



Financial Statements

December 31, 2020

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Board of Trustees
Catholic Community Foundation of San Diego
San Diego, California

We have audited the accompanying financial statements of Catholic Community Foundation of San Diego (the Foundation), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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 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 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 Foundation as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Catholic Community Foundation of San Diego's December 31, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 9, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

West Rhode & Roberts

WEST RHODE & ROBERTS

San Diego, California
June 8, 2021

CATHOLIC COMMUNITY FOUNDATION OF SAN DIEGO
STATEMENT OF FINANCIAL POSITION
December 31, 2020
(With Summarized Financial Information for December 31, 2019)

	2020	2019 (Note 9)
ASSETS		
Cash and cash equivalents	\$ 1,065,084	\$ 710,884
Deposits and prepaid expenses	18,727	18,248
Long-term investments	78,315,911	67,308,410
Real property - held for sale	638,000	-
Total assets	\$ 80,037,722	\$ 68,037,542
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	\$ 73,527	\$ 55,111
Deposits held for others	71,494,908	61,902,385
Refundable advance	48,000	-
	71,616,435	61,957,496
Net assets:		
Without donor restrictions	4,397,793	2,916,530
With donor restrictions	4,023,494	3,163,516
Total net assets	8,421,287	6,080,046
Total liabilities and net assets	\$ 80,037,722	\$ 68,037,542

CATHOLIC COMMUNITY FOUNDATION OF SAN DIEGO

STATEMENT OF ACTIVITIES

Year Ended December 31, 2020

(With Summarized Financial Information for the Year Ended December 31, 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 (Note 9)
<u>Operating Activities</u>				
SUPPORT AND REVENUE				
Contributions and bequests	\$ 2,449,711	\$ 394,483	\$ 2,844,194	\$ 3,146,602
Investment income, net	30,366	38,024	68,390	47,110
Net realized and unrealized gains	325,008	458,439	783,447	563,543
Management fee income	430,093	-	430,093	404,118
In-kind donations	-	-	-	11,928
Interfund transfers	(5,000)	5,000	-	-
Net assets released from restriction	35,968	(35,968)	-	-
Total operating support and revenue	<u>3,266,146</u>	<u>859,978</u>	<u>4,126,124</u>	<u>4,173,301</u>
EXPENSES				
Program services:				
Social service grants	1,221,853	-	1,221,853	886,235
Program services	97,868	-	97,868	116,389
Total program services	<u>1,319,721</u>	<u>-</u>	<u>1,319,721</u>	<u>1,002,624</u>
Support services:				
Operating and administrative	293,514	-	293,514	229,454
Development and fundraising	171,648	-	171,648	138,137
Total supporting services	<u>465,162</u>	<u>-</u>	<u>465,162</u>	<u>367,591</u>
Total operating expenses	<u>1,784,883</u>	<u>-</u>	<u>1,784,883</u>	<u>1,370,215</u>
Change in net assets	1,481,263	859,978	2,341,241	2,803,086
NET ASSETS AT BEGINNING OF YEAR, AS RESTATED	<u>2,916,530</u>	<u>3,163,516</u>	<u>6,080,046</u>	<u>3,276,960</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,397,793</u>	<u>\$ 4,023,494</u>	<u>\$ 8,421,287</u>	<u>\$ 6,080,046</u>

CATHOLIC COMMUNITY FOUNDATION OF SAN DIEGO
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(With Summarized Financial Information for the Year Ended December 31, 2019)

	Program Services	Supporting Services		2020 Total	2019 (Note 9)
		Management	Fundraising		
Program grants	\$ 1,221,853	\$ -	\$ -	\$ 1,221,853	\$ 886,235
Salaries and employee benefits	72,798	173,015	132,420	378,233	303,143
Occupancy	10,004	21,705	17,853	49,562	35,531
Contract services	2,248	35,963	6,743	44,954	35,486
Software license and maintenance	2,913	23,304	2,913	29,130	28,144
Professional fees	-	20,466	-	20,466	20,515
Outreach	3,542	1,147	7,008	11,697	16,715
Subscriptions & memberships	4,764	2,280	1,285	8,329	14,858
Office supplies	-	5,835	-	5,835	10,086
Website development	581	4,155	564	5,300	9,255
Printing and postage	956	2,241	1,654	4,851	5,359
Other	-	1,558	943	2,501	2,816
Travel & conferences	62	1,845	265	2,172	2,072
	<u>\$ 1,319,721</u>	<u>\$ 293,514</u>	<u>\$ 171,648</u>	<u>\$ 1,784,883</u>	<u>\$ 1,370,215</u>

CATHOLIC COMMUNITY FOUNDATION OF SAN DIEGO
STATEMENT OF CASH FLOWS
Year Ended December 31, 2020
(With Summarized Financial Information for the Year Ended December 31, 2019)

	2020	2019 (Note 9)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,341,241	\$ 2,803,086
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized gain on investments	(783,447)	(563,543)
Contributions restricted for endowments	(394,483)	(1,571,114)
Contributed stock	(538,967)	(731,829)
Contributed real property	(638,000)	-
Change in operating assets and liabilities:		
Deposits and prepaid expenses	(479)	(4,402)
Accounts payable and accrued expenses	18,416	(906)
Deposits held for others	9,592,523	14,978,404
Refundable advance	48,000	-
Net cash provided by operating activities	9,644,804	14,909,696
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	21,747,803	34,794,097
Net purchase of long-term investments	(30,693,463)	(51,471,599)
Net cash used in investing activities	(8,945,660)	(16,677,502)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for endowments	394,483	1,571,114
Net cash provided by financing activities	394,483	1,571,114
Change in cash and cash equivalents	1,093,627	(196,692)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,549,441	1,746,133
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 2,643,068	\$ 1,549,441
CASH AND CASH EQUIVALENTS CONSIST OF:		
Cash and cash equivalents	\$ 1,065,084	\$ 710,884
Cash and cash equivalents included in investments	1,577,984	838,557
	\$ 2,643,068	\$ 1,549,441
SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION		
Net investment income - deposits held for others	\$ 8,612,911	\$ 9,128,788

Note 1. Organization and Significant Accounting Policies

Organization and Activities

Catholic Community Foundation of San Diego's (the Foundation) mission is to receive, manage, safeguard and grow the investments that are provided to them while supporting organizations that are approved by the donors and are carrying out the greater mission of the Catholic faith.

The Foundation is an autonomous pious foundation formed under canon law and is a tax-exempt nonprofit under civil law. The Foundation is independent from the Diocese of San Diego and has its own Board of Trustees.

All of the funds invested with Catholic Community Foundation of San Diego are invested consistent with the Catholic Values Investing (CVI) standards that are set by the United States Conference of Catholic Bishops. This means that the assets donated to the Foundation will be managed and invested responsibly. All grants from the Foundation must be provided to responsible 501(c)(3) organizations whose mission and values are not inconsistent with the Catholic faith.

Significant Accounting Policies

Method of Accounting – The accompanying financial statements have been prepared in accordance with the accrual method of accounting.

Basis of Presentation – The Foundation's records are maintained using fund accounting. This system of accounting classifies resources into funds according to their nature and purpose. The financial statements of the Foundation have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Foundation to report information regarding its financial position and activities. Net assets are classified on the existence or absence of donor-imposed restrictions as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets are available for various activities including:

- Amounts available for the support of the Foundation's operational functions and to support community activities at the discretion of the Board of Trustees.
- Donor-advised funds represent amounts for which grant recommendations of the respective donors are accepted for consideration, subject to final approval by the Foundation's Board of Trustees. The Foundation's by-laws and donor agreements give variance power, which under certain unanticipated circumstances, allows for redirection of funds.
- Donor-designated funds represent amounts for which grant recommendations are specific to one organization, subject to final approval by the Foundation's Board of Trustees. The Foundation's by-laws and donor agreements give variance power, which under certain unanticipated circumstances, allows for redirection of funds.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Foundation treats donor-advised endowments as with donor restrictions. However, the Foundation by-laws and donor agreements gives variance power, which under certain unanticipated circumstances allows for redirection of funds.

CATHOLIC COMMUNITY FOUNDATION OF SAN DIEGO
NOTES TO FINANCIAL STATEMENTS

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Measure of Operations – The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Foundation’s ongoing programs. Nonoperating activities are limited to other activities of a nonrecurring nature. As of December 31, 2020, the Foundation did not have any non-operating activities.

Revenue Recognition – Contributions of cash, unconditional promises to give and other assets are recognized as revenue when they are received or unconditionally pledged.

The Foundation reports contributions as restricted if they are received with donor stipulations as to the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. Contributions with donor restrictions requiring the principal gift to be held in perpetuity are reported as endowment funds. The income earned from such assets is generally considered as purpose restricted.

Cash and Cash Equivalents – Cash equivalents are highly liquid debt instruments with original maturities of three months or less.

Long-term Investments – Investments are made in accordance with investment policies adopted by the Foundation’s Board. Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Refundable Advance – In April 2020, the Foundation received \$48,000 under the Paycheck Protection Program (PPP). The PPP was established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The loan is forgivable if it is used for qualifying expenses as described in the CARES Act. The Foundation believes the PPP loan qualifies for forgiveness and has elected to account for the PPP loan under FASB ASC 958-605. Under this model, the Foundation has recorded a refundable advance and will record revenue when the loan is forgiven, which occurred subsequent to year-end in March 2021.

Grants Payable – Unconditional grants are recognized as an expense when they have been approved by the Board of Trustees.

Deposits Held for Others – The Foundation accepts funds and contributions as an agent of unrelated nonprofit organizations, primarily parishes and schools, which are not reflected in the Foundation’s statement of activities. The amounts are recorded as assets and offsetting liabilities on the statement of financial position. The assets are invested in the investment pools offered by the Foundation.

Management Fees – Custodian, investment and management fees are recognized in the fiscal year in which they occur. Third party investment and custodian fees are netted with investment income on the accompanying statement of activities.

In-Kind Donations – Significant donated investments are recorded at the estimated fair value at the date of receipt. Contributed services and rent are recorded at the fair value at the date the contributed services and rent are received. For the year ended December 31, 2020, there were no contributed services.

Real Property – held for sale – The Foundation received a donation of real property located in Humboldt County California which is being held for sale.

Interfund Transfers – Interfund transfers are the movement of funds between donor-restricted endowment funds and other funds of the Foundation. This is recorded as a donation on the fund which receives the transfer and as a grant on the fund which makes the transfer. Since these are movements between funds and do not have a financial statement effect, the amounts are eliminated on the statement of activities.

Functional Allocation of Expenses – The statement of functional expenses presents expense by function and natural classification. Expenses directly attributable to a specific functional area of the Foundation are reported as expenses of those functional areas. A portion of costs that benefit multiple functional areas (indirect costs) have been allocated across programs and supporting services based on the full-time employee equivalents of a programs or supporting service.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 those estimates.

Income Taxes – The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701 (d) of the State Revenue and Taxation Code. The Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) No. 740-10, *Accounting for Uncertainties in Income Tax*, which sets a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. The Foundation has reviewed its positions for all open tax years and has determined that it has no uncertain tax positions requiring accrual or disclosure.

Recently Adopted Accounting Standards – In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (ASU 2016-18). This update requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows.

In June 2018, the FASB issued ASU 2018-08, Not-for-profit Entities, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made, this update to clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The update assists in determining if transactions should be accounted for as exchange transaction or a contribution and determining if a contribution is conditional.

Subsequent Events – Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. The Foundation recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at that date, including the estimates inherent in the process of preparing financial statements. The Foundation's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after that date and before the financial statements are available to be issued.

The Foundation has evaluated subsequent events through June 8, 2021, which is the date the financial statements are available for issuance, and concluded that the below event needs disclosed.

On February 25, 2021, the Foundation received \$48,910 for its second Paycheck Protection Program loan from the Small Business Administration.

On March 12, 2021, the Foundation's application for its first paycheck protection program loan forgiveness in the amount of \$48,000 was approved by the Small Business Administration.

CATHOLIC COMMUNITY FOUNDATION OF SAN DIEGO
NOTES TO FINANCIAL STATEMENTS

Apart from the above events there were no other events or transactions that needed to be disclosed as of December 31, 2020.

Note 2. Liquidity and Availability of Resources

The Foundation's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Financial Assets	
Cash and cash equivalents	\$ 1,065,084
Long-term investments	78,315,911
Total financial assets available within one year	<u>79,380,995</u>
Amounts unavailable for general expenditures within one year due to:	
Restricted by donors in perpetuity	(4,023,494)
Deposits held for others	<u>(71,494,908)</u>
Total amounts unavailable for general expenditures within one year	<u>(75,518,402)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 3,862,593</u>

The Foundation maintains a policy of structuring its financial assets to be available as its general expenditures, distributions from donor advised funds, liabilities, and other obligations come due.

Note 3. Risks and Uncertainties

The Foundation maintains cash in a bank that is in excess of the insurance limit provided by the Federal Deposit Insurance Corporation. The Foundation has not experienced any losses in this account. Management believes it is not exposed to any significant credit risk with respect to cash and cash equivalents.

The Foundation invests in various investment securities, including U.S. government securities, corporate debt instruments and mutual funds. Investment securities, in general, are subject to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect amounts reported on the financial statements.

In 2020, the COVID-19 virus was declared a global pandemic. Business continuity, including supply chains and consumer demand across a broad range of industries and countries could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. The ultimate disruption which may be caused by the pandemic is uncertain; however, while as of June 8, 2021, it has not resulted in a material adverse impact on the Foundation's financial position, operations, and cash flows, such disruptions or restrictions may occur in the future. Possible effects may include but are not limited to disruptions or restrictions on our employee's ability to work, decline in value of assets held, including property and equipment and marketable securities and changes to the current regulatory environment. Management is actively working to mitigate the impact of these and other unforeseen potential disruptions to our operations.

Note 4. Fair Value Measurements

Due to the short-term nature of cash equivalents, deposits and prepaid expenses, accounts payable and grants payable, fair value approximates carrying value. In accordance with Financial Accounting Standards Board Codification No. 820 (FASB ASC 820), fair value is defined as the price that the Foundation would receive upon selling an asset or transferring a liability in an orderly transaction to an independent buyer in the principal or most advantageous market of the asset.

FASB ASC 820 establishes a three-tier hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs and to establish the classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs 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:

Level 1: Quoted prices of identical assets or liabilities in active markets that the Foundation has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect the Foundation's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Foundation's statement of financial position includes investments which have been considered Level 1 assets and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date.

Partnerships/Joint ventures are classified within Level 2 as the Foundation used quoted prices in principal active markets for certain underlying fund positions and significant other observable inputs.

The fair value of a financial instrument 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. Fair value is best determined based upon quoted market prices. All of the Foundation's investments are based upon the quoted market prices at December 31, 2020.

The management of the Foundation is responsible for making the fair value measurements and disclosures in the financial statements. As part of fulfilling this responsibility, the management of the Foundation has established an accounting and financial reporting process for determining the fair value measurements and disclosures, which identifies and adequately supports the valuation methods and assumptions used and ensures that the presentation of the fair value measurement is in accordance with GAAP.

CATHOLIC COMMUNITY FOUNDATION OF SAN DIEGO
NOTES TO FINANCIAL STATEMENTS

The following table summarizes the Foundation's investments, including placement in the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis:

	Fair Value Measurements at December 31, 2020, Using:			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Long-term investments	\$ 67,704,241	\$ 10,611,670	\$ -	\$ 78,315,911

Note 5. Long-term Investments

Long-term investments at December 31, 2020, consist of:

	Market	Cost
Collective investment funds	\$ 20,981,548	\$ 15,207,898
Mutual funds - fixed income	13,706,885	6,173,202
Partnerships/joint ventures	10,611,670	7,658,935
Mutual funds - balanced	8,793,157	7,939,237
Domestic common stocks	5,645,747	4,121,496
Mutual funds - equity	5,604,426	4,583,844
Corporate issues	5,309,856	4,722,530
US Government issues	4,759,901	4,586,278
Cash and cash equivalents	1,577,984	1,577,984
Foreign stocks	990,628	854,750
Foreign issues	309,628	195,395
Mutual funds - general	24,481	23,182
	<u>\$ 78,315,911</u>	<u>\$ 57,644,731</u>

Summary of investment returns – the following schedule summarizes the return on total investments and the amounts allocated to funds held for others and the amounts reported on the statement of activities:

	Total investment return	Less allocated to funds held for others	Reported on statement of activities
Net realized/unrealized gain on investments	\$ 8,542,320	\$ 7,758,873	\$ 783,447
Interest, dividends and other income	1,178,056	1,085,891	92,165
Less investment fees	(243,855)	(220,080)	(23,775)
	<u>\$ 9,476,521</u>	<u>\$ 8,624,684</u>	<u>\$ 851,837</u>

Note 6. Net Assets with Donor Restrictions

Net assets with donor restrictions consists of endowments of \$4,023,494 for the benefit of the Foundation's philanthropic purposes.

Note 7. Endowments

The Foundation's endowment portfolio consists of 77 individual funds. The other funds are set up as donor advised, agency, and discretionary endowments. The endowment includes only donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified based on the existence or absence of donor imposed restrictions. Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Interpretation of Relevant Law – The Board of Trustees of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Endowment Investment and Spending Policies – The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 6.5% annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation's spending policy is approved by the board each year. For the year ended December 31, 2020, the amount to be distributed was equal to 4% of the total market value based upon a three year (12 quarters) rolling average of the fund balance, this amount is internally transferred to the available to spend balance in the fund. Should the fund not yet have 12 quarters of data, the percentage is calculated based on the available data. The distributable balance shall be calculated on a quarterly basis. Distributions can be requested by the fund advisor.

Donor-restricted endowment net asset composition as of December 31, 2020, is as follows:

Endowment net assets, beginning of year	<u>\$ 3,163,516</u>
Investment return:	
Investment income	38,024
Net appreciation (realized and unrealized)	<u>458,439</u>
Total investment return	<u>496,463</u>
Distribution	(35,968)
Contributions	394,483
Contributions from donor advised fund	5,000
Endowment net assets, end of year	<u><u>\$ 4,023,494</u></u>

CATHOLIC COMMUNITY FOUNDATION OF SAN DIEGO
NOTES TO FINANCIAL STATEMENTS

Note 8. Commitments

The Foundation leases its office space under an operating lease agreement which expires on January 31, 2025. Rent expense for the year ended December 31, 2020 was approximately \$38,000.

At December 31, 2020, total minimum lease commitments under this lease are as follows:

Years ending December 31	
2021	\$ 38,817
2022	43,705
2023	45,016
2024	46,367
Thereafter	3,950
	<u>\$ 177,855</u>

Note 9. December 31, 2019 Financial Information

The prior year summarized financial information is for comparative purposes only. The prior year information is presented in the financial statements in total, but not by asset class as required by GAAP. The summarized financial information was derived from the Foundation’s December 31, 2019 financial statements. Accordingly, the summarized information should be read in conjunction with the Foundation’s complete financial statements for the year ended December 31, 2019. Certain prior year amounts have been reclassified to conform to the current year’s financial statement presentation. These reclassifications had no effect on the change in net assets.