment net assets, beginning of year	\$ 21,354,663	\$ 20,739,037
Donations and other support	215,323	444,852
Investment return (loss)	1,045,181	746,033
Amounts appropriated for expenditure	<u>(476,927)</u>	<u>(575,259)</u>
	<u>\$ 22,138,240</u>	<u>\$ 21,354,663</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, 2020 AND 2019**

4. NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2020 and 2019, \$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, 2020 and 2019, the Diocese provided \$0 and \$62,500, 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, 2020 and 2019, 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, 2020, reduced by amounts not available for general expenditures within one year.

	<u>2020</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,704,255	\$ 777,241
Investments	<u>20,582,837</u>	<u>20,754,043</u>
Total financial assets	22,287,092	21,531,284
Contractual or donor-imposed restrictions:		
Other donor restrictions	<u>(156,973)</u>	<u>(156,973)</u>
Financial assets available to meet cash needs for expenditures within one year	<u>\$ 22,130,119</u>	<u>\$ 21,374,311</u>