

Benedictine Educational Foundation

Financial Statements

June 30, 2020 and 2019



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BENEDICTINE EDUCATIONAL FOUNDATION

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
Benedictine Educational Foundation
Richmond, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Benedictine Educational Foundation (the "Foundation"), an affiliate of Benedictine Society of Virginia and Benedictine High School of Richmond, Inc., which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; 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. 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Benedictine Educational Foundation as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

A handwritten signature in black ink, appearing to read "Keita", with a long, sweeping horizontal stroke extending to the right.

December 29, 2020
Glen Allen, Virginia

BENEDICTINE EDUCATIONAL FOUNDATION

Statements of Financial Position June 30, 2020 and 2019

<u>Assets</u>	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and cash equivalents	\$ 1,142,873	\$ 1,842,186
Restricted cash	592,197	-
Pledges receivable - net, current	3,018,486	2,996,883
Due from related party, net	188,327	571,969
Prepaid expenses	<u>1,978</u>	<u>2,833</u>
Total current assets	4,943,861	5,413,871
Investments	5,222,760	4,799,381
Pledges receivable - net, long-term	<u>9,027,317</u>	<u>4,893,742</u>
Total assets	<u>\$ 19,193,938</u>	<u>\$ 15,106,994</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 49,882	\$ 18,541
Current portion of note payable	<u>1,464,450</u>	<u>-</u>
Total current liabilities	1,514,332	18,541
Note payable, less current portion	<u>6,871,171</u>	<u>-</u>
Total liabilities	<u>8,385,503</u>	<u>18,541</u>
Net assets (deficit):		
Without donor restrictions	(1,436,927)	(1,100,739)
With donor restrictions	<u>12,245,362</u>	<u>16,189,192</u>
Total net assets	<u>10,808,435</u>	<u>15,088,453</u>
Total liabilities and net assets	<u>\$ 19,193,938</u>	<u>\$ 15,106,994</u>

See accompanying notes to financial statements.

BENEDICTINE EDUCATIONAL FOUNDATION

Statement of Activities Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains, and support:			
Contributions and donations	\$ 200,051	\$ 7,307,636	\$ 7,507,687
Investment income	39,266	93,222	132,488
Net realized and unrealized (losses) gains on investments	(89,340)	(118,617)	(207,957)
Gain on allowance for uncollectible pledges	30,546	1,256,186	1,286,732
Other income	3,703	-	3,703
Total revenue, gains, and support	184,226	8,538,427	8,722,653
Net assets released from restrictions	12,482,257	(12,482,257)	-
Expenses:			
Program services	12,633,608	-	12,633,608
General and administrative	74,465	-	74,465
Fundraising	294,598	-	294,598
Total expenses	13,002,671	-	13,002,671
Change in net assets	(336,188)	(3,943,830)	(4,280,018)
Net assets (deficit), beginning of year	(1,100,739)	16,189,192	15,088,453
Net assets (deficit), end of year	\$ (1,436,927)	\$ 12,245,362	\$ 10,808,435

See accompanying notes to financial statements.

BENEDICTINE EDUCATIONAL FOUNDATION

Statement of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains, and support:			
Contributions and donations	\$ 167,151	\$ 8,411,463	\$ 8,578,614
Investment income	29,572	78,790	108,362
Net realized and unrealized gains on investments	58,129	155,062	213,191
Other income	17,028	19,567	36,595
Total revenue, gains, and support	271,880	8,664,882	8,936,762
Net assets released from restrictions	3,900,850	(3,900,850)	-
Expenses:			
Program services	3,444,259	-	3,444,259
General and administrative	23,723	-	23,723
Fundraising	187,455	-	187,455
Allowance for uncollectible pledges receivable	1,323,097	-	1,323,097
Total expenses	4,978,534	-	4,978,534
Change in net assets	(805,804)	4,764,032	3,958,228
Net assets (deficit), beginning of year	(294,935)	11,425,160	11,130,225
Net assets (deficit), end of year	\$ (1,100,739)	\$ 16,189,192	\$ 15,088,453

See accompanying notes to financial statements.

BENEDICTINE EDUCATIONAL FOUNDATION

Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries and payroll taxes	\$ -	\$ -	\$ 210,445	\$ 210,445
Bank fees	-	22,003	-	22,003
Dues and subscriptions	-	25	-	25
Contributions - related party	12,633,608	-	-	12,633,608
Insurance	-	3,228	-	3,228
Miscellaneous	-	18,936	81,976	100,912
Postage	-	-	70	70
Professional services	-	30,273	1,159	31,432
Travel	-	-	948	948
	<u>\$ 12,633,608</u>	<u>\$ 74,465</u>	<u>\$ 294,598</u>	<u>\$ 13,002,671</u>

See accompanying notes to financial statements.

BENEDICTINE EDUCATIONAL FOUNDATION

Statement of Functional Expenses
Year Ended June 30, 2019

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	
Bank fees	\$ -	\$ 13,600	\$ -	\$ 13,600
Contributions to School	3,444,259	-	-	3,444,259
Dues and subscriptions	-	35	-	35
Insurance	-	2,791	-	2,791
Meal expense	-	-	2,927	2,927
Miscellaneous	-	-	47,881	47,881
Postage	-	-	323	323
Professional services	-	7,297	170	7,467
Repairs and maintenance	-	-	26	26
Salaries and payroll taxes	-	-	126,560	126,560
Travel and fuel	-	-	9,568	9,568
	<u>\$ 3,444,259</u>	<u>\$ 23,723</u>	<u>\$ 187,455</u>	<u>\$ 3,655,437</u>

See accompanying notes to financial statements.

BENEDICTINE EDUCATIONAL FOUNDATION

Statements of Cash Flows Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ (4,280,018)	\$ 3,958,228
Adjustments to reconcile change in net assets to net cash from operating activities:		
Net realized and unrealized loss (gain) on investments	207,957	(213,191)
Investment income reinvested, net	(132,488)	(108,362)
Contributions restricted for endowment	(298,587)	(254,910)
Changes in operating assets and liabilities:		
Pledges receivable - net	(4,155,178)	(3,877,546)
Due from related party, net	383,642	(269,199)
Prepaid expenses	855	(42)
Accounts payable	31,341	13,973
Accrued expenses	<u>-</u>	<u>(40,000)</u>
Net cash used in operating activities	<u>(8,242,476)</u>	<u>(791,049)</u>
Cash flows used in investing activities:		
Net purchases of investments	<u>(498,848)</u>	<u>(815,454)</u>
Cash flows from financing activities:		
Contributions restricted for endowment	298,587	254,910
Proceeds from note payable	<u>8,335,621</u>	<u>-</u>
Net cash provided by financing activities	<u>8,634,208</u>	<u>254,910</u>
Net change in cash and cash equivalents and restricted cash	(107,116)	(1,351,593)
Cash and cash equivalents and restricted cash, beginning of year	<u>1,842,186</u>	<u>3,193,779</u>
Cash and cash equivalents and restricted cash, end of year	<u>\$ 1,735,070</u>	<u>\$ 1,842,186</u>
Reconciliation of cash and cash equivalents cash and restricted cash:		
Cash and cash equivalents	\$ 1,142,873	\$ 1,842,186
Restricted cash	<u>592,197</u>	<u>-</u>
	<u>\$ 1,735,070</u>	<u>\$ 1,842,186</u>

See accompanying notes to financial statements.

BENEDICTINE EDUCATIONAL FOUNDATION

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Description of Organization: Benedictine Educational Foundation (the “Foundation”) is a nonprofit organization that accepts and receives contributions for the benefit of and to carry out the purposes of Benedictine High School of Richmond, Inc. d.b.a. Benedictine College Preparatory (the “School”). The Foundation is to provide financial support for the School’s academic programs, facilities, development, scholarships, financial aid and other programs as designated by the School. The Foundation is classified as a supporting organization for federal tax purposes.

In March 2020, a novel coronavirus (COVID-19) was declared a worldwide health pandemic and has had a significant impact on the national and global economy. The ultimate impact of COVID-19 on the Foundation’s future financial state is unknown at this time.

Financial Statement Presentation: The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. The accompanying financial statements represent the accounts of the Foundation on a stand-alone basis and do not include the accounts of the School or Benedictine Society of Virginia.

Newly Adopted Accounting Standards: In June 2018, the FASB issued ASU 2018-08: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (“Topic 958”), which is intended to provide specific criteria to determine whether a contract or agreement should be accounted for as a contribution or as an exchange transaction. The ASU provides a framework for determining whether a contribution is conditional or unconditional. Prior to the ASU, FASB’s new revenue recognition standard eliminated exchange guidance and added additional disclosure requirements that are not relevant to these types of transactions.

Specific to contributions or grants received by the Foundation, the amendments in this ASU are effective for fiscal years beginning after December 15, 2018 with early adoption permitted. Specific to contributions or grants awarded by the Foundation, the amendments in this ASU are effective for fiscal years beginning after December 15, 2019 with early adoption permitted. The Foundation adopted this guidance for the year ended June 30, 2020 with retrospective presentation in the financial statements. No adjustments were needed as a result of the adoption of this ASU.

BENEDICTINE EDUCATIONAL FOUNDATION

Notes to Financial Statements, Continued

1. Summary of Significant Accounting Policies, Continued:

Use of Estimates: The presentation of financial statements in conformity with 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 and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Classification of Net Assets: The financial statements are presented in accordance with FASB accounting guidance for financial statements of not-for-profit organizations, which establishes standards for financial statements issued by nonprofit organizations. It requires that net assets and related revenue and expenses be classified in two classes of net assets – net assets without donor restrictions and net assets with donor restrictions, based upon the existence or absence of donor-imposed restrictions. A definition and description of each net asset class follows:

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions. Net assets without donor restrictions include the revenues and expenses of the primary operations of the Foundation. If the Board specifies a purpose where none has been stated by the original donor, such assets are classified as Board-designated within net assets without donor restrictions. There were no Board-designated net assets for 2020 or 2019.

Net Assets With Donor Restrictions: Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. Some net assets with donor restrictions include donor-imposed stipulations for specific operating purposes or for the acquisition of property or equipment. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restrictions. Other donor imposed restrictions are perpetual in nature, whereby the donor stipulates that they be maintained permanently by the Foundation to use all or part of the income earned on any related investments for general or specific purposes, in accordance with the conditions of each specific donation.

Cash and Cash Equivalents: The Foundation considers all highly liquid instruments purchased with maturities of three months or less to be cash equivalents.

BENEDICTINE EDUCATIONAL FOUNDATION

Notes to Financial Statements, Continued

1. Summary of Significant Accounting Policies, Continued:

Restricted Cash: In connection with the Foundation's note payable, collections of pledges related to the Foundation's capital campaign are deposited into a separate cash account. The account is controlled by the lender and is to be used only to fund construction costs or repay the note payable. Restricted cash as of June 30, 2020 amounted to \$592,197 and is classified in current assets. There was no restricted cash as of June 30, 2019.

Investments: Investments are stated at fair value and net unrealized and realized gains or losses are reflected in the statements of activities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the risks in the near term could materially affect amounts reported on the financial statements. See Note 2 for discussion of fair value measurements. Gifts of investments are stated at fair market value (based upon quotations or appraisals) at the date of gift. Purchases and sales of investments are recorded on the settlement date.

Recognition of Contributions: Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Conditional contributions are not recorded until the condition is met by the Foundation. At June 30, 2020 and 2019, the Foundation had no conditional contributions. Contributions that are restricted by the donor as to purpose or time are reported as an increase in net assets without donor restrictions if the restriction expires in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified as net assets without donor restrictions.

Pledges Receivable: The Foundation provides an allowance for potentially uncollectible pledges based on management's judgment. When pledges are considered uncollectible, they are written off against the allowance. The allowance for uncollectible pledges was \$1,370,072 as of June 30, 2020 and \$2,668,872 as of June 30, 2019.

BENEDICTINE EDUCATIONAL FOUNDATION

Notes to Financial Statements, Continued

1. Summary of Significant Accounting Policies, Continued:

Credit Risk and Concentrations: Financial instruments which potentially subject the Foundation to concentration of credit risk consist principally of cash and cash equivalents, investments, and pledges receivable. The Foundation maintains its cash and investments in financial institutions with balances that periodically exceed federally insured limits. The Foundation's pledges are from a large number of individuals, foundations, and corporations located primarily in Richmond, Virginia. Two donors amounted to 27% and one donor amounted to 17% of the total pledges receivable balance as of June 30, 2020 and 2019, respectively.

Income Taxes: The Foundation is a non-profit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation is not considered a private foundation. Management has evaluated the effect of guidance surrounding uncertain income tax positions and concluded that the Foundation has no significant financial statement exposure to uncertain income tax positions at June 30, 2020 and 2019. The Foundation is not currently under audit by any tax jurisdiction.

Functional Allocation of Expenses: The cost of providing various program and support activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Foundation are reported as expenses of that functional area without the need for allocation.

Advertising Costs: The Foundation expenses advertising costs as they are incurred. There was no advertising expense for 2020 and 2019.

Subsequent Events: Management has evaluated subsequent events through December 29, 2020, the date the financial statements were available to be issued, and has determined that, other than noted below there are no subsequent events to be reported in the accompanying financial statements.

Effective July 1, 2020 there was a unification of the School and St. Gertrude High School ("SGHS") with The Benedictine Schools of Richmond, Inc. (the "Schools") being formed. The Schools will operate as separate single sex divisions and will be supported by a combined foundation. All business assets were transferred to the Schools on July 1, 2020 and the endowment of SGHS was contributed and combined with the endowment of the Foundation. Additionally, 60% of proceeds from the sale of eight real estate properties will be contributed to the Schools. The Schools will be constructing a new academic building partially funded by a new capital campaign.

BENEDICTINE EDUCATIONAL FOUNDATION

Notes to Financial Statements, Continued

2. Investments and Fair Value Measurements:

FASB has issued guidance for measurement and disclosure of fair value and establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 – Unadjusted quoted prices that are available in active markets for the identical assets or liabilities at the measurement date.

Level 2 – Other observable inputs available at the measurement date, other than quoted prices included in Level 1, either directly or indirectly, including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 – Unobservable inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management's estimates of market participant assumptions. There were no changes in Level 3 classification during 2020 and 2019.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value:

Cash and cash equivalents: Valued at the realizable cash value equivalent to the specific sum of money held by the Foundation at year end.

Exchange-traded & closed-end funds: Valued at the net asset value ("NAV") as listed on a public exchange of shares held by the Foundation at year end. The funds held by the Foundation are deemed to be actively traded.

Pledges receivable: Valued at the original gift amount, less payments and a discount to account for payments expected in future periods beyond one year.

BENEDICTINE EDUCATIONAL FOUNDATION

Notes to Financial Statements, Continued

2. Investments and Fair Value Measurements, Continued:

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

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2020:

	Assets at Fair Value		
	Level 1	Level 3	Total
Cash and cash equivalents	\$ 110,140	\$ -	\$ 110,140
Exchange-traded & closed-end funds:			
Corporate bond	245,732	-	245,732
Emerging markets bond	247,929	-	247,929
Large blend	1,772,338	-	1,772,338
Real estate	794,252	-	794,252
Diversified emerging markets	1,129,400	-	1,129,400
Foreign large blend	922,969	-	922,969
Pledges receivable - net	-	12,045,803	12,045,803
Total assets at fair value	\$ 5,222,760	\$ 12,045,803	\$ 17,268,563

BENEDICTINE EDUCATIONAL FOUNDATION

Notes to Financial Statements, Continued

2. Investments and Fair Value Measurements, Continued:

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2019:

	Assets at Fair Value		
	Level 1	Level 3	Total
Cash and cash equivalents	\$ 323,251	\$ -	\$ 323,251
Exchange-traded & closed-end funds:			
Corporate bond	229,338	-	229,338
Emerging markets bond	225,447	-	225,447
Large blend	1,554,095	-	1,554,095
Real estate	715,456	-	715,456
Diversified emerging markets	963,475	-	963,475
Foreign large blend	788,319	-	788,319
Pledges receivable - net	-	7,890,625	7,890,625
Total assets at fair value	\$ 4,799,381	\$ 7,890,625	\$ 12,690,006

During 2020 and 2019, the Foundation received pledges of \$5,918,643 and \$7,357,390, respectively. During 2020 and 2019, the Foundation collected pledges of \$2,895,537 and \$2,160,412, respectively.

3. Pledges Receivable:

The present value of estimated future cash flows of pledges receivable, discounted at the risk-free rate of 0.75%, are expected to be received as follows at June 30:

	2020	2019
Amounts due in:		
Less than one year	\$ 3,043,266	\$ 3,052,210
One to five years	10,657,919	7,646,901
	13,701,185	10,699,111
Less:		
Allowance for uncollectible pledges	1,370,072	2,668,872
Discount on pledges receivable	285,310	139,614
	\$ 12,045,803	\$ 7,890,625

The pledges receivable serve as collateral for the note payable.

BENEDICTINE EDUCATIONAL FOUNDATION

Notes to Financial Statements, Continued

4. Note Payable:

During October 2019, through Benedictine Society of Virginia, the Foundation secured a non-revolving line of credit up to \$11,700,000 with a commercial bank to serve as gap financing to fund the construction commitment of the School which will largely be funded through pledge receivables of the Foundation. The note is collateralized by pledges and related controlled bank account designated for the purpose of funding the construction, and a deed of trust on certain real property of the School. The School is named as a guarantor in this agreement. The note will be payable after a one year draw period with interest only due monthly, followed by 48 months of interest due plus principal curtailment of any pledges collected, with the balance due at maturity. The note bears interest at 3.95% per annum. Interest incurred on the note was \$155,247 during 2020, which was capitalized with construction in progress on the School's financial statements. The note had a balance of \$8,335,621 at June 30, 2020. Future minimum payments on the note payable are estimated as follows at June 30, 2020:

Year Ended June 30,	Amount
2021	\$ 1,464,450
2022	2,021,208
2023	2,102,508
2024	2,187,077
2025	<u>560,379</u>
	<u>\$ 8,335,621</u>

5. Net Assets With Donor Restrictions:

Net assets with donor restrictions were restricted for the following purposes or periods at June 30:

<u>Purpose</u>	<u>2020</u>	<u>2019</u>
Alumni association	\$ 290,188	\$ 116,488
Capital campaign	4,820,617	9,370,019
Endowment - corpus	5,338,061	4,856,402
Financial aid and scholarships	1,653,895	1,703,682
Planned giving	<u>142,601</u>	<u>142,601</u>
	<u>\$ 12,245,362</u>	<u>\$ 16,189,192</u>

BENEDICTINE EDUCATIONAL FOUNDATION

Notes to Financial Statements, Continued

6. Net Assets With Donor Restrictions, Continued:

As described in note 4, the Foundation borrowed funds from a commercial bank to fund the construction commitment of the School. This note is collateralized primarily by pledges made to the Foundation. As these funds are spent on the construction, they are considered transfers to the School where the new assets will reside. Until the construction is complete and the new assets are placed in service, the construction in process on the Schools books will be recorded as net assets with restrictions. As such pledges amounting to \$8,335,621 are considered released from restrictions on the Foundation's financial statements and are the security for the note payable.

Net assets are released from donor restrictions when expenses are incurred to satisfy the restricted purposes or by the occurrence of other events as specified by donors. Purpose restrictions accomplished were as follows for the years ended June 30:

<u>Purpose</u>	<u>2020</u>	<u>2019</u>
Alumni association	\$ 132,550	\$ 123,051
Capital campaign	11,972,632	3,345,743
Other time restricted donations	-	67,856
Financial aid and scholarships	<u>377,075</u>	<u>364,200</u>
	<u>\$ 12,482,257</u>	<u>\$ 3,900,850</u>

7. Endowment Funds:

The Foundation's endowment consists of 30 individual named funds established for a variety of donor-restricted purposes. As required by accounting principles generally accepted in the United States, net assets associated with endowment are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the cost basis 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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment.

The remaining portion of the donor-restricted endowment fund that are not classified as restricted in perpetuity are only reclassified as net assets without donor restrictions when those amounts appropriated for expenditure are disbursed in accordance with the donor restrictions in a manner consistent with the standard or prudence prescribed by UPMIFA.

BENEDICTINE EDUCATIONAL FOUNDATION

Notes to Financial Statements, Continued

7. Endowment Funds, Continued:

Additionally, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measure required under the law. Additionally, in accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Endowment Investing 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. Under this policy, as approved by the Board of Directors, the endowment funds have both absolute and relative investment objectives as follows:

Absolute objectives:

- The long-term objective of the Fund is to provide moderate capital growth with no focus on income.
- Achieve a target rate of return (excess of inflation) of 4% over a full market cycle of approximately 10 years.
- Diversification will be employed to reduce risk.

Relative objectives:

- Focus on spending on current or near-term programs without regard to the impact on future spending.

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 value on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

BENEDICTINE EDUCATIONAL FOUNDATION

Notes to Financial Statements, Continued

7. Endowment Funds, Continued:

The Foundation spends money out of the endowment based on the original request of the donor, which relates to an amount used for scholarships and financial aid awards. The distributions to the beneficiaries will be 4% of the endowed assets, determined annually as of December 31.

Underwater Endowment Funds: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no funds with deficits as of June 30, 2020 and 2019.

Endowment net asset composition by type of fund was as follows as of June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted:			
endowment funds - corpus	\$ -	\$ 5,338,061	\$ 5,338,061
endowment funds - cumulative earnings	-	299,461	299,461
	\$ -	\$ 5,637,522	\$ 5,637,522

Endowment net asset composition by type of fund was as follows as of June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted:			
endowment funds - corpus	\$ -	\$ 4,856,402	\$ 4,856,402
endowment funds - cumulative earnings	-	439,071	439,071
	\$ -	\$ 5,295,473	\$ 5,295,473

BENEDICTINE EDUCATIONAL FOUNDATION

Notes to Financial Statements, Continued

7. Endowment Funds, Continued:

Changes in endowment net assets were as follows for the years ended June 30, 2020 and 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2018	\$ -	\$ 4,915,894	\$ 4,915,894
Investment income	-	84,377	84,377
Realized and unrealized gains on investments	-	155,062	155,062
Collection of doubtful accounts	-	19,567	19,567
Appropriations for expenditures	-	(128,750)	(128,750)
Contributions	-	254,910	254,910
Management fees	-	(5,587)	(5,587)
Endowment net assets, June 30, 2019	-	5,295,473	5,295,473
Investment income	-	100,110	100,110
Realized and unrealized losses on investments	-	(118,617)	(118,617)
Collection of doubtful accounts	-	183,072	183,072
Appropriations for expenditures	-	(114,215)	(114,215)
Contributions	-	298,587	298,587
Management fees	-	(6,888)	(6,888)
Endowment net assets, June 30, 2020	\$ -	\$ 5,637,522	\$ 5,637,522

BENEDICTINE EDUCATIONAL FOUNDATION

Notes to Financial Statements, Continued

8. Related Party Transactions:

The Foundation contributed \$12,633,608 to the School during 2020 and \$3,444,259 to the School during 2019 and has \$188,327 due from the School as of June 30, 2020 and \$571,969 due from the School as of June 30, 2019 as reflected in the accompanying statements of financial position for various operating expenses paid for by the School on behalf of the Foundation.

9. Liquidity and Availability:

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

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,735,070	\$ 1,842,186
Pledges receivable	3,710,182	2,996,883
Due from related party, net	188,327	571,969
Investments	<u>5,222,760</u>	<u>4,799,381</u>
Total financial assets available within one year	10,856,339	10,210,419
Less those unavailable for general expenditure within one year:		
Net assets with donor restrictions	12,245,362	11,295,450
Restricted cash	<u>592,197</u>	<u>-</u>
Available for general expenditure within one year	<u>\$ (1,981,220)</u>	<u>\$ (1,085,031)</u>

As part of the Foundation's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Foundation invests cash in excess of daily requirements in short-term investments. The Foundation will have available a distribution from the endowment in accordance with the spending policy. Further, the Foundation has limited operating expenses with much of annual spending being variable and discretionary.