

**Angela Merici and John Henry
Newman Foundation, Inc.**

Financial Statements

June 30, 2021
(With Comparative Totals for 2020)



TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 15



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Angela Merici and John Henry Newman Foundation, Inc.
Santa Rosa, California

We have audited the accompanying financial statements of Angela Merici and John Henry Newman Foundation, Inc. (a California nonprofit corporation) (the "Foundation"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Angela Merici and John Henry Newman Foundation, Inc. as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



An independent firm
associated with Moore
Global Network Limited

Report on Summarized Comparative Information

The financial statements of Angela Merici and John Henry Newman Foundation, Inc. as of June 30, 2020, were audited by other auditors whose report dated January 5, 2021, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style.

Armanino^{LLP}
San Ramon, California

February 18, 2022

Angela Merici and John Henry Newman Foundation, Inc.
Statement of Financial Position
June 30, 2021
(With Comparative Totals for 2020)

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 5,979,931	\$ 1,946,620
Contributions receivable, net	1,746,075	4,498,818
Cash restricted for long-term purposes	6,668	7,246
Endowment investments	2,153,586	1,772,893
Total assets	\$ 9,886,260	\$ 8,225,577
LIABILITIES AND NET ASSETS		
Liabilities		
Due to related party	\$ 88,439	\$ 42,163
Total liabilities	88,439	42,163
Net assets		
With donor restrictions	9,797,821	8,183,414
Total net assets	9,797,821	8,183,414
Total liabilities and net assets	\$ 9,886,260	\$ 8,225,577

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

Angela Merici and John Henry Newman Foundation, Inc.
Statement of Activities
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Revenues, gains, and other support				
Contributions	\$ -	\$ 1,222,495	\$ 1,222,495	\$ 3,535,834
Interest and dividend income	-	28,639	28,639	29,077
Net realized and unrealized gains on investments	-	523,578	523,578	27,127
Net assets released from restriction	<u>160,305</u>	<u>(160,305)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	<u>160,305</u>	<u>1,614,407</u>	<u>1,774,712</u>	<u>3,592,038</u>
Functional expenses				
Program services	85,111	-	85,111	81,849
General and administrative	28,919	-	28,919	39,437
Fundraising	<u>46,275</u>	<u>-</u>	<u>46,275</u>	<u>105,605</u>
Total functional expenses	<u>160,305</u>	<u>-</u>	<u>160,305</u>	<u>226,891</u>
Change in net assets	-	1,614,407	1,614,407	3,365,147
Net assets, beginning of year	<u>-</u>	<u>8,183,414</u>	<u>8,183,414</u>	<u>4,818,267</u>
Net assets, end of year	<u><u>\$ -</u></u>	<u><u>\$ 9,797,821</u></u>	<u><u>\$ 9,797,821</u></u>	<u><u>\$ 8,183,414</u></u>

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

Angela Merici and John Henry Newman Foundation, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 1,614,407	\$ 3,365,147
Adjustments to reconcile change in net assets to net cash used in operating activities		
Contribution revenue restricted for long-term purposes	(1,222,495)	(3,535,834)
Realized and unrealized gains on investments	(523,578)	(27,127)
Changes in operating assets and liabilities		
Due to related party	<u>46,275</u>	<u>(74,196)</u>
Net cash used in operating activities	<u>(85,391)</u>	<u>(272,010)</u>
Cash flows from investing activities		
Proceeds from sale of investments	282,665	-
Purchase of investments	<u>(139,779)</u>	<u>(26,983)</u>
Net cash provided by (used in) investing activities	<u>142,886</u>	<u>(26,983)</u>
Cash flows from financing activities		
Collection of contributions restricted for long-term purposes	<u>3,975,238</u>	<u>1,820,033</u>
Net cash provided by financing activities	<u>3,975,238</u>	<u>1,820,033</u>
Net increase in cash, cash equivalents and restricted cash	4,032,733	1,521,040
Cash, cash equivalents and restricted cash, beginning of year	<u>1,953,866</u>	<u>432,826</u>
Cash, cash equivalents and restricted cash, end of year	<u><u>\$ 5,986,599</u></u>	<u><u>\$ 1,953,866</u></u>
Cash, cash equivalents and restricted cash consisted of the following:		
Cash and cash equivalents	\$ 5,979,931	\$ 1,946,620
Cash restricted for endowment	<u>6,668</u>	<u>7,246</u>
	<u><u>\$ 5,986,599</u></u>	<u><u>\$ 1,953,866</u></u>

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

Angela Merici and John Henry Newman Foundation, Inc.
Notes to Financial Statements
June 30, 2021

1. NATURE OF OPERATIONS

Angela Merici and John Henry Newman Foundation, Inc. (the "Foundation") was incorporated on May 3, 2005 as a California non-profit corporation for the original purpose of supporting religious, charitable, and educational activities exclusively for Cardinal Newman High School ("CNHS") and Ursuline High School ("UHS").

In November 2010, UHS announced that it was closing the school at the conclusion of the 2010-2011 school year. The Foundation is now in existence for the specific purpose of supporting religious, charitable, and educational activities exclusively for CNHS, which will include, but not be limited to, holding and managing assets and property for educational purposes in furtherance of the objectives and priorities established by the Board of Directors of the Foundation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The Foundation's financial statements have been prepared using the accrual basis of accounting. Net assets and changes therein are classified as follows:

- *Net assets without donor restrictions* - Net assets without donor restrictions are not subject to donor imposed restrictions.
- *Net assets with donor restrictions* - Net assets with donor restrictions are subject to donor-imposed that may expire with time or may be satisfied by the actions of the Foundation according to the intentions of the donor.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restriction or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as transfers between the applicable classes of net assets.

Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments with original maturities of three months or less at the time of purchase. Cash on deposit may exceed federally insured limits. The Foundation believes it mitigates this risk by maintaining deposits with major financial institutions.

Angela Merici and John Henry Newman Foundation, Inc.
Notes to Financial Statements
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments are recorded at fair value. Investments received by donation are recorded at fair value at the date of donation. Net realized and unrealized gains or losses are classified as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor restriction or by law.

The Foundation has investments in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Foundation's account balances and the amounts reported in the statement of financial position.

Fair value measurements

The Foundation's financial assets carried at fair value have been classified, for disclosure purposes, based on a hierarchy that gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3).

The Foundation's funds are managed by an institutional fund manager, Christian Brothers. Christian Brothers' funds are not publicly traded; therefore, readily determinable fair values for the funds are not available. The estimated fair value of these investments are provided by Christian Brothers, and then reviewed and evaluated by management and the Board of Directors.

Due to the inherent uncertainty of these estimates, the estimated fair values may differ from the values that would have been used had a ready market existed.

Management has classified the fair values of each fund based on the most significant inputs used to value the underlying holdings. The fair value of such investments is determined using the net asset value ("NAV") per share as a practical expedient and are not categorized in the fair value hierarchy. This practical expedient is not used when it is determined to be probable that the investment will sell for an amount different from the reported NAV.

Contributions and promises to give

Contributions received are reported as net assets without donor restriction or net assets with donor restriction, depending upon donor restrictions, if any.

Angela Merici and John Henry Newman Foundation, Inc.
Notes to Financial Statements
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and promises to give (continued)

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the donor-imposed barriers have been met by the Foundation and there is no longer a right of return or release. Contributions that are promised in one year but are not expected to be collected until after the end of that year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of any such discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for doubtful contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and current aging of contributions receivable.

Contributed goods and services

Contributed materials and equipment are reflected as contributions in the accompanying statements at their estimated fair values at date of receipt. Contributed services are reflected in the financial statements at the fair value of the services received. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The Foundation did not receive contributed goods or contributed services meeting the criteria above in during the year ended June 30, 2021.

Functional expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities and changes in net assets and functional expenses. Directly identifiable expenses are charged to programs and supporting services using management's estimates of the activities benefited. Accordingly, expenses have been classified as program services and supporting services based on direct identification.

Income tax status

The Foundation is a qualified not-for-profit organization exempt from Federal income and California franchise taxes under the provisions of Sections 501(c)(3) of the Internal Revenue Code and 23701(d) of the California Revenue and Taxation Code, respectively.

The Foundation has evaluated its current tax positions and has concluded that as of June 30, 2021, the Foundation does not have any significant uncertain tax positions for which a reserve would be necessary.

Angela Merici and John Henry Newman Foundation, Inc.
Notes to Financial Statements
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Comparative financial information

The financial statements include certain prior-year summarized comparative information in total but not by net asset classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Subsequent events

The Foundation has evaluated subsequent events through February 18, 2022, the date the financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of the Foundation's financial statements.

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable, net consisted of the following:

Receivable in less than one year	\$ 1,761,442
Receivable in one to five years	<u>330,715</u>
	2,092,157
Less discount to net present value	(3,982)
Allowance for doubtful accounts	<u>(342,100)</u>
	<u><u>\$ 1,746,075</u></u>

4. INVESTMENTS

The underlying investments within Christian Brothers' managed funds include stocks, bonds, asset backed securities, commercial mortgage backed securities, collateralized mortgage obligations, and U.S. government and agency obligations.

Angela Merici and John Henry Newman Foundation, Inc.
Notes to Financial Statements
June 30, 2021

4. INVESTMENTS (continued)

The following table set forth additional disclosures of the Foundation's investments whose fair value is estimated using NAV per share as of June 30, 2021:

Description	NAV in Funds	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
CUIT Core Equity Index Fund	\$ 838,347	N.A.	None	None
CUIT International Equity Fund	456,007	N.A.	None	None
CUIT Intermediate Diversified Fund	273,155	N.A.	None	None
CUIT Opportunistic Bond	265,608	N.A.	None	None
CUIT Multi-Style US Equity Fund Class A	208,048	N.A.	None	None
CUIT Small Cap Equity Index Fund Class A	<u>112,420</u>	N.A.	None	None
	<u>\$ 2,153,585</u>			

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Subject to expenditure for specified purpose or time	
Building projects	\$ 1,770,867
A Call to Lead Campaign	5,818,119
Supporting services	39,795
Fire relief	<u>8,491</u>
	<u>7,637,272</u>
Subject to spending policy and appropriation	
Unappropriated endowment earnings	1,127,641
Donor-restricted endowment funds	<u>1,032,908</u>
	<u>2,160,549</u>
	<u>\$ 9,797,821</u>

Net assets with donor restrictions released from restriction during the year were as follows:

Distributions to CNHS	\$ 85,111
A Call to Lead fundraising costs	46,275
Supporting services	<u>28,919</u>
	<u>\$ 160,305</u>

Angela Merici and John Henry Newman Foundation, Inc.
Notes to Financial Statements
June 30, 2021

6. ENDOWMENT

The Foundation's endowment consists of 25 individual funds established for a variety of purposes. Its endowment includes only donor-restricted endowment funds. As required by generally accepted accounting principles (GAAP), 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.

Interpretation of relevant law

The Foundation's Board of Directors has interpreted California's enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (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. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (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 Foundation
- (7) The investment policies of the Foundation

Return objectives and risk parameters

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. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the Foundation diversifies its investments, subject to practicality constraints, among a variety of asset classes so as to provide a balance that will enhance total real return while avoiding undue risk concentration in any single asset class or investment category.

Angela Merici and John Henry Newman Foundation, Inc.
Notes to Financial Statements
June 30, 2021

6. ENDOWMENT (continued)

Funds with deficiencies

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 such deficiencies as of June 30, 2021.

Spending policy

The Board of Directors has implemented a total return (current yield plus appreciation) spending policy. The policy is designed to provide meaningful and growing payout to CNHS while preserving the endowment's assets on an inflation-adjusted basis. At the time beginning of each year, the Investment Management Committee will recommend to the Board of Directors a distribution figure for the endowment based on an inflation-adjusted return, which is calculated as total return, less: fees, inflation rate, and a one-percent reserve set aside for growth. At the discretion of the Board of Directors, the spending policy may be temporarily suspended during unusual market conditions.

Endowment composition

Endowment net asset composition by type of fund as of June 30, 2021 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,032,908	\$ 1,032,908
Unappropriated endowment earnings	<u>-</u>	<u>1,127,641</u>	<u>1,127,641</u>
	<u>\$ -</u>	<u>\$ 2,160,549</u>	<u>\$ 2,160,549</u>

Angela Merici and John Henry Newman Foundation, Inc.
Notes to Financial Statements
June 30, 2021

6. ENDOWMENT (continued)

Endowment composition (continued)

Changes in endowment net assets for the fiscal year ended June 30, 2021 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance, June 30, 2020	\$ -	\$ 1,723,344	\$ 1,723,344
Investment return			
Investment income	-	28,639	28,639
Net unrealized gain on investments	-	523,578	523,578
Total investment return	-	552,217	552,217
Contributions	-	700	700
Appropriation of endowment earnings	-	(85,111)	(85,111)
Loss on uncollectible contributions receivables	-	(30,601)	(30,601)
	-	437,205	437,205
Balance, June 30, 2021	<u>\$ -</u>	<u>\$ 2,160,549</u>	<u>\$ 2,160,549</u>

7. CONCENTRATIONS

Approximately 72% of the Foundation's outstanding contributions receivable balance at June 30, 2021 was due from three donors. Approximately 80% of the Foundation's contribution revenue for the year ended June 30, 2021 was received from two donors.

8. RELATED PARTY

Since its inception, the Foundation has largely been operated by the staff of CNHS. The salaries of those employees and other indirect costs of operating the Foundation were paid by CNHS. For the year ended June 30, 2021, fundraising campaign costs of \$46,275 and management and general costs of \$28,919 were charged by CNHS to the Foundation and are reflected within the due to related party balance as of June 30, 2021. The Foundation paid CNHS grants totaling \$85,111 for the year ended June 30, 2021.

The Foundation received approximately \$35,000 of contributions from members of the Board of Directors and employees of CNHS during the year ended June 30, 2021.

Angela Merici and John Henry Newman Foundation, Inc.
Notes to Financial Statements
June 30, 2021

9. ALLOCATION OF FUNCTIONAL EXPENSES

Allocation of functional expenses for the year ended June 30, 2021 is as follows:

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Contributions to Cardinal Newman High School	\$ 85,111	\$ -	\$ -	\$ 85,111
Professional services	-	27,632	-	27,632
Office expenses	-	1,287	-	1,287
Fundraising campaign costs	-	-	46,275	46,275
	<u>\$ 85,111</u>	<u>\$ 28,919</u>	<u>\$ 46,275</u>	<u>\$ 160,305</u>

10. LIQUIDITY AND FUNDS AVAILABLE

The Foundation regularly monitors liquidity required to meet its operating needs, while also striving to maximize the investment of its available funds. Management is focused on sustaining the financial liquidity of the Foundation. The primary investment objectives are to insure safety, liquidity, growth, and return on investments.

The following is a quantitative disclosure which describes financial assets available within one year to fund general expenditures and other obligations as they become due:

Cash and cash equivalents	\$ 5,979,931
Contributions receivable, net	1,746,075
Cash restricted for long-term purposes	6,668
Endowment investments	2,153,586
Less: donor-restricted net assets	<u>(9,797,821)</u>
	<u>\$ 88,439</u>

11. RISKS AND UNCERTAINTIES

In December 2019, an outbreak of a novel strain of coronavirus ("COVID-19") originated in Wuhan, China and has since spread to a number of other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, several states in the U.S., including California, where the Foundation is located, have declared a state of emergency.

Angela Merici and John Henry Newman Foundation, Inc.
Notes to Financial Statements
June 30, 2021

11. RISKS AND UNCERTAINTIES (continued)

COVID-19 has and could continue to adversely affect the economies and financial markets of many countries, namely the U.S., resulting in an economic downturn that could affect the Foundation in a variety of ways. The Foundation cannot anticipate all of the ways in which COVID-19 could adversely impact its operations. Although the Foundation is continuing to monitor and assess the effects of the COVID-19 pandemic on its operations, the ultimate impact of the COVID-19 outbreak and other governmental initiatives is highly uncertain and subject to change.