

FOUNDATION TO ADVANCE CATHOLIC EDUCATION, INC.

FALL RIVER, MASSACHUSETTS

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

JUNE 30, 2021 AND 2020



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Foundation to Advance Catholic Education, Inc.
Fall River, Massachusetts

We have audited the accompanying financial statements of the Foundation to Advance Catholic Education, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation to Advance Catholic Education, Inc. as of June 30, 2021 and 2020, 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.

Livingston + Haynes, P.C.

Wellesley, Massachusetts
November 17, 2021

FOUNDATION TO ADVANCE CATHOLIC EDUCATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

ASSETS

	2021	2020
Cash and cash equivalents	\$ 798,607	\$ 642,593
Due from Roman Catholic Bishop of Fall River	3,000	13,506
Operating investments, at fair value	3,285,742	3,498,261
Accrued interest receivable	7,666	14,922
Other receivables	12,442	7,956
Intangible assets, net of accumulated amortization of \$5,955 and \$3,722, respectively	745	2,978
Long-term investments, at fair value	4,579,244	3,839,231
TOTAL ASSETS	\$ 8,687,446	\$ 8,019,447

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 363	\$ 7,520
Refundable advances	29,355	-
Due to related parties	1,988	130,849
TOTAL LIABILITIES	31,706	138,369
Net Assets:		
Without donor restrictions:		
Designated for enrollment and marketing	-	1,988
Designated for Hope & Opportunity scholarships	219,333	219,333
Undesignated	3,308,832	2,988,217
	3,528,165	3,209,538
With donor restrictions	5,127,575	4,671,540
TOTAL NET ASSETS	8,655,740	7,881,078
TOTAL LIABILITIES AND NET ASSETS	\$ 8,687,446	\$ 8,019,447

See accompanying notes to financial statements.

FOUNDATION TO ADVANCE CATHOLIC EDUCATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
	Operating support and revenue:					
Contributions and bequests	\$ 877,081	\$ 169,922	\$ 1,047,003	\$ 247,809	\$ 162,000	\$ 409,809
Special events	325,957	-	325,957	480,350	-	480,350
Contributed goods and services	1,206	-	1,206	3,900	-	3,900
Other income	32,557	-	32,557	-	-	-
Investment return, net	500,669	-	500,669	99,173	-	99,173
Net assets released from restrictions	628,830	(628,830)	-	472,970	(472,970)	-
TOTAL OPERATING SUPPORT AND REVENUE	2,366,300	(458,908)	1,907,392	1,304,202	(310,970)	993,232
Operating expenses:						
Program services:						
Student scholarships	1,890,050	-	1,890,050	1,723,332	-	1,723,332
Marketing and enrollment	1,988	-	1,988	216,041	-	216,041
TOTAL PROGRAM SERVICES	1,892,038	-	1,892,038	1,939,373	-	1,939,373
Supporting services:						
Fundraising	49,300	-	49,300	135,016	-	135,016
Management and general	106,335	-	106,335	102,428	-	102,428
TOTAL SUPPORTING SERVICES	155,635	-	155,635	237,444	-	237,444
TOTAL OPERATING EXPENSES	2,047,673	-	2,047,673	2,176,817	-	2,176,817
CHANGES IN NET ASSETS FROM OPERATING ACTIVITIES	318,627	(458,908)	(140,281)	(872,615)	(310,970)	(1,183,585)
Nonoperating activities:						
Contributions and bequests	-	34,373	34,373	-	13,750	13,750
Investment return, net	-	880,570	880,570	-	197,340	197,340
CHANGES IN NET ASSETS FROM NONOPERATING ACTIVITIES	-	914,943	914,943	-	211,090	211,090
CHANGES IN NET ASSETS	318,627	456,035	774,662	(872,615)	(99,880)	(972,495)
Net assets at beginning of year	3,209,538	4,671,540	7,881,078	4,082,153	4,771,420	8,853,573
NET ASSETS AT END OF YEAR	\$ 3,528,165	\$ 5,127,575	\$ 8,655,740	\$ 3,209,538	\$ 4,671,540	\$ 7,881,078

See accompanying notes to financial statements.

FOUNDATION TO ADVANCE CATHOLOIC EDUCATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

2021

	PROGRAM SERVICES			SUPPORTING SERVICES			Total
	Student Scholarships	Marketing and Enrollment	Total Program Services	Fundraising	Management and General	Total Supporting Services	
Grants	\$ 1,795,251	\$ 1,988	\$ 1,797,239	\$ -	\$ -	\$ -	\$ 1,797,239
Fundraising events	-	-	-	20,725	-	20,725	20,725
Related party services	87,500	-	87,500	25,000	87,500	112,500	200,000
Printing	-	-	-	2,458	-	2,458	2,458
Professional fees	6,183	-	6,183	-	13,810	13,810	19,993
Amortization	1,116	-	1,116	1,117	-	1,117	2,233
Office expenses	-	-	-	-	3,136	3,136	3,136
Miscellaneous	-	-	-	-	1,889	1,889	1,889
TOTAL EXPENSES AS PRESENTED ON THE STATEMENTS OF ACTIVITIES	\$ 1,890,050	\$ 1,988	\$ 1,892,038	\$ 49,300	\$ 106,335	\$ 155,635	\$ 2,047,673

2020

	PROGRAM SERVICES			SUPPORTING SERVICES			Total
	Student Scholarships	Marketing and Enrollment	Total Program Services	Fundraising	Management and General	Total Supporting Services	
Grants	\$ 1,623,305	\$ 216,041	\$ 1,839,346	\$ -	\$ -	\$ -	\$ 1,839,346
Fundraising events	-	-	-	96,243	-	96,243	96,243
Related party services	87,500	-	87,500	25,000	87,500	112,500	200,000
Printing	-	-	-	6,976	-	6,976	6,976
Professional fees	11,411	-	11,411	5,680	8,115	13,795	25,206
Amortization	1,116	-	1,116	1,117	-	1,117	2,233
Office expenses	-	-	-	-	6,510	6,510	6,510
Miscellaneous	-	-	-	-	303	303	303
TOTAL EXPENSES AS PRESENTED ON THE STATEMENTS OF ACTIVITIES	\$ 1,723,332	\$ 216,041	\$ 1,939,373	\$ 135,016	\$ 102,428	\$ 237,444	\$ 2,176,817

See accompanying notes to financial statements

FOUNDATION TO ADVANCE CATHOLIC EDUCATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Changes in net assets	\$ 774,662	\$ (972,495)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Amortization	2,233	2,233
Net realized (gains) losses on sale of investments	(312,147)	11,166
Net unrealized gains on investments	(974,961)	(127,375)
Contributions restricted for permanent endowment	(34,373)	(13,750)
Changes in operating assets and liabilities:		
(Increase) decrease in due from the Roman Catholic Bishop of Fall River	10,506	(13,506)
Increase in other receivables	(4,486)	(7,956)
(Increase) decrease in accrued interest receivable	7,256	(14,922)
Increase (decrease) in accounts payable and accrued expenses	(7,157)	7,520
Increase in refundable advances	29,355	-
Decrease in due to related parties	(128,861)	(13,904)
TOTAL ADJUSTMENTS	<u>(1,412,635)</u>	<u>(170,494)</u>
NET CASH USED BY OPERATING ACTIVITIES	(637,973)	(1,142,989)
Cash flows from investing activities:		
Purchase of investments	(4,971,623)	(7,478,795)
Proceeds from sale of investments	<u>5,731,237</u>	<u>8,914,261</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>759,614</u>	<u>1,435,466</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for permanent endowment	<u>34,373</u>	<u>13,750</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>34,373</u>	<u>13,750</u>
INCREASE IN CASH AND CASH EQUIVALENTS	156,014	306,227
Cash and cash equivalents at beginning of year	<u>642,593</u>	<u>336,366</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 798,607</u>	<u>\$ 642,593</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Income taxes	\$ -	\$ -
Interest	\$ -	\$ -

See accompanying notes to financial statements.

FOUNDATION TO ADVANCE CATHOLIC EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Foundation to Advance Catholic Education, Inc. (the "Organization") is a non-profit corporation located in Fall River, Massachusetts. The Organization's purpose is to administer its net assets for educational and charitable purposes to be used to benefit parochial schools of the Roman Catholic Bishop of Fall River (the "Diocese").

The significant accounting policies followed by the Organization are described below.

Accrual Basis

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

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 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.

Basis of Presentation

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

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulations or law.

FOUNDATION TO ADVANCE CATHOLIC EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Basis of Presentation (Continued)

Expirations of time restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets as net assets released from restrictions.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of property and equipment without donor restrictions concerning the use of such long-lived assets are reported as revenue of the net assets without donor restrictions. Contributions of cash or other assets to be used to acquire property and equipment are reported as revenue of the net assets with donor restrictions; the restrictions are considered to be released at the time of acquisition of such long-lived assets. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Operations

The statements of activities report the changes in net assets from operating and nonoperating activities. Operating revenues consist of those items attributable to the Organization's mission. Investment income attributable to those assets is reported as operating revenue if used in the Organization's daily cash management activities or approved by the Organization's Board of Directors to be used in operations. All other investment income is reported as nonoperating revenues. Additionally, gains and losses on disposal of property and equipment are classified as operating if they result from the disposal of operating assets and as nonoperating if from the disposal of nonoperating assets. Contributions are classified as nonoperating if the Organization cannot use them in its daily cash management activities either by donor restriction or Board designation.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include related party services, which are allocated on the basis of estimates of time and effort.

FOUNDATION TO ADVANCE CATHOLIC EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Grants

Unconditional student scholarship grants are expensed in the year the grants are awarded and are included in program services. Conditional scholarship grants are expensed when paid or when the payments become unconditionally due. Grants payable at year end include scholarship grants that have been approved but not yet paid. There were no grants payable as of June 30, 2021 and 2020.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cash in bank and short-term highly liquid investments with maturities, at purchase, of less than three months. The cash equivalents, in Note B - Investments, are not considered cash and cash equivalents in the statements of cash flows since these amounts are not considered available for operating cash flows and a portion of them are managed by an outside investment advisor.

Donated Property

No amounts have been reflected in the accompanying financial statements for certain space used by the Organization but owned by the Diocese, inasmuch as no objective basis is available to measure the value of such space.

Investments

The Organization records investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Investment return, net is reported in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses.

The Organization utilizes various methods to measure the fair value of its investments on a recurring basis. Accounting principles generally accepted in the United States of America establishes a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are:

- Level 1 - Quoted prices in active markets for identical assets or liabilities. Assets utilizing Level 1 inputs include the Organization's marketable equity securities, certain U.S. government and agencies obligations, and mutual funds. Valuations of these instruments do not require a high degree of judgment as the valuations are based on quoted prices in active markets that are readily available.

FOUNDATION TO ADVANCE CATHOLIC EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Investments (Continued)

Level 2 - Other significant observable inputs that reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from independent market sources. These observable inputs include quoted prices for similar investments, quoted prices in markets that are not active and other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset and liability. Assets utilizing Level 2 inputs include the Organization's corporate obligations, asset backed securities, municipal obligations, and certain U.S. government and agencies obligations that are not actively traded. Valuations in this category are inherently less reliable than quoted market price due to the degree of subjectivity involved in determining appropriate methodologies and the applicable underlying assumptions.

Level 3 - Unobservable inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability based upon the best information available in the circumstances.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Intangible Assets

Intangible assets consist of an external website developed by the Organization. The website is used by the Organization for advertising purposes only. The costs associated with the website application and the infrastructure development of the website were capitalized and are being amortized over a period of three years - the estimated useful life of the website.

FOUNDATION TO ADVANCE CATHOLIC EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Intentions to Give

Throughout the year, the Organization receives commitments from individual donors to provide future funds to the Organization. The Organization deems these to be intentions to give and not unconditional promises to give. The Organization recognizes contribution revenue and a receivable for the contribution once the intention to give is legally enforceable and the Organization is able to determine a fair value for the contribution.

Refundable Advances

Refundable advances represent amounts received by the Organization from donors that will be attending special fundraising events to be held after the end of the fiscal year. The amount includes both the ticket sales and any additional contributions whose recognition is conditioned on the event taking place.

Contributed Goods and Services

Goods were donated to the Organization by various individuals and organizations. Contributed goods were \$1,206 and \$3,900 for the years ended June 30, 2021 and 2020, respectively, which were recorded at fair value at the date of the donation and were included in revenue and expenses in the statements of activities for the respective years. These contributed goods represent the cost of items donated to be auctioned off during fundraising events.

Endowment Fund Investment and Spending Policies

The Organization's endowment funds consist principally of funds that are set aside as donor-restricted endowment funds for scholarships. Presently, the Organization's endowment only includes donor-restricted funds and does not include funds designated by the Board of Directors to function as endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted in the Commonwealth of Massachusetts and its own governing documents in the management and investment of its donor-restricted endowment funds. UPMIFA eliminated the concept of historic dollar value threshold, the amount below which an organization could not spend from the fund, in favor of a more robust set of guidelines about what constitutes prudent spending. As required by UPMIFA, the Organization's policy is to follow the terms of their governing documents.

Under accounting principles generally accepted in the United States of America, the Organization is also required to include expanded disclosures for all donor-restricted endowment funds. These additional disclosures are found below and in Note F.

FOUNDATION TO ADVANCE CATHOLIC EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Endowment Fund Investment and Spending Policies (Continued)

The Board of Directors of the Organization has interpreted 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 Organization 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. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies. The Organization's donors have placed restrictions on the use of the investment income and net appreciation from the donor-restricted endowment funds.

The Board of Directors has determined that the Organization's endowment contributions are subject to the terms of its governing documents and the various gift instruments received. Under these terms, the Board of Directors must preserve the original principal amount of the contribution.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Board of Directors of the Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. If the original principal amount is eroded, then the difference is reclassified first to net assets with donor restrictions (up to the amount of any income on the contribution remaining there) and then to net assets without donor restrictions. Future gains, if any, that restore the assets of the endowment fund to the original level will increase net assets without donor restrictions.

Investment Return Objectives, Risk Parameters, and Strategies

The Organization has adopted an investment policy, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds any distributions made with acceptable levels of risk.

Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make distributions, if needed, while growing the funds if possible.

FOUNDATION TO ADVANCE CATHOLIC EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Endowment Investment and Spending Policies (Continued)

Investment Return Objectives, Risk Parameters, and Strategies (Continued)

Therefore, the Organization expects its endowment assets, over time, to earn a rate of return which exceeds the inflation rate plus the level of spending. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk. To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through capital appreciation (realized and unrealized), rather than current yield (interest and dividends). The Organization targets a diversified asset allocation that places an emphasis on equity investments to achieve its long-term return objectives within prudent risk parameters.

Spending Policy

The Organization adopted a spending policy for its endowment. The policy includes a spending rate of 5% for any endowment funds without donor restrictions and up to 75% of the prior-year's earnings for a majority of the larger endowments for scholarships with donor restrictions. For the remaining three smaller endowment funds, the policy specifies how much is to be spent each year per fund as long as that does not exceed earnings. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment funds to grow to exceed the inflation rate annually, which is consistent with the Organization's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through investment return.

Income Taxes

The Organization is included in the annual United States Conference of Catholic Bishops Internal Revenue Service Group Ruling and is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code, as amended (the "Code"), and is generally exempt from income taxes pursuant to Section 501(a) of the Code.

The Organization recognizes the tax benefit from any uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by the taxing authorities, based on the technical merits of the tax position. Any tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. Management has analyzed the Organization's tax positions, and has concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on returns filed for open years (for years ended June 30, 2018-2020) or expected to be taken in the Organization's tax returns for the year ended June 30, 2021.

FOUNDATION TO ADVANCE CATHOLIC EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Income Taxes (Continued)

The Organization identifies its major tax jurisdictions as U.S. Federal and the Commonwealth of Massachusetts; however, the Organization is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next twelve months. The Organization also follows the policy to recognize interest and penalties related to unrecognized tax benefits (if any) in income tax expense. No such interest and penalties have been recorded as of June 30, 2021 and 2020.

Financial Instruments and Credit Risk

The Organization manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by them to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Organization has not experienced losses in any of these accounts. Investments are made by an investment manager whose performance is monitored by management and the Board of Directors. Although the fair values of the investments are subject to fluctuation, management and the Board of Directors believe that the investment policies and guidelines are prudent for the long-term welfare of the Organization.

Beneficiary in Wills and Estates

The Organization is named as a beneficiary in numerous wills and estates. The Organization deems these to be intentions to give and not unconditional promises to give. The Organization recognizes contribution revenue and a receivable for its interest in the estate based upon a probate court having declared an individual will to be valid and the Organization having the ability to determine the fair value of the estate.

NOTE B - INVESTMENTS

Investments, at fair values, are classified in the statements of financial position as follows:

	<u>2021</u>	<u>2020</u>
Operating investments, at fair value	\$ 3,285,742	\$ 3,498,261
Long-term investments, at fair value	<u>4,579,244</u>	<u>3,839,231</u>
	<u>\$ 7,864,986</u>	<u>\$ 7,337,492</u>

FOUNDATION TO ADVANCE CATHOLIC EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020

NOTE B - INVESTMENTS (Continued)

The investments, as classified above, are comprised of the following:

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Cash equivalents	\$ 366,894	\$ 366,894	\$ 597,122	\$ 597,122
Mutual funds	1,821,645	1,989,282	994,581	855,211
Marketable debt securities	1,905,359	1,947,278	3,130,586	3,261,823
Marketable equity securities	<u>2,310,640</u>	<u>3,561,532</u>	<u>2,129,716</u>	<u>2,623,336</u>
	<u>\$ 6,404,538</u>	<u>\$ 7,864,986</u>	<u>\$ 6,852,005</u>	<u>\$ 7,337,492</u>

Investment return, net consists of the following:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating investment return, net:			
Interest and dividends	\$ 46,380	\$ -	\$ 46,380
Realized gains on investments	142,724	-	142,724
Unrealized gains on investments	322,569	-	322,569
Investment advisory fees	<u>(11,004)</u>	<u>-</u>	<u>(11,004)</u>
	500,669	-	500,669
Nonoperating investment return, net:			
Interest and dividends	-	78,394	78,394
Realized gains on investments	-	169,423	169,423
Unrealized gains on investments	-	652,392	652,392
Investment advisory fees	<u>-</u>	<u>(19,639)</u>	<u>(19,639)</u>
	<u>-</u>	<u>880,570</u>	<u>880,570</u>
Total investment return, net	<u>\$ 500,669</u>	<u>\$ 880,570</u>	<u>\$ 1,381,239</u>

FOUNDATION TO ADVANCE CATHOLIC EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020

NOTE B - INVESTMENTS (Continued)

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating investment return, net:			
Interest and dividends	\$ 87,322	\$ -	\$ 87,322
Realized gains on investments	26,563	-	26,563
Unrealized losses on investments	(1,975)	-	(1,975)
Investment advisory fees	<u>(12,737)</u>	-	<u>(12,737)</u>
	99,173	-	99,173
Nonoperating investment return, net:			
Interest and dividends	-	122,588	122,588
Realized losses on investments	-	(37,729)	(37,729)
Unrealized gains on investments	-	129,350	129,350
Investment advisory fees	<u>-</u>	<u>(16,869)</u>	<u>(16,869)</u>
	<u>-</u>	<u>197,340</u>	<u>197,340</u>
Total investment return, net	<u>\$ 99,173</u>	<u>\$ 197,340</u>	<u>\$ 296,513</u>

FOUNDATION TO ADVANCE CATHOLIC EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020

NOTE B - INVESTMENTS (Continued)

The following tables summarize inputs used in determining the fair valuation of the Organization's investments as of June 30, 2021 and 2020:

	2021			
	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 366,894	\$ -	\$ -	\$ 366,894
Marketable debt securities:				
U.S. government and agencies obligations	254,905	-	-	254,905
Municipal obligations	-	129,506	-	129,506
Asset backed securities	-	569,150	-	569,150
Corporate obligations	-	993,717	-	993,717
Total marketable debt securities	254,905	1,692,373	-	1,947,278
Marketable equity securities:				
Consumer discretionary	514,653	-	-	514,653
Consumer staples	110,672	-	-	110,672
Energy	146,042	-	-	146,042
Exchange traded funds	36,255	-	-	36,255
Materials	116,466	-	-	116,466
Information technology	945,688	-	-	945,688
Communication services	338,444	-	-	338,444
Industrials	387,339	-	-	387,339
Financials	476,404	-	-	476,404
Real estate	100,227	-	-	100,227
Health care	389,342	-	-	389,342
Total marketable equity securities	3,561,532	-	-	3,561,532
Mutual funds:				
Equity - domestic funds	-	-	-	-
Equity - international funds	1,263,328	-	-	1,263,328
Fixed income	725,954	-	-	725,954
Total mutual funds	1,989,282	-	-	1,989,282
	<u>\$ 6,172,613</u>	<u>\$ 1,692,373</u>	<u>\$ -</u>	<u>\$ 7,864,986</u>

FOUNDATION TO ADVANCE CATHOLIC EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020

NOTE B - INVESTMENTS (Continued)

	2020			
	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 597,122	\$ -	\$ -	\$ 597,122
Marketable debt securities:				
U.S. government and agencies obligations	364,650	4,829	-	369,479
Municipal obligations	-	590,398	-	590,398
Asset backed securities	-	783,394	-	783,394
Corporate obligations	-	1,518,552	-	1,518,552
Total marketable debt securities	364,650	2,897,173	-	3,261,823
Marketable equity securities:				
Consumer discretionary	311,707	-	-	311,707
Consumer staples	140,423	-	-	140,423
Energy	65,205	-	-	65,205
Exchange traded funds	12,365	-	-	12,365
Materials	80,945	-	-	80,945
Information technology	710,175	-	-	710,175
Communication services	234,124	-	-	234,124
Industrials	295,600	-	-	295,600
Financials	273,540	-	-	273,540
Real estate	93,587	-	-	93,587
Health care	405,665	-	-	405,665
Total marketable equity securities	2,623,336	-	-	2,623,336
Mutual funds:				
Equity - domestic funds	2,375	-	-	2,375
Equity - international funds	654,923	-	-	654,923
Fixed income	197,913	-	-	197,913
Total mutual funds	855,211	-	-	855,211
	<u>\$ 4,440,319</u>	<u>\$ 2,897,173</u>	<u>\$ -</u>	<u>\$ 7,337,492</u>

FOUNDATION TO ADVANCE CATHOLIC EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020

NOTE C - RELATED PARTY TRANSACTIONS

During the years ended June 30, 2021 and 2020, certain personnel employed by related entities performed services for the Organization. The applicable salaries and benefits of these employees are reimbursed by the Organization. The value of these services was \$200,000 for the years ended June 30, 2021 and 2020. The value of these services is included in related party services on the statements of functional expenses and in program services - student scholarships and supporting services - fundraising and management and general on the statements of activities. At June 30, 2021 and 2020, the Organization did not owe any amounts to these related entities for these services.

During the years ended June 30, 2021 and 2020, a related entity incurred expenses for the Organization in the amounts of \$1,988 and \$216,041, respectively, for expenses paid for by the related entity on behalf of the Organization related to marketing and enrollment. These expenses are included in program services - marketing and enrollment in the statements of activities. At June 30, 2021 and 2020, the Organization owed \$1,988 and \$129,349, respectively, for these expenses and these amounts are included in due to related parties in the statements of financial position.

During the years ended June 30, 2021 and 2020, the Organization received contributions from affiliated Organizations, Parishes and Schools of the Diocese of approximately \$22,000 and \$61,000, respectively.

During the years ended June 30, 2021 and 2020, the Organization awarded scholarships of \$1,795,251 and \$1,623,305, respectively, to affiliated Schools of the Diocese, which are included in program services - student scholarships in the statements of activities.

During the year ended June 30, 2020, the Organization received a \$1,500 contribution that was intended for a related entity. The amount is included in due to related parties in the statements of financial position. During the year ended June 30, 2021, the amount was paid to the related entity.

During the years ended June 30, 2021 and 2020, the Diocese received \$3,000 and \$13,506, respectively, in contributions that were intended for the Organization. These amounts are included in due from Roman Catholic Bishop of Fall River in the statements of financial position.

NOTE D - CONCENTRATION OF CREDIT RISK

The Organization maintains its cash in various financial institutions' deposit accounts which, at times, may exceed federally insured limits. As of June 30, 2021 and 2020, the maximum loss that would have resulted by the excess of deposits over the insured limit would have been approximately \$561,000 and \$387,000, respectively. The Organization has not experienced any losses in such accounts, and does not believe it is exposed to any significant credit risk on cash.

The Organization received contributions representing approximately 40% of its total contributions and bequests and special events revenue during the year ended June 30, 2021 from two donors.

The Organization received contributions representing approximately 36% of its total contributions and bequests and special events revenue during the year ended June 30, 2020 from two donors.

FOUNDATION TO ADVANCE CATHOLIC EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020

NOTE E - NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2021 and 2020, net assets with donor restrictions consist of funds received from donors that are restricted for the following purposes:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Scholarships under the Hope & Opportunity Initiative	\$ 527,837	\$ 713,642
COVID-19 Relief Fund	-	100,000
St. Francis Xavier Prep School Scholarship Fund	<u>-</u>	<u>10,000</u>
	527,837	823,642
 Endowments:		
Subject to appropriation and expenditure when a specified event occurs:		
Restricted by donors for:		
Scholarships	876,001	158,534
 Subject to the Organization's endowment spending policy and appropriation		
Scholarships	<u>3,723,737</u>	<u>3,689,364</u>
 Total endowments	<u>4,599,738</u>	<u>3,847,898</u>
	<u>\$ 5,127,575</u>	<u>\$ 4,671,540</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors are as follows for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Scholarships under the Hope & Opportunity Initiative	\$ 381,650	\$ 300,500
COVID-19 Relief Fund	100,000	-
St. Francis Xavier Prep School Scholarship Fund	20,000	-
Other scholarships for specific purposes	17,100	-
Endowment scholarships	<u>110,080</u>	<u>172,470</u>
	<u>\$ 628,830</u>	<u>\$ 472,970</u>

FOUNDATION TO ADVANCE CATHOLIC EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020

NOTE F - ENDOWMENT

Endowment net asset composition by type of fund is as follows:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ -	\$ -	\$ -
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	3,723,737	3,723,737
Accumulated investment return, net	-	876,001	876,001
Total funds	\$ -	\$ 4,599,738	\$ 4,599,738

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ -	\$ -	\$ -
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	3,689,364	3,689,364
Accumulated investment return, net	-	158,534	158,534
Total funds	\$ -	\$ 3,847,898	\$ 3,847,898

FOUNDATION TO ADVANCE CATHOLIC EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020

NOTE F - ENDOWMENT (Continued)

Changes in endowment net assets for the years ended June 30, 2021 and 2020 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2019:	\$ -	\$ 3,850,740	\$ 3,850,740
Investment return, net	-	155,878	155,878
Contributions	-	13,750	13,750
Amounts appropriated for expenditure	<u>-</u>	<u>(172,470)</u>	<u>(172,470)</u>
Endowment net assets, June 30, 2020	-	3,847,898	3,847,898
Investment return, net	-	827,547	827,547
Contributions	-	34,373	34,373
Amounts appropriated for expenditure	<u>-</u>	<u>(110,080)</u>	<u>(110,080)</u>
Endowment net assets, June 30, 2021	<u>\$ -</u>	<u>\$ 4,599,738</u>	<u>\$ 4,599,738</u>

NOTE G - INTANGIBLE ASSETS

At June 30, 2021 and 2020, intangible assets consist of:

	<u>2021</u>	<u>2020</u>
Website costs	\$ 6,700	\$ 6,700
Less: accumulated amortization of website costs	<u>(5,955)</u>	<u>(3,722)</u>
	<u>\$ 745</u>	<u>\$ 2,978</u>

The amortization expense on the website costs to be taken for each of the five years succeeding June 30, 2021 is as follows:

2022	\$ 745
2023	-
2024	-
2025	-
2026	<u>-</u>
	<u>\$ 745</u>

FOUNDATION TO ADVANCE CATHOLIC EDUCATION, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2021 AND 2020

NOTE H - LIQUIDITY AND AVAILABILITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal including cash and cash equivalents and investments.

For purposes of analyzing resources available to meet the general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of providing scholarships to students attending and other support to benefit parochial schools of the Roman Catholic Bishop of Fall River as well as the conduct of services undertaken to support those activities, to be general expenditures.

Financial assets available for general expenditure; that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following:

	2021	2020
Cash and cash equivalents	\$ 798,607	\$ 642,593
Accrued interest receivable	7,666	14,922
Due from Roman Catholic Bishop of Fall River	3,000	13,506
Other receivables	12,442	7,956
Operating investments, at fair value	3,285,742	3,498,261
Net assets with donor restrictions - rate distributions and appropriations	962,471	498,925
	\$ 5,069,928	\$ 4,676,163

NOTE I - COMMITMENTS AND CONTINGENCIES

During the year ended June 30, 2021, the Organization entered into a contract with an event facility for a fundraising event to be held in the next fiscal year. The contract was for a total of \$25,006. As of June 30, 2021, \$2,000 had been paid as a deposit to the facility and expensed by the Organization. The remaining amount will be paid during the year ended June 30, 2022.

NOTE J - COVID-19

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 has had an impact on various parts of its FY2021 operations and financial results including, but not limited to, fluctuations in the value of its investment portfolios. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of June 30, 2021.

FOUNDATION TO ADVANCE CATHOLIC EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020

NOTE K - SUBSEQUENT EVENTS

The Organization has evaluated the impact of all subsequent events through November 17, 2021, the date the financial statements were available to be issued, and has determined that there were no subsequent events requiring adjustment or disclosure in the financial statements.