

Foundations in Faith, Inc.

**Financial Statements with Independent Auditor's Report**

Years Ended June 30, 2024 and 2023

Foundations in Faith, Inc.

**TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditor's Report .....	1
Financial Statements:	
Statements of Financial Position .....	3
Statements of Activities.....	4
Statements of Functional Expenses .....	5
Statements of Cash Flows.....	6
Notes to the Financial Statements.....	7

## **Independent Auditor's Report**

To the Board of Directors  
Foundations in Faith, Inc.

### **Opinion**

We have audited the accompanying financial statements of Foundations in Faith, Inc., (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Foundations in Faith, Inc. as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statements**

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

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

## Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Foundations in Faith, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Foundations in Faith, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

*Nanavaty, Davenport, Studley & White, LLP*

December 20, 2024

**Statements of Financial Position**

As of June 30,

<b><u>ASSETS</u></b>	<b><u>2024</u></b>	<b><u>2023</u></b>
Cash and cash equivalents	\$ 1,646,406	\$ 2,717,809
Investments	25,623,420	21,836,219
Due from Foundations in Charity, Inc.	8,059,684	-
Contributions receivable, net	122,933	932,420
Intangible assets - software, net	15,000	21,000
Other receivables	1,950	2,555
Total assets	<u>\$ 35,469,393</u>	<u>\$ 25,510,003</u>
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 12,350	\$ 18,271
Distributions payable	843,715	718,334
Funds held on behalf of another	674,941	-
Obligations due under split interest agreement	291,674	281,935
Total Liabilities	<u>1,822,680</u>	<u>1,018,540</u>
Net Assets:		
With donor restrictions	<u>33,646,713</u>	<u>24,491,463</u>
Total Net Assets	<u>33,646,713</u>	<u>24,491,463</u>
Total Liabilities and Net Assets	<u>\$ 35,469,393</u>	<u>\$ 25,510,003</u>

*The accompanying notes are an integral part of these financial statements.*

Foundations in Faith, Inc.

**Statements of Activities**

Years Ended June 30,

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenues:</b>						
Contributions	\$ -	\$ 331,960	\$ 331,960	\$ -	\$ 664,548	\$ 664,548
Contributions from We Stand With Christ, Inc.	-	-	-	-	24,586	24,586
Other income	-	27,034	27,034	-	2,000	2,000
Investment return, net	-	3,051,889	3,051,889	-	2,287,042	2,287,042
Total support and revenues	-	3,410,883	3,410,883	-	2,978,176	2,978,176
<b>Net assets released from restrictions</b>	1,640,376	(1,640,376)	-	1,292,131	(1,292,131)	-
<b>Expenses:</b>						
Program	1,436,681	-	1,436,681	1,156,140	-	1,156,140
Management and general	203,695	-	203,695	135,991	-	135,991
Total expenses	1,640,376	-	1,640,376	1,292,131	-	1,292,131
Change in net assets	-	1,770,507	1,770,507	-	1,686,045	1,686,045
<b>Net assets at the beginning of the year</b>	-	24,491,463	24,491,463	-	24,121,900	24,121,900
Transfer of net assets to Foundations in Education, Inc.	-	-	-	-	(1,316,482)	(1,316,482)
Transfer of net assets from Foundations in Charity, Inc.	-	7,384,743	7,384,743	-	-	-
<b>Net assets at the end of the year</b>	<u>\$ -</u>	<u>\$ 33,646,713</u>	<u>\$ 33,646,713</u>	<u>\$ -</u>	<u>\$ 24,491,463</u>	<u>\$ 24,491,463</u>

*The accompanying notes are an integral part of these financial statements.*

Foundations in Faith, Inc.

**Statements of Functional Expenses**

Years Ended June 30,

	<b>2024</b>			<b>2023</b>		
	<b>Program</b>	<b>Management and General</b>	<b>Total</b>	<b>Program</b>	<b>Management and General</b>	<b>Total</b>
Mission parishes support	\$ 568,000	\$ -	\$ 568,000	\$ 294,220	\$ -	\$ 294,220
Religious education	339,682	-	339,682	233,100	-	233,100
Elementary school support and programs	271,322	-	271,322	264,632	-	264,632
Administrative expenses	-	132,074	132,074	-	97,166	97,166
Vocations and seminary education	120,262	-	120,262	119,352	-	119,352
Retired priests	36,593	-	36,593	36,316	-	36,316
Nursing homes program support	34,648	-	34,648	27,000	-	27,000
Program support for individuals with disabilities	33,429	-	33,429	23,000	-	23,000
Professional fees	-	33,267	33,267	-	32,825	32,825
Other programs	32,745	-	32,745	123,111	-	123,111
Bad debt expense	-	32,354	32,354	-	-	-
Amortization expense	-	6,000	6,000	-	6,000	6,000
Scholarships	-	-	-	35,409	-	35,409
Total expenses	<u>\$ 1,436,681</u>	<u>\$ 203,695</u>	<u>\$ 1,640,376</u>	<u>\$ 1,156,140</u>	<u>\$ 135,991</u>	<u>\$ 1,292,131</u>

*The accompanying notes are an integral part of these financial statements.*

# Statements of Cash Flows

Years Ended June 30,

	<u>2024</u>	<u>2023</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 1,770,507	\$ 1,686,045
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Net appreciation in fair values of securities	(2,313,476)	(1,337,485)
Amortization expense	6,000	6,000
Bad debt expense	32,354	-
Change in operating assets and liabilities:		
Increase in amounts due from Foundations in Charity, Inc.	(8,059,684)	-
Decrease in contribution receivable, net	777,133	1,822,472
Decrease (increase) in other receivables	605	(2,555)
Decrease in accounts payable and accrued expenses	(5,921)	(11,302)
Increase (decrease) in distributions payable	125,381	(696,966)
Increase in funds held on behalf of another	674,941	-
Increase in obligations due under split interest agreement	9,739	27,177
<b>Net cash (used in) provided by operating activities</b>	<u>(6,982,421)</u>	<u>1,493,386</u>
<b>Cash flows from investing activities:</b>		
Transfer in of net assets from Foundations in Charity, Inc.	7,384,743	-
Proceeds from sales of investments	1,069,393	11,950
Purchases of investments	(2,543,118)	(1,385,924)
<b>Net cash provided by (used in) investing activities</b>	<u>5,911,018</u>	<u>(1,373,974)</u>
<b>Net (decrease) increase in cash</b>	(1,071,403)	119,412
<b>Cash and cash equivalents at beginning of year</b>	2,717,809	2,598,397
<b>Cash and cash equivalents at end of year</b>	<u>\$ 1,646,406</u>	<u>\$ 2,717,809</u>

*The accompanying notes are an integral part of these financial statements.*



## Notes to the Financial Statements

### NOTE 1 - ORGANIZATION

Foundations in Faith, Inc. ('Foundations'), formerly Faith in the Future Fund, Inc., is a Connecticut nonprofit, non-stock corporation formed in February 1996 by the Bridgeport Roman Catholic Diocesan Corporation, Inc. (the 'Diocese'). Members of Foundations shall include that person holding the office of the Bishop, or in the event of a vacancy of the office of the Bishop, the Administrator of the Diocese, and such other persons as may be appointed by the Bishop of the Diocese. The members of the corporation shall elect the Board of Directors.

Foundations was incorporated to raise, manage and administer funds, endowments and trusts to support and assist programs, operations and initiatives related to Diocesan pastoral needs. These needs include Catholic education, vocation and seminary education, priests' residence and retirement, faith formation and youth and young adult ministry, pastoral services for the elderly, parish evangelization efforts in parishes and schools, and individuals with disabilities.

The Foundations board approved the following endowment and other funds to fulfill its mission:

**St. Elizabeth Ann Seton Education Fund** - to provide special resources and help keep tuition affordable within Diocesan elementary schools.

**St. Charles Borromeo Seminary Fund** - to support the cost of educating and forming young men for the Catholic priesthood within the Diocese.

**St. John Vianney Retired Priest Fund** - to meet the future care needs of retired priests who have faithfully served the people of God within the Diocese.

**The Lourdes Pastoral Care Fund** - to meet the growing need for pastoral care services for the elderly within the nursing homes of St. Joseph Center, St. Camillus Center and St. John Paul II Center.

**St. John Paul II Fund for Faith Formation** - to support the work of faith formation and youth and young adult ministry, including parish religious education throughout the Diocese.

**The St. Therese Evangelization Fund** - to increase participation in parish life and support the ongoing evangelization efforts on both the parish and Diocesan level.

**St. Catherine Center for Special Needs Fund** - to support the mission of the Center as it provides pastoral and educational support for individuals with disabilities.

**St. John Bosco Fund for Special Needs** - to support children with special educational needs in our Catholic elementary and high schools.

**St. Francis Xavier Fund** - to provide resources to missionary parishes that are deemed vital to the Diocese, vibrant in their leadership and ministries yet struggle with economic burdens. This fund is supported from non-endowment donor restricted contributions.

**Foundations in Charity WSWC Fund** - the We Stand With Christ (WSWC) capital campaign's goal was to endow the work of Catholic Charities to sustain financial support for food, housing, mental health, adoption, immigration and family services. Additionally, to meet the needs of the poor and disenfranchised of Fairfield County to offer counsel and assistance in the areas of behavioral health, disaster relief, homelessness, immigration services, hunger and pregnancy and adoption.

This fund was transferred as part of the merger of Foundations in Charity, Inc. into Foundations as of June 30, 2024. See Note 11 for additional information on this merger and net asset transfers.

**Notes to the Financial Statements (continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting and Presentation** - The financial statements of Foundations have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Accordingly, the accounts of Foundations are reported in the following net asset categories:

**Net Assets Without Donor Restrictions** - Net assets without donor restrictions represent available resources other than donor-restricted contributions. These resources may be expended at the discretion of the Board of Directors. Undesignated net assets represent the portion of expendable funds that is available for support of operations. Designated net assets represent reserves or special designations established by the Board of Directors.

**Net Assets With Donor Restrictions** - Net assets with donor restrictions represent contributions that are restricted by the donor as to purpose or time of expenditure. Foundations has different categories of net assets with donor restrictions including donor contributions with purpose or time restrictions. Other donor restrictions consist of funds that are subject to donor-imposed restrictions of gift instruments requiring that the principal be invested in perpetuity and the income be used for specific or general purposes. However, when restrictions on donor-restricted contributions are met in the same accounting period, such amounts are reported as part of 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 certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

**Cash and Cash Equivalents** - Cash and cash equivalents are defined as highly liquid investments with original maturities of up to 90 days, except for money market accounts held with investment brokers, which are considered to be investments.

**Investment Valuation and Income Recognition** - Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 5 for a discussion of fair value measurements. Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains include Foundations' gains and losses on investments bought and sold as well as held during the year.

**Revenue and Revenue Recognition** - Contributions are recognized when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest; is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the condition on which they depend has been met.

Contributions receivable that are expected to be collected in more than one year are discounted to their present value. An allowance for uncollectible contributions receivable is provided in the net asset category in which the contribution receivable resides based on an assessment of the credit worthiness of the respective donor, when deemed necessary.

## Notes to the Financial Statements (continued)

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foundations reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with restrictions are reclassified to net assets released from restrictions. Contributions received whose restrictions are met in the same period are recognized as net assets without donor restrictions.

Intentions to give under various wills and trust agreements are recorded as bequests receivable when Foundations has an irrevocable right to the bequest and the proceeds are measurable.

Contributed services are recognized in the financial statements if they enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. While many individuals volunteer their time, and perform a variety of tasks that assist Foundations, no amounts have been recognized in the accompanying financial statements for such services because the criteria for recognition of such volunteer efforts have not been met.

**Allowance for Uncollectible Contributions** - Contributions receivable are stated net of an allowance for doubtful accounts. Amounts due from the We Stand With Christ, Inc. campaign include a general allowance of 10% recorded by We Stand With Christ, Inc. when the pledge was received. During the prior year, the management of We Stand With Christ, Inc. changed to estimating the allowance based on an analysis of specific donors, taking into consideration the aging of the past due amounts and an assessment of the donor's ability to pay.

**Distributions Payable** - Foundations makes distributions for pastoral needs of the Diocese. The minimum amount for which Foundations is obligated is recorded upon the Board of Directors' approval. Distributions that are expected to be paid within one year are recorded as liabilities at their full value. Scholarships and grants that are expected to be paid in more than one year are recorded at the present value of their estimated cash flows. The discounts on the awards are computed using treasury rates applicable to the years in which the promises were made.

**Split-Interest Agreement** - Foundations holds assets under a split-interest agreement consisting of an irrevocable trust for which Foundations serves as the trustee. The agreement provides for annual payments to the stipulated beneficiaries of all income earned on related investments. Assets held under this agreement are included in investments. As trustee, Foundations has recorded a liability for the present value of the estimated future obligations to the beneficiaries which approximates the fair value of the trust assets. The liability is adjusted during the term of the agreement for changes in the estimates of future payments.

The table below sets forth a summary of changes in fair value of the Foundations' split-interest agreement for the years ended June 30:

	2024	2023
Balance, beginning of year	\$ 281,935	\$ 254,758
Distributions	(26,921)	-
Change in fair value of split-interest agreement	36,660	27,177
Balance, end of year	<u>\$ 291,674</u>	<u>\$ 281,935</u>

**Notes to the Financial Statements (continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Intangible Assets** - Foundations entered into an agreement with a third-party previously to develop its internal grant database software at a cost of \$30,000. This intangible asset is amortized on a straight-line basis over an estimated useful life of 5 years. Amortization cost was \$6,000 for the years ended June 30, 2024 and 2023, respectively.

**Income Taxes** - Foundations is a nonprofit organization and is exempt from federal and state income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. Foundations recognizes the benefits of income tax positions only if those positions are more likely than not of being sustained. Foundations is subject to routine audits by the Internal Revenue Service. There are currently no audits for any tax periods in progress and Foundations believes that it is no longer subject to audits for years prior to 2020.

**Agency Transactions** – As part of the merger with Foundations in Charity, Inc., Foundations will receive funds to hold and invest for Catholic Charities of Fairfield County, Inc. in a separate investment account. The amount of \$674,941 is included in the amount due from Foundations in Charity, Inc. and is recorded in an offsetting liability account “Funds held on behalf of another” in the Statement of Financial Position at June 30, 2024. It is Foundations’ policy to recognize the fair value of the investment received and any subsequent changes in the investment, and an offsetting liability until the funds are distributed or returned.

**Functional Expenses and Cost Allocation** - The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that may be allocated include personnel expenses and operations expenses. These expenses, if any, are allocated on the basis of time and effort spent in the applicable functions and are determined by Foundations management.

**Reclassifications** - Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These reclassifications have no effect on previously reported change in net assets.

**NOTE 3 - CONCENTRATIONS AND RISKS**

*Cash and Cash Equivalents*

Foundations maintains a single bank account with one local financial institution. Accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

*Investments*

Foundations investments include a diversified portfolio of securities managed by professional investment advisors, designed to minimize market concentration risks.

*Contributions Receivable*

Contributions receivable are generally from donors who have previously contributed to Foundations, and, therefore, management considers the pledges to represent minimal credit risk. An allowance for uncollectible contributions receivable is provided in the net asset category in which the contribution receivable resides based on an assessment of the credit worthiness of the respective donor, when deemed necessary.

## Notes to the Financial Statements (continued)

### NOTE 4 - LIQUIDITY AND AVAILABILITY OF RESOURCES

Foundations financial assets available within one-year of the statements of financial position date for general expenditure are as follows:

	2024	2023
Cash and cash equivalents	\$ 1,646,406	\$ 2,717,809
Investments	25,623,420	21,836,219
Amounts due from Foundations in Charity, Inc.	8,059,684	-
Contributions receivable, net (due within one-year)	122,933	932,420
Other receivables	1,950	2,555
Total financial assets	35,454,393	25,489,003
Less: amounts unavailable to be used within one year:		
Obligations due under split interest agreement	(291,674)	(281,935)
Funds held on behalf of another	(674,941)	-
Net assets with donor restrictions	(33,646,713)	(24,491,463)
Total financial assets available to management to meet general expenditures within one year	\$ 841,065	\$ 715,605

#### *Liquidity Management*

Foundations maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition to financial assets available to meet general expenditures over the next 12 months, Foundations anticipates sufficient revenue to cover general expenditures.

### NOTE 5 - FAIR VALUE MEASUREMENTS

The Financial Accounting Standards Board (“FASB”) Topic 820, under the FASB Accounting Standards Codification (“ASC”) defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This standard provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the respective asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is categorized into three levels based on the transparency of inputs as follows:

- Level 1** - Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

**Notes to the Financial Statements (continued)**

**NOTE 5 - FAIR VALUE MEASUREMENTS (continued)**

**Level 2** - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities includes investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed. Also included in Level 2 are investments measured using a net asset value (“NAV”) per share, or its equivalent, that may be redeemed at NAV at the date of the statement of financial position or in the near term, which Foundations has determined to be within 90 days.

**Level 3** - Securities that have little to no pricing observability as of the report date. These securities are measured using management’s best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation. Also included in Level 3 are investments measured using a NAV per share, or its equivalent, that can never be redeemed at NAV or for which redemption at NAV is uncertain due to lockup periods or other investment restrictions.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes “observable” requires significant judgment by Foundations.

Foundations considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to Foundation’s perceived risk of that instrument. Foundations’ policy is to recognize transfers in and transfers out of levels at the end of the reporting period.

The following is a description of the valuation methodologies used for assets measured at fair value at June 30, 2024 and 2023:

**Money Market Funds** - Money market funds are valued at the quoted net asset value of shares reported in the active market in which money market funds are traded.

**Equity and Bond Mutual Funds** - Equity and bond mutual funds are valued at the quoted net asset value of shares held by Foundations at year-end.

There have been no changes in the methodologies used at June 30, 2024 and 2023.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Foundations believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**Notes to the Financial Statements (continued)**
**NOTE 5 - FAIR VALUE MEASUREMENTS (continued)**

**Assets Measured at Fair-value on a Recurring Basis** - The following is a summary of the source of fair-value measurements for assets that are measured at fair-value on a recurring basis as of June 30:

**2024**

<b>Investment Description</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and money market funds	\$ 542,953	\$ -	\$ -	\$ 542,953
Fixed income funds	5,905,706	-	-	5,905,706
Mutual funds	19,174,761	-	-	19,174,761
Total Fair Value Measurements	<u>\$ 25,623,420</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,623,420</u>

**2023**

<b>Investment Description</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and money market funds	\$ 515,632	\$ -	\$ -	\$ 515,632
Fixed income funds	4,990,206	-	-	4,990,206
Mutual funds	16,327,300	-	-	16,327,300
Alternative investments	-	-	3,081	3,081
Total Fair Value Measurements	<u>\$ 21,833,138</u>	<u>\$ -</u>	<u>\$ 3,081</u>	<u>\$ 21,836,219</u>

**Assets Measured at Fair-Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3)** - The following is a summary of the changes in the balances of investments measured at fair-value on a recurring basis, using significant unobservable inputs for June 30:

	<b><u>Level 3 Investments</u></b>	
Balance at June 30, 2023 and 2022	\$ 3,081	\$ 3,716
Total gains and losses (realized and unrealized) included in the change in net assets	-	(635)
Liquidation of investment	(3,081)	-
Balance at June 30, 2024 and 2023	<u>\$ -</u>	<u>\$ 3,081</u>

**Notes to the Financial Statements (continued)**
**NOTE 5 - FAIR VALUE MEASUREMENTS (continued)**

Investment return consists of the following at June 30:

	<u>2024</u>	<u>2023</u>
Dividends and interest	\$ 874,009	\$ 817,805
Net realized (loss) gains	(158,562)	117,110
Net unrealized gains	2,313,476	1,337,485
Change in value of split-interest agreement	36,660	27,177
Total investment gains	3,065,583	2,299,577
Less: investment expenses	(13,694)	(12,535)
Investment return, net	<u>\$ 3,051,889</u>	<u>\$ 2,287,042</u>

**NOTE 6 - RELATED PARTY TRANSACTIONS**

Foundations has a participation agreement with the Diocese to provide accounting, legal, human resources, and other services for \$15,000 per year.

**NOTE 7 - CONTRIBUTIONS RECEIVABLE**

Contributions receivable, net, total \$122,933 and \$932,420, all due within one year as of June 30, 2024 and 2023, respectively. There are no contributions expected to be collected after one year as of June 30, 2024 and 2023.

The contributions receivable above represent amounts due from We Stand With Christ, Inc. (“WSWC”). The funds are from a Diocesan-wide campaign benefitting the parishes within the Diocese and its three foundations: Foundations in Faith, Inc., Foundations in Charity, Inc., and Foundations in Education, Inc. Since the campaign has ended, the management of We Stand With Christ, Inc. is in the process of dissolving the corporation and stopped accepting payments on the outstanding pledges as of June 30, 2024.



**Notes to the Financial Statements (continued)**
**NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the following purposes at June 30:

	<b>2024</b>	<b>2023</b>
Endowment funds restricted in perpetuity:		
St. Elizabeth Ann Seton Education Fund	\$ 4,321,792	\$ 4,321,792
St. Charles Borromeo Seminary Fund	2,650,868	2,650,868
St. John Vianney Retired Priest Fund	779,208	779,208
The Lourdes Pastoral Care Fund	391,039	391,039
St. John Paul II Fund for Faith Formation	1,888,889	1,876,889
St. Catherine Center for Special Needs Fund	9,000	9,000
St. Therese Evangelization Fund	16,000	1,000
Foundations in Charity WSWC Fund	6,861,836	-
We Stand With Christ Capital Campaign Fund	9,253,289	9,285,643
Other funds	274,066	274,066
Total Endowment funds restricted in perpetuity	<u>26,445,987</u>	<u>19,589,505</u>
Accumulated gains and income on donor-restricted endowment assets restricted until appropriation for:		
St. Elizabeth Ann Seton Education Fund	1,863,478	1,330,838
St. Charles Borromeo Seminary Fund	679,986	393,151
St. John Vianney Retired Priest Fund	234,301	147,023
The Lourdes Pastoral Care Fund	70,063	30,355
St. John Paul II Fund for Faith Formation	590,647	414,495
St. Catherine Center for Special Needs Fund	2,893	1,869
St. Therese Evangelization Fund	957	(504)
Foundations in Charity WSWC Fund	522,907	-
We Stand With Christ Capital Campaign Fund	845,393	(5,792)
Accumulated gains on other funds	139,590	103,972
Total accumulated gains and income on donor-restricted endowment assets	<u>4,950,215</u>	<u>2,415,407</u>
Total Endowment funds	<u>31,396,202</u>	<u>22,004,912</u>
Purpose restricted:		
St. Francis Xavier Fund	2,238,995	2,475,285
Other	11,516	11,266
Total purpose restricted funds	<u>2,250,511</u>	<u>2,486,551</u>
Total Net Assets With Donor Restrictions	<u><u>\$ 33,646,713</u></u>	<u><u>\$ 24,491,463</u></u>

**Notes to the Financial Statements (continued)**
**NOTE 9 - NET ASSETS RELEASED FROM DONOR RESTRICTIONS**

Net assets were released from donor restrictions by incurring expenses satisfying the restrictions as follows during the year ended June 30:

	<b>2024</b>	<b>2023</b>
Purpose restricted Endowment funds:		
St. Elizabeth Ann Seton Education Fund	\$ 223,322	\$ 221,632
St. Charles Borromeo Seminary Fund	125,007	119,352
St. John Vianney Retired Priest Fund	36,593	36,316
The Lourdes Pastoral Care Fund	34,648	27,000
St. John Paul II Fund for Faith Formation	194,682	120,800
St. Therese Evangelization Fund	145,000	112,300
St. Catherine Center for Special Needs Fund	33,429	23,000
St. John Bosco Fund for Special Needs	48,000	43,000
Scholarships	-	35,409
Other undesignated funds	231,695	162,675
Total net asset releases from Endowment funds	<u>1,072,376</u>	<u>901,484</u>
Purpose restricted funds:		
Scholarships		
St. Francis Xavier Fund	568,000	294,220
Adoration chapel	-	96,427
Total net asset releases from purpose restricted funds	<u>568,000</u>	<u>390,647</u>
Total Releases of Net Assets With Donor Restrictions	<u><u>\$ 1,640,376</u></u>	<u><u>\$ 1,292,131</u></u>

**NOTE 10 - ENDOWMENT**

Foundations endowment includes only donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law** - The Board of Directors of Foundations has interpreted the Connecticut Prudent Management of Institutional Funds Act (CTPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, Foundations classifies as restricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The portion of the endowment fund that is not classified as net assets with donor restrictions in perpetuity is classified as net assets with donor restrictions for future periods until those amounts are appropriated for expenditure by Foundations in a manner consistent with the standard of prudence prescribed by CTPMIFA.

## Notes to the Financial Statements (continued)

### NOTE 10 - ENDOWMENT (continued)

In accordance with CTPMIFA, Foundations considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of Foundations and the donor-restricted endowment fund
- The investment policies of Foundations
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of Foundations

**Net Assets** - Endowment net assets (all with donor restrictions) is as follows as of June 30:

	<u>2024</u>	<u>2023</u>
Total funds restricted in perpetuity	\$ 26,445,987	\$ 19,589,505
Total accumulated gains and income on donor-restricted endowment assets	4,950,215	2,415,407
Total Endowment funds	<u>\$ 31,396,202</u>	<u>\$ 22,004,912</u>

Changes in endowment net assets (all with donor restrictions) for the years ended June 30, 2024 and 2023 are as follows:

<b>Endowment net assets - June 30, 2022</b>	\$ 21,592,286
Investment return, net	2,287,042
Transfer out of endowment net assets	(1,316,482)
Contributions	343,550
Appropriation of endowment assets	(901,484)
<b>Endowment net assets - June 30, 2023</b>	<u>22,004,912</u>
Investment return, net	3,051,889
Transfer in of endowment net assets	7,384,743
Contributions	27,034
Appropriation of endowment assets	(1,072,376)
<b>Endowment net assets - June 30, 2024</b>	<u>\$ 31,396,202</u>

**Funds with Deficiencies** - From time to time, the fair value of investments associated with donor-restricted endowment funds may fall below the level that the donor or CTPMIFA requires Foundations to retain as a fund of perpetual duration. There were no funds with deficiencies for the year ended June 30, 2024. In the previous year, there were two donor-restricted endowment funds, which together has an original gift value of \$9,286,643, a current fair value of \$9,280,347 and a deficiency of \$6,296 as of June 30, 2023. This deficiency resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for these funds with deficiencies will be determined by the Board of Directors, if prudent.

**Notes to the Financial Statements (continued)**

**NOTE 10 - ENDOWMENT (continued)**

**Return Objectives and Risk Parameters** - Foundations has adopted an investment policy for endowment assets with the objective of achieving investment results over the long term that compare favorably with those of other endowments, professionally managed portfolios and appropriate benchmark indices. All investments are invested in accordance with the investment policy.

**Strategies Employed for Achieving Objectives** - To satisfy its long-term rate-of-return objectives, Foundations engages a professional investment advisor and has adopted a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Consistent with that strategy, Foundations targets a diversified asset allocation emphasizing long-term investment performance and targets 70% to equity-type investments, 24% to fixed income, and 6% to real estate.

**Spending Policy and How the Investment Objectives Relate to Spending Policy** - Foundations Board of Directors has approved a spending policy that evaluates an annual spending target of 4.00% of the average quarterly ending market value over the preceding twelve quarters. This is consistent with Foundations objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

**NOTE 11 - MERGER AND NET ASSET TRANSFERS**

Foundations entered into a merger with Foundations in Charity, Inc. effective as of June 30, 2024, in which Foundations will be the surviving entity. Foundations in Charity, Inc. is a nonprofit organization that was established to promote and support the work of Catholic Charities of Fairfield County, Inc. and other catholic charitable organizations. The merger allows both organizations to share operational support and reduce overhead costs. The investment assets of Foundations in Charity, Inc. were transferred to Foundations after year end. As part of the merger, Foundations recognized net asset transfers totaling \$7,384,743 in the Statement of Activities, funds held on behalf of another totaling \$674,941, and a corresponding receivable from Foundations in Charity, Inc. in the amount of \$8,059,684 in the Statement of Financial Positions at June 30, 2024.

In the prior year, Foundations recognized net asset transfers totaling \$1,316,482 in the Statement of Activities for assets transferred to Foundations in Education, Inc. Foundations in Education, Inc. is a nonprofit organization that was established to promote and support Catholic education in diocesan schools throughout Fairfield County. The transfer occurred as part of an alignment of the three Diocesan foundations whereby Foundations transferred restricted net assets that it was managing for the active Diocesan high schools to Foundations in Education, Inc.

**NOTE 12 - DEFINED CONTRIBUTION PLAN**

Foundations participates in the Diocese defined contribution 401(a) thrift plan covering all employees of the Diocese and other Diocesan entities who work at least 30 hours per week, who meet the eligibility requirements of one year of service, and who are 21 years of age. Contributions are based on years of service to Diocesan entities at rates of 3% and 5%. Foundations contributions were \$892 and \$-0- for the years ended June 30, 2024 and 2023, respectively.

Foundations also participates in the Diocese 403(b) salary reduction plan for all employees who wish to contribute. Foundations does not make any contributions to this plan.

**Notes to the Financial Statements (continued)**

**NOTE 12 - DEFINED CONTRIBUTION PLAN (continued)**

As of May, 1 2024 the 403(b) Tax-Deferred Annuity Plan of the Diocese was amended and restated, which merged the 401(a) Retirement Plan for Employees of the Diocese into this plan. Employee 401(a) balances were transferred into the 403(b) plan subsequent to May 1, 2024 and became fully vested. As of May 1, 2024 all employer contributions on behalf of eligible employees and employee tax deferred funds are contributed into the amended and restated 403(b) Tax-Deferred Annuity Plan.

**NOTE 13 - SUBSEQUENT EVENT**

Subsequent to year end the endowment funds and accumulated earnings from the We Stand With Christ (WSWC) Capital Campaign Fund (see Note 8) was allocated to specific funds as communicated in the WSWC case statement documents. The following Foundations funds received specific endowment allocations as determined: St. Elizabeth Ann Seton Education Fund; St. Charles Borromeo Seminary Fund; St. John Vianney Retired Priest Fund; The Lourdes Pastoral Care Fund; St. John Paul II Fund for Faith Formation; The St. Therese Evangelization Fund; St. Catherine Center for Special Needs Fund, and St. John Bosco Fund for Special Needs.

Subsequent events were evaluated through December 20, 2024, which is the date the financial statements were available to be issued.