

**THE FOUNDATION OF THE ROMAN CATHOLIC
DIOCESE OF ALBANY, NEW YORK, INC.**

**Financial Statements as of
June 30, 2021 and 2020
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

May 3, 2022

To The Most Reverend Edward B. Scharfenberger
and the Board of Trustees of
The Foundation of the Roman Catholic
Diocese of Albany, New York, Inc.:

We have audited the accompanying financial statements of The Foundation of the Roman Catholic Diocese of Albany, New York, Inc. (a New York State not-for-profit corporation), 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.

Auditor's 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 audits 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.

(Continued)

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Foundation of the Roman Catholic Diocese of Albany, New York, 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.

**THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF
ALBANY, NEW YORK, INC.**

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 53,212	\$ 148,393
Gift annuity	3,512	1,949
Parish assistance fund receivable, net	-	231,166
Investments	48,070,567	39,994,333
Accrued income	<u>143,152</u>	<u>119,706</u>
	<u>\$ 48,270,443</u>	<u>\$ 40,495,547</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 15,292	\$ 61,900
Donor funds	<u>39,123,273</u>	<u>32,851,321</u>
Total liabilities	<u>39,138,565</u>	<u>32,913,221</u>
NET ASSETS:		
Without donor restrictions	8,728,913	7,139,916
With donor restrictions	<u>402,965</u>	<u>442,410</u>
Total net assets	<u>9,131,878</u>	<u>7,582,326</u>
	<u>\$ 48,270,443</u>	<u>\$ 40,495,547</u>

The accompanying notes are an integral part of these statements.

**THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF
ALBANY, NEW YORK, INC.**

**STATEMENTS OF ACTIVITIES
JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
WITHOUT DONOR RESTRICTIONS		
REVENUE, GAINS AND OTHER SUPPORT:		
In-kind contributions from Diocesan Corporation	\$ 39,107	\$ 46,696
Administrative fees	184,006	157,211
Investment income, net	1,843,336	678,865
Released from donor restrictions	45,995	78,600
Miscellaneous income	-	75
	<u>2,112,444</u>	<u>961,447</u>
Total revenue, gains, and other support		
EXPENSES:		
Program:		
Distribution to Diocesan Corporation	256,800	150,000
Other grants	131,995	151,100
Total program	388,795	301,100
General and administrative	134,652	127,445
	<u>523,447</u>	<u>428,545</u>
Total expenses		
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	1,588,997	532,902
WITH DONOR RESTRICTIONS		
Retired priest fund	3,800	94,995
Released from with donor restrictions	(45,995)	(78,600)
Parish assistance fund	2,750	226,642
	<u>(39,445)</u>	<u>243,037</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS		
CHANGE IN NET ASSETS	1,549,552	775,939
NET ASSETS - beginning of year	<u>7,582,326</u>	<u>6,806,387</u>
NET ASSETS - end of year	<u>\$ 9,131,878</u>	<u>\$ 7,582,326</u>

The accompanying notes are an integral part of these statements.

**THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF
ALBANY, NEW YORK, INC.**

**STATEMENTS OF CASH FLOWS
JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,549,552	\$ 775,939
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Gains on investments, net	(1,721,335)	(541,543)
Changes in:		
Gift annuity	(1,563)	1,424
Parish assistance receivable	231,166	(117,542)
Accrued income	(23,446)	21,890
Accounts payable and accrued expenses	<u>(46,608)</u>	<u>(99,700)</u>
Net cash flow from operating activities	<u>(12,234)</u>	<u>40,468</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of investments	<u>(82,947)</u>	<u>(322,949)</u>
Net cash flow from investing activities	<u>(82,947)</u>	<u>(322,949)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(95,181)	(282,481)
CASH AND CASH EQUIVALENTS - beginning of year	<u>148,393</u>	<u>430,874</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 53,212</u>	<u>\$ 148,393</u>

The accompanying notes are an integral part of these statements.

**THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF
ALBANY, NEW YORK, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES
JUNE 30, 2021 AND 2020**

	<u>Program</u>	<u>General and Administrative</u>	<u>2021 Total</u>
Donations	\$ 388,795	\$ -	\$ 388,795
Bad debt expense	-	55,536	55,536
Salaries	-	32,474	32,474
Professional fees	-	30,300	30,300
Office supplies	-	8,737	8,737
Benefits	-	4,206	4,206
Payroll taxes	-	2,428	2,428
Consulting services	-	755	755
Advertising	-	189	189
Bank fees	-	27	27
	<u>\$ 388,795</u>	<u>\$ 134,652</u>	<u>\$ 523,447</u>

	<u>Program</u>	<u>General and Administrative</u>	<u>2020 Total</u>
Donations	\$ 301,100	\$ -	\$ 301,100
Bad debt expense	-	55,658	55,658
Salaries	-	36,012	36,012
Professional fees	-	12,704	12,704
Office supplies	-	11,643	11,643
Benefits	-	7,938	7,938
Payroll taxes	-	2,748	2,748
Consulting services	-	590	590
Telephone	-	119	119
Bank fees	-	33	33
	<u>\$ 301,100</u>	<u>\$ 127,445</u>	<u>\$ 428,545</u>

The accompanying notes are an integral part of these statements.

THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF ALBANY, NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

1. THE ORGANIZATION

The Foundation of the Roman Catholic Diocese of Albany, New York, Inc. (the Foundation) was created in February 1995 by the Bishop of Albany. The Foundation's mission is to receive and administer gifts and bequests made for the benefit of the Roman Catholic Diocese of Albany, New York (Diocesan Corporation) and certain affiliates. In addition, the Foundation acts as a long-term investment vehicle for various Catholic organizations within the geographical boundaries of the Roman Catholic Diocese of Albany by providing an opportunity for individuals and organizations to ensure the ongoing and long-term financial stability and vitality of the Diocese's various Catholic entities.

The Foundation fulfills its mission by:

- Seeking endowment funds, quasi-endowment funds, and current funds, which foster and support the programs, services, aims, and goals of the Church of Albany;
- Assisting parishes, schools, service organizations, and other Catholic organizations in meeting their ongoing and long-term financial needs;
- Assisting donors in achieving their charitable and financial goals;
- Providing responsible and effective financial management of Foundation investments, thus relieving leaders and administrators of a portion of their funding and funds management efforts; and
- Distributing net earnings and income according to the wishes of participating entities, donors, and the distribution policy of the Foundation.

Currently, and as further described in Note 2, the Foundation's primary activity is to receive, invest, and disburse contributions received on behalf of various religious and nonprofit organizations in the Diocese, as a long-term investment vehicle for those organizations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Foundation's financial statements have been prepared in conformity with accounting principles generally accepted in the United States. Net assets and support, revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets without donor restrictions are amounts not subject to donor-imposed stipulations and are available for operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 support, revenue and expenses during the reporting period. Items subject to such estimates and assumptions include the valuation of investments and accounts receivable. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Foundation considers all bank demand deposit accounts, money market funds and highly liquid debt instruments with an original maturity of less than three months to be cash equivalents. The Foundation's cash balances may at times exceed federally insured limits. The Foundation has not experienced any losses in these accounts and believes it is not exposed to any significant risk with respect to cash and cash equivalents.

Due from Affiliates

Amounts due from affiliates are stated net of an allowance for doubtful accounts, when applicable. As of June 30, 2021 and 2020, an allowance for doubtful accounts was recorded for a promissory note receivable from one affiliate (see Note 4).

Parish Assistance Fund Receivable, Net

Parish assistance fund receivables are stated net of an allowance for doubtful accounts in the amount of \$119,025 and \$55,658 as of June 30, 2021 and 2020, respectively.

Investments

All investments have been reported in the financial statements at fair value, except for certain investments which are stated at Net Asset Value (NAV). Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. Financial instruments measured and reported at fair value are classified and disclosed in one of the following categories based on the lowest level input that is significant to the fair value measurement in its entirety.

- Level 1 inputs are quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities.

The Foundation's equities and money market funds are primarily valued utilizing Level 1 inputs.

- Level 2 inputs are observable prices that are based on inputs not quoted in active markets but corroborated by market data.

The Foundation's fixed income bonds and foreign bonds are valued utilizing Level 2 inputs.

- Level 3 inputs are unobservable inputs that are used when little or no market data is available.

The Foundation does not have any investments utilizing Level 3 inputs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

Fair values for securities, including mutual funds and corporate equity securities, are based on quoted market prices or dealer quotes, where available. When quoted market prices are not available, including fixed income and foreign bonds, fair values are based on quoted market prices of comparable instruments or, when necessary, the Foundation utilizes matrix pricing from a third-party pricing vendor to determine fair value pricing. Matrix prices are based on quoted prices for securities with similar coupons, ratings, and maturities, rather than on specific bids and offers for the designated security. Shares in mutual funds are based on share values reported by the funds as of the last business day of the fiscal year.

Net investment income earned on amounts received and invested on behalf of other organizations is recognized as an increase in investments with a corresponding increase in the donor funds liability. At June 30, 2021 and 2020, the Foundation held \$39,123,273 and \$32,851,321, respectively, in investments classified as donor funds. Income from investments other than donor funds, as well as realized and unrealized gains and losses on these investments is recognized in the accompanying statements of activities. The net increase or decrease in fair value during the year is included in investment income in the accompanying statements of activities, except those related to donor funds.

Investments are pooled and are assigned a unit value. Unit values are based on the market value of the investment to the total market value of the pool of investments held on behalf of the Foundation. Investment earnings are allocated between Foundation owned investments and managed donor funds on a monthly basis based on units held within the total pool of investments.

The Foundation utilizes the NAV reported by alternative investment fund managers, including common collective trust funds, as a practical expedient for determining the value of the investment (See Note 5). These investments are redeemable at NAV under the original terms of the subscription agreements and operations of the underlying funds. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to the nature of the investments held by these funds, changes in market conditions and the economic environment may significantly impact the NAV of the funds and, consequently, the recorded value of the Foundation's interests in the funds.

Furthermore, changes to the liquidity provisions of the funds may significantly impact the value of the Foundation's interest in the funds. Additionally, although certain investments may be sold in a secondary market transaction, subject to meeting certain requirements of the governing documents of the funds, the secondary market is not active and individual transactions are not necessarily observable. It is therefore reasonably possible that if the Foundation were to sell a fund in the secondary market, the sale could occur at an amount different from the reported value, and the difference could be material. The Foundation has no plans to sell a fund in a secondary market.

Donor Funds

The Foundation manages investments on behalf of various religious and nonprofit organizations within the Diocese. All contributions received and corresponding investment returns thereon from such organizations are ultimately payable to those organizations in accordance with the donor's intentions net of any distributions previously made.

Financial Reporting

In the accompanying financial statements, net assets that have similar characteristics have been combined into two net asset categories: without donor restrictions and with donor restrictions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting (Continued)

Net assets without donor restrictions include resources which are available for the support of the Foundation's operating activities.

As of June 30, 2021 and 2020, net assets with donor restrictions consists of funds to be used specifically for parish assistance and retired priest funds.

Contributed Services

The Foundation receives contributions of services from the Diocesan Corporation. Contributed services are recorded at cost as in-kind contributions and expense in the statements of activities.

Revenue Recognition - Administrative Fees

The Foundation earns an administrative fee for managing the investments held for other organizations within the Diocese. The administrative fee is calculated as one-half of 1% of the investment value. The Foundation records revenue in the period in which they satisfy performance obligations under contracts by transferring services to other entities. The Foundation's performance obligation is to manage the investments for these other entities. The performance obligation is satisfied over time on a monthly basis at which time the income is recognized. The Foundation recognizes revenue at amounts that reflect the consideration to which they expect to be entitled in exchange for services provided. The transaction price is based on established fees which the Foundation expects to fully collect. There are no implicit price concessions relating to these services as of June 30, 2021.

Functional Allocation of Expenses

The costs of providing the Foundation's programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated amongst the programs and supporting services benefited. Expenses are allocated to program and supporting services based on time and effort and benefit received.

Income Taxes

The Foundation is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from income tax on related income.

Relationship to The Roman Catholic Diocese of Albany, New York and Other Catholic Sponsored Organizations

The Foundation is affiliated with numerous other religious and nonprofit organizations sponsored by or affiliated with the Foundation. In addition, there are many other religious and nonprofit organizations in the United States that are sponsored by or affiliated with the Roman Catholic Church and other dioceses.

During the normal course of operations, the Foundation will have transactions and/or enter into agreements with several of these entities. All significant transactions with the Foundation are disclosed in the accompanying financial statements (see Note 4). In the opinion of management, the organizational structure of most other Catholic sponsored organizations does not satisfy the definition of controlled or affiliated entities under generally accepted accounting principles, and therefore, these other organizations are not considered related parties for financial statement reporting purposes.

3. LIQUIDITY

The Foundation is substantially supported by administrative fees and investment income. As of June 30, 2021 and 2020, the Foundation has the following liquid resources available to meet cash needs for general expenditure within one year of the statement of financial position date:

	<u>2021</u>	<u>2020</u>
Financial assets at June 30	\$ 48,270,443	\$ 40,495,547
Less: financial assets unavailable for general expenditures within one year:		
Donor funds liability included within investments	(39,123,273)	(32,851,321)
Net assets with donor restrictions	<u>(402,965)</u>	<u>(442,410)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 8,744,205</u>	<u>\$ 7,201,816</u>

Financial assets include cash and cash equivalents, parish assistance receivable, investments and accrued income. The Foundation's ability to meet its cash needs is dependent on continued contributions and investment market performance. The Foundation regularly monitors liquidity required to meet its operating needs.

4. RELATED PARTY TRANSACTIONS

Certain services are provided to the Foundation by the Diocesan Corporation. The Foundation has recorded the cost of these services provided as in-kind contributions and expense in the statements of activities. Such amounts were \$39,107 and \$46,696 for the years ended June 30, 2021 and 2020, respectively.

In July 2011, the Cathedral Restoration Corporation of Albany, New York entered into a promissory note with the Foundation for \$520,000, bearing interest at 4.75%, for the purpose of supporting the restoration of the Cathedral. During 2013, the agreement was amended to forgive future interest. During 2014, previously accrued interest and a principal payment of \$85,000 was received. The remaining balance on the promissory note is fully reserved as of June 30, 2021 and 2020.

5. INVESTMENTS

Investments

The following tables set forth the Foundation's financial assets that were accounted for at fair value on a recurring basis at June 30, 2021 and 2020. Financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total June 30, 2021</u>
Money market funds	\$ 764,410	\$ -	\$ 764,410
Fixed income bonds	-	17,078,391	17,078,391
Equities	23,220,158	-	23,220,158
Foreign bonds	<u>-</u>	<u>378,928</u>	<u>378,928</u>
Investments measured at fair value	<u>\$ 23,984,568</u>	<u>\$ 17,457,319</u>	41,441,887
Investments measured at net asset value			<u>6,628,680</u>
			<u>\$ 48,070,567</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Total June 30, 2020</u>
Money market funds	\$ 628,027	\$ -	\$ 628,027
Fixed income bonds	-	12,534,388	12,534,388
Equities	20,689,352	-	20,689,352
Foreign bonds	<u>-</u>	<u>153,549</u>	<u>153,549</u>
Investments measured at fair value	<u>\$ 21,317,379</u>	<u>\$ 12,687,937</u>	34,005,316
Investments measured at net asset value			<u>5,989,017</u>
			<u>\$ 39,994,333</u>

There were no changes in valuation techniques during 2021 or 2020.

Investments at June 30, 2021 and 2020 are allocated between the following:

	<u>2021</u>	<u>2020</u>
Foundation investments	\$ 8,947,294	\$ 7,143,012
Donor funds	<u>39,123,273</u>	<u>32,851,321</u>
	<u>\$ 48,070,567</u>	<u>\$ 39,994,333</u>

5. INVESTMENTS (Continued)

Donor investments are subject to administrative and management fees by the Foundation and the Foundation's investment managers, respectively. Administrative fees are reported in the statements of activities. Investment management fees were \$26,227 and \$22,772 during 2021 and 2020, respectively, and are included in the statement of activities within investment income, net.

The following investments are valued at net asset value per share (unitized basis) as of June 30, 2021 and 2020:

	Fair Value at 6/30/21	Fair Value at 6/30/20	2021 Unfunded Commitments	2020 Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Investments in international equity fund	<u>\$6,628,680</u>	<u>\$5,989,017</u>	<u>\$ -</u>	<u>\$ -</u>	Daily	7 days

Investment in International Equity Fund

This actively managed fund is a commingled trust which focuses on large and mid-cap equities across global growth industries. The value of this investment has been estimated using the daily net asset value per share of the investments.

6. DONOR FUNDS

Donor funds represent amounts held by the Foundation in its capacity as long-term investment vehicle for other organizations within the Diocese.

Donor funds activity for the years ended June 30, 2021 and 2020 was as follows:

	<u>2021</u>	<u>2020</u>
Donor funds - beginning of year	\$ 32,851,321	\$ 31,785,966
Additions/Contributions	-	15,828
Net investment return	7,915,070	2,691,941
Withdrawals and distributions	<u>(1,643,118)</u>	<u>(1,642,414)</u>
Donor funds - end of year	<u>\$ 39,123,273</u>	<u>\$ 32,851,321</u>

Distributions are determined annually, subsequent to year-end, based upon the Investment and Distribution Policy and spending rate approved by the Trustees. Approved spending rates were 5.0% and 4.5% for the fiscal years ended June 30, 2021 and 2020, respectively. The distribution policy allows for a minimum distribution of the lesser of the earned income amount or the calculated distribution utilizing the previous three fiscal years average quarterly market values of the individual donor fund accounts for those accounts, which have been specified by the donor. Distributions are calculated utilizing these specified spending rates in conjunction with the general distribution policies set by the Foundation.

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions due to time or purpose at June 30 represent donated gifts of cash designated for the following purposes:

	<u>2021</u>	<u>2020</u>
Parish assistance fund	\$ 350,165	\$ 347,415
Retired priest funds	<u>52,800</u>	<u>94,995</u>
Donor funds - end of year	<u>\$ 402,965</u>	<u>\$ 442,410</u>

8. CONTINGENCIES

The United States is presently in the midst of a national health emergency related to a virus, commonly known as Novel Coronavirus (COVID-19). The overall consequences of COVID – 19 on a national, regional and local level are unknown, but it has the potential to result in a significant economic impact. The impact of this situation on the Organization and its future results and financial position is not presently determinable.

9. SUBSEQUENT EVENTS

The Foundation considers events or transactions that occur after the statement of financial position date, but before the financial statements are issued, to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. These financial statements were available to be issued on May 3, 2022, and subsequent events have been evaluated through that date.