

**UKRAINIAN CATHOLIC EDUCATION
FOUNDATION**

FINANCIAL STATEMENTS

**For the Year Ended
December 31, 2020**

Ukrainian Catholic Education Foundation

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Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Independent Auditor's Report

To the Board of Directors of
Ukrainian Catholic Education Foundation
Chicago, IL

We have audited the accompanying financial statements of Ukrainian Catholic Education Foundation a (non-profit organization) which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Managements 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 of 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 Ukrainian Catholic Education Foundation as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Ukrainian Catholic Education Foundation's December 31, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 25, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Desmond & Akers, Ltd

August 9, 2021
Chicago, IL

UKRAINIAN CATHOLIC EDUCATION FOUNDATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2020 (with comparative totals for 2019)

	<u>2020</u>	<u>2019</u>
<u>Assets</u>		
Current Assets		
Cash and cash equivalents	\$ 5,175,560	\$ 1,730,043
Investments	3,213,572	3,186,650
Contributions receivable	1,060,887	726,559
Prepaid expenses	9,341	8,337
Employee advance	929	929
Total current assets	<u>9,460,289</u>	<u>5,652,518</u>
Property and Equipment		
Equipment	67,622	57,844
Software	14,006	14,006
Total property and equipment	<u>81,628</u>	<u>71,850</u>
Less accumulated depreciation and amortization	<u>(70,478)</u>	<u>(68,784)</u>
Net property and equipment	<u>11,150</u>	<u>3,066</u>
Charitable remainder unitrust	74,904	66,999
Contributions receivable - donor restricted endowment	35,000	35,000
Investments - donor restricted endowment	340,000	340,000
Investments - restricted debt service fund	<u>8,747,205</u>	<u>7,635,000</u>
Total Assets	<u>\$ 18,668,548</u>	<u>\$ 13,732,583</u>
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts payable	\$ 2,721,907	\$ 8,628
Accrued payroll and related expenses	14,402	27,046
Total current liabilities	<u>2,736,309</u>	<u>35,674</u>
Debt guaranty, long term	<u>754,907</u>	<u>340,859</u>
Total liabilities	<u>3,491,216</u>	<u>376,533</u>
Net Assets		
Without donor restrictions		
General	9,790,104	8,864,339
Board designated - endowment	<u>4,488,717</u>	<u>3,600,603</u>
Total net assets without donor restrictions	<u>14,278,821</u>	<u>12,464,942</u>
With donor restrictions - purpose	<u>898,511</u>	<u>891,108</u>
Total net assets	<u>15,177,332</u>	<u>13,356,050</u>
Total Liabilities and Net Assets	<u>\$ 18,668,548</u>	<u>\$ 13,732,583</u>

See independent auditor's report and notes to financial statements.

UKRAINIAN CATHOLIC EDUCATION FOUNDATION
STATEMENTS OF ACTIVITIES
For the Year Ended December 31, 2020 (with comparative totals for 2019)

	2020			2019 Total
	Without Donor Restrictions	With Donor Restrictions - Purpose	Total	
<u>Public Support and Revenue</u>				
Contributions				
Cash	\$ 5,890,007	\$ 1,057	\$ 5,891,064	\$ 4,062,679
Stock	234,625	-	234,625	588,723
In-kind	-	-	-	3,741
Special Events and Other Fundraising Efforts				
Ticket revenue	26,492	-	26,492	57,756
Contributions	511,358	-	511,358	359,477
Less costs of direct benefits to donors	-	-	-	(68,218)
Net revenues from special events	<u>537,850</u>	<u>-</u>	<u>537,850</u>	<u>349,015</u>
Net investment income	1,427,107	10,498	1,437,605	1,906,685
Change in present value of Unitrust	-	7,905	7,905	9,463
Net assets released from restriction	<u>12,057</u>	<u>(12,057)</u>	<u>-</u>	<u>-</u>
Total Public Support and Revenue	<u>8,101,646</u>	<u>7,403</u>	<u>8,109,049</u>	<u>6,920,306</u>
<u>Expenses</u>				
Program services	5,374,751	-	5,374,751	4,180,462
Management and general	571,136	-	571,136	795,815
Fundraising	<u>341,880</u>	<u>-</u>	<u>341,880</u>	<u>412,228</u>
Total Expenses	<u>6,287,767</u>	<u>-</u>	<u>6,287,767</u>	<u>5,388,505</u>
Change in net assets	1,813,879	7,403	1,821,282	1,531,801
Net assets, beginning of year	<u>12,464,942</u>	<u>891,108</u>	<u>13,356,050</u>	<u>11,824,249</u>
Net assets, end of year	<u>\$ 14,278,821</u>	<u>\$ 898,511</u>	<u>\$ 15,177,332</u>	<u>\$ 13,356,050</u>

See independent auditor's report and notes to financial statements.

UKRAINIAN CATHOLIC EDUCATION FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020 (with comparative totals for 2019)

	2020				2019 Total
	Program Services	Management and General	Fundraising	Total	
<u>Personnel Expenses</u>					
Salaries	\$ 61,164	\$ 334,375	\$ 161,559	\$ 557,098	\$ 485,361
Employee benefits and related taxes	15,804	86,202	41,664	143,670	129,942
Total salaries and related expenses	76,968	420,577	203,223	700,768	615,303
<u>Other Expenses</u>					
Grants to Catholic institutions	5,289,965	1,492	1,563	5,293,020	4,236,011
Professional fees	2,058	36,465	8,953	47,476	142,314
Occupancy	3,583	19,544	9,446	32,573	33,204
Telephone	1,329	13,255	5,168	19,752	18,308
Insurance	-	9,417	26	9,443	8,098
Supplies	9	3,840	5,093	8,942	10,416
Equipment maintenance and supplies	-	7,606	758	8,364	5,944
Printing and publications	-	12,109	60,429	72,538	132,067
Postage and shipping	521	9,273	32,335	42,129	37,770
Travel and training	-	12,391	14,378	26,769	124,983
Dues and subscriptions	-	10,495	17	10,512	10,772
Commissions and fees	132	13,655	-	13,787	11,772
Depreciation	186	1,017	491	1,694	1,543
Total Expenses	\$ 5,374,751	\$ 571,136	\$ 341,880	\$ 6,287,767	\$ 5,388,505

See independent auditor's report and notes to financial statements

UKRAINIAN CATHOLIC EDUCATION FOUNDATION
STATEMENTS OF CASH FLOWS
For the Year Ended December 31, 2020 (with comparative totals for 2019)

	<u>2020</u>	<u>2019</u>
<u>Cash Flows from Operating Activities</u>		
Change in net assets	\$ 1,821,282	\$ 1,531,801
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Donated equitable securities	(234,625)	(588,723)
Realized / unrealized gain on investments	(1,119,438)	(1,520,845)
Depreciation expense	1,694	1,543
Guaranty obligation expense	414,048	340,389
Change in assets - (increase) decrease		
Contribution receivable - Charitable Remainder Unitrust	(7,905)	(9,463)
Contributions receivable	(334,328)	(461,946)
Prepaid expenses	(1,004)	(1,138)
Change in liabilities - increase (decrease)		
Accounts payable	2,713,279	(5,609)
Accrued payroll and related expenses	(12,644)	3,122
Net cash provided (used) by operating activities	<u>3,240,359</u>	<u>(710,869)</u>
<u>Cash Flows from Investing Activities</u>		
Purchase of investments	(876,844)	(1,385,199)
Proceeds from sale of investments	1,091,780	1,904,675
Purchase of property and equipment	(9,778)	(1,285)
Net cash provided by investing activities	<u>205,158</u>	<u>518,191</u>
Net increase (decrease) in cash and cash equivalents	3,445,517	(192,678)
Cash and cash equivalents, beginning of year	<u>1,730,043</u>	<u>1,922,721</u>
Cash and cash equivalents, end of year	<u>\$ 5,175,560</u>	<u>\$ 1,730,043</u>

See independent auditor's report and notes to financial statements.

UKRAINIAN CATHOLIC EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

Note 1 – Nature of Operations and Summary of Significant Accounting Policies

Organization

Ukrainian Catholic Education Foundation is a not-for-profit Illinois corporation exempt from Federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. The Foundation is not considered a private foundation. The Ukrainian Catholic Education Foundation provides educational and financial support for the Catholic Church and its programs in Ukraine.

Description of Program Services

The Foundation's program services include:

Institutional Support – Helps educational and religious institutions in Ukraine to meet present needs and develop endowments for the future.

Information and Education – Promotes public awareness and distributes material about Ukrainian history, culture and spirituality, fostering a deeper knowledge in the United States of the Ukrainian Catholic Church.

Exchange Program – Provides opportunities both for Ukrainian students to study or intern in North America (Summer in America program) and for North American teachers and professors to volunteer in Ukraine.

Teaching Materials Program – Collects books and other educational resources in the United States to help rebuild libraries of Catholic institutions in Ukraine.

Basis of Accounting

The accounts and financial statements are maintained on the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Foundation reports information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions, as required by Generally Accepted Accounting Principles. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Items that affect this net asset category principally consist of gifts without restrictions, including those designated by the Board, fees for service and related expenses associated with the core activities of the Foundation.

With Donor Restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the Foundation or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met, endowment gifts, pledges, and investment returns on endowment funds.

UKRAINIAN CATHOLIC EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

Expirations of restrictions on net assets with donor restrictions, including reclassification of restricted gifts and grants for buildings and equipment when the associated long-lived asset is placed in service, are reported as net assets released from restrictions. Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by the Foundation, including gifts and pledges wherein donors stipulate that the corpus of the gift be held in perpetuity and that only the income be made available for program operations.

Net assets with donor restrictions are comprised of the following as of December 31, 2020:

Paris Eparchy	\$ 201,370
Donor restricted endowments	622,237
Beneficial interest in Charitable Remainder Trust	<u>74,904</u>
	<u>\$ 898,511</u>

Use of Estimates

The preparation 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 report amounts of the revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Compensated Absences

Employees of the Foundation are entitled to paid vacation, sick and personal days off, depending on job classification, length of service and other factors. The Foundation's policy is to recognize the costs of compensated absences when actually paid to employees. No provision has been recorded in the accompanying financial statements.

Income Tax Status

Ukrainian Catholic Education Foundation was granted an exemption from federal income taxes by the Internal Revenue Service pursuant to the provisions of Internal Revenue Code Section 501(c)(3). The Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(1). The tax exempt purpose of the Foundation and the nature in which it operates is described above. Management believes the Foundation continues to operate in compliance with its tax-exempt purpose. Thus, no provision for income tax has been provided for in the financial statements. The Foundation's Form 990s, *Return of Organization Exempt from Income Tax*, are subject to examination by the IRS, generally for three years after they have been filed.

The Foundation has adopted the requirements for accounting for uncertain tax positions and management has determined that the Foundation was not required to record a liability related to uncertain tax positions as of December 31, 2020.

UKRAINIAN CATHOLIC EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

Cash and Cash Equivalents

Cash and cash equivalents consist of federally insured bank deposits and federally uninsured money market accounts maintained with a broker. The money market accounts primarily invest in overnight U.S. Treasury securities. At times, the Foundation's cash and cash equivalents may exceed federally insured limits.

The Foundation considers all highly liquid debt instruments, if any, purchased with an original maturity of three months or less to be cash equivalents.

Investments

Investments are carried at fair value. Realized and unrealized gains and losses are netted and reflected in the statement of activities.

Property and Equipment

Expenditures for property, equipment, and other items which substantially increase the useful lives of existing assets, are capitalized at cost, when exceeding \$1,000. The Foundation provides for depreciation on the straight-line method at rates designed to depreciate the costs of assets over the estimated useful lives as follows:

Furniture and equipment and software	3 - 7 years
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Support and Revenue

The Foundation recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return- are not recognized until the conditions on which they depend have been met. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Foundation reports gifts of land, buildings, and equipment as without donor restriction support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. During the year ending December 31, 2020 no such gifts of land, buildings, or equipment were received.

UKRAINIAN CATHOLIC EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

The Foundation recognizes contract revenue at an amount that reflects consideration to which the Foundation expects to be entitled to in exchange for transferring goods or services to a customer. The Foundation is not currently engaged if this type of contract, which is based on performance reporting. All contracts recognize revenue in accordance with ASU No. 2014-09 and prior year revenues have been retrospectively adjusted.

Performance Obligations

The Foundation recognizes revenue when it satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration the Foundation expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, the Foundation combines it with other performance obligations until a distinct bundle of goods or service exists.

The Foundations management expects that the period between when the transfers goods and services to their customers and when the customers pay for those goods and services will be one year or less. Therefore, the Foundation has elected the practical expedient not to adjust the promised amount of consideration for the effect of a significant financing component. Amounts received in advance of services performed, but not yet earned, are held and recorded as deferred revenue, unless otherwise noted below. Contracts with customers are generally due within 30-90 days of the invoice date. There are no contract assets or liabilities as of December 31, 2020.

Donated Services

Contributions of services are required to be recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the current year, no donated services met this criteria.

In-Kind Contributions

In addition to receiving cash contributions, the Foundation may receive in-kind contributions from various donors. Generally, it is the policy of the Foundation to record the estimated fair value of certain in-kind contributions as an expense in its financial statements, and similarly increase donations by a like amount.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Directly identifiable expenses are charged to the specific program or supporting service. Expenses related to more than one function are allocated to program expenses and supporting services on the basis of periodic time and expense reviews made by management.

UKRAINIAN CATHOLIC EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

Certain Vulnerabilities and Concentrations

The Foundation's contributions for the year ended December 31, 2020, as reported in the Statement of Activities, amounted to approximately \$6,000,000. The contributions were received from individual contributors, foundations, and corporations through various fundraising efforts. Negative changes in the economy could have an impact on future levels of contributions and fundraising efforts.

Subsequent Events

Accounting principles generally accepted in the United States of America establish general standards of accounting for, and disclosure of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The Foundation has evaluated subsequent events through August 9, 2021, which is the date the statements were available to be issued. No subsequent events occurred that require disclosure.

Note 2 – Financial Assets and Liquidity Resources

As of December 31, 2020, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

Financial assets, at year-end:	
Cash and cash equivalents	\$ 5,175,560
Contributions receivable	1,060,887
Investments	3,213,572
Total financial assets, at year-end	<u>\$ 9,450,019</u>
Less amounts not available to be used within one year:	
Restricted by donor with purpose restrictions	<u>(898,511)</u>
Financial assets available to meet cash need for general expenditures within one year	<u><u>\$ 8,551,508</u></u>

The Foundation provides financial support from which it receives individual, corporation and foundation donations; and considers contributions with donor restrictions for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general operating purposes. The organization manages its liquidity and reserves following three guiding principles: 1) operating within a prudent range of financial soundness and stability; 2) maintaining adequate liquid assets to fund near-term operating needs; and 3) maintaining sufficient reserves to provide reasonable assurance that programming is continued, and obligations will be adequately discharged in the future. The level of liquidity and reserves was managed within the policy requirements during the years ended December 31, 2020.

UKRAINIAN CATHOLIC EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

Note 3 – Investments and Fair Value

Generally Accepted Accounting Principles defines Fair Value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Foundation's most advantageous market in an orderly transaction between market participants on the measurement date.

Fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Generally Accepted Accounting Principles describe three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

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

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

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The following is a description of valuation methodologies used for fair value measurement of investments:

Bond and Mutual Funds: Valued at the daily closing prices as reported by the fund. Funds held by the Foundation are open-end bond and mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The bond and mutual funds held by the Foundation are deemed to be actively traded.

The fair value of debt and equity investments that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or by quoted market prices of similar securities with similar due dates or matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on securities' relationship to other benchmark quoted securities (Level 2 inputs).

UKRAINIAN CATHOLIC EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

Note 3 – Investments and Fair Market Value (cont.)

Assets and Liabilities Measured on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis are summarized below:

	Fair Value Measurements at December 31, 2020		
	Level 1	Level 2	Level 3
Bond Funds	\$ 3,495,567	\$ -	\$ -
Mutual Funds	8,805,210	-	-
Total Investments	<u>\$ 12,300,777</u>	<u>\$ -</u>	<u>\$ -</u>

The following summarizes the investment income and its classification on the Statement of Activities for the year ended December 31, 2020:

Dividends and interest	\$ 341,374
Net realized and unrealized gains	1,118,977
	<u>1,460,351</u>
Less investment expenses	<u>(22,746)</u>
Net investment income	<u>\$ 1,437,605</u>

Note 4 – Beneficial Interest in Charitable Remainder Unitrust

The Foundation is named as a beneficiary in a charitable remainder unitrust. Under the terms of this split interest agreement, the donor and his wife are to receive 5 ½% of net fair market value of the trust assets each year as long as one is living. Upon the death of the donor and his wife, the trust is to terminate and the remaining 40% of the trust assets are to be distributed to the Foundation. Based on the donors' life expectancy and a 6% discount rate, the present value of future benefits expected to be received by the Foundation is estimated to be \$74,904 at December 31, 2020 and is reflected as a temporarily restricted net asset and as a contribution receivable – charitable remainder unitrust.

Note 5 – Donor-Restricted Endowments

Donor-restricted endowments include the following gifts as of December 31, 2020:

Scholarships, \$35,000 included in contributions receivable	\$ 225,000
Books, journals and supplies for the Ukrainian Catholic University	100,000
Educate the youth of Ukraine	50,000
	<u>\$ 375,000</u>

UKRAINIAN CATHOLIC EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

Note 6 – Donor-Restricted and Board-Designated Endowments

The Foundation’s endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. 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 Audit/Finance Committee of the Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulations to the donor-restricted endowment, 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 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 organization 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 organization
- (7) The investment policies of the organization.

Endowment Net Asset Composition by Type of Fund as of December 31, 2020

	Without Donor Restrictions	With Donor Restrictions		Total
		Temporary Donor Restrictions	Perpetual Donor Restrictions	
Donor-restricted endowment funds	\$ -	\$ 181,237	\$ 441,000	\$ 622,237
Board-designated endowment funds	4,488,717	-	-	4,488,717
Total Endowment Funds	\$ 4,488,717	\$ 181,237	\$ 441,000	\$ 5,110,954

UKRAINIAN CATHOLIC EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

Note 6 – Donor-Restricted and Board-Designated Endowments (cont.)

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions - Purpose	Total
Endowment net assets, beginning of year	\$ 3,600,603	\$ 623,739	\$ 4,224,342
Investment return			
Investment income	89,097	702	89,799
Net appreciation - realized and unrealized	789,409	9,853	799,262
Fees	(1,988)	(57)	(2,045)
Contributions	1,060,628	-	1,060,628
Appropriation of endowment assets for expenditure	<u>(1,049,032)</u>	<u>(12,000)</u>	<u>(1,061,032)</u>
Endowment net assets, end of year	<u>\$ 4,488,717</u>	<u>\$ 622,237</u>	<u>\$ 5,110,954</u>

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 organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. The vast majority of the endowment is in board-designated funds.

The objective of the Investment Policy is to select asset classes for Fund investments and an asset allocation formula for the selected asset classes that can reasonably be expected over a long-term time horizon (5 - 7 years) to:

- Maximize total returns consistent with (1) acceptable levels of risk and (2) the liquidity needs of the Foundation;
- Be consistent with applicable statutes and policies related to investment matters for not-for-profit organizations and the appropriate exercise of fiduciary responsibility;
- Generate positive, long-term, real returns in the range of 3% - 5% above inflation; and
- Outperform relative to a customized policy benchmark or asset allocation benchmark over a full market cycle.

UKRAINIAN CATHOLIC EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

Note 6 – Donor-Restricted and Board-Designated Endowments (cont.)

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

A spending rate allocation from the Fund will be recommended by the Committee on an annual basis for approval by the board of directors. The Committee shall take into account the growth of the portfolio, other resources available to the Foundation, and such other factors as the Committee deems relevant.

In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 3-5 percent annually. This is consistent with the organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Note 7 – Related Party Loan Guaranty

The Ukrainian Catholic University provides fundraising support to the Foundation, and the University's director of development is also a UCEF board member. UCEF distributed approximately \$5.3 million in grants to the University during 2020.

On June 1, 2019, the Foundation entered into a guarantor agreement with the Overseas Private Investment Corporation (OPIC), to which it will act as the primary guarantor for an estimated \$6,200,000 construction loan for a collegium at the Ukrainian Catholic University. The guaranty is expected to last for a term of 12 years, and requires the Foundation to pledge 111% of the outstanding loan amount as collateral. As of December 31, 2020, the fair value of the guaranty and the pledged assets amounted to \$754,907 and \$8,747,205, respectively.

**UKRAINIAN CATHOLIC EDUCATION
FOUNDATION**

FINANCIAL STATEMENTS

**For the Six Months Ending
June 30, 2021**

Ukrainian Catholic University Foundation

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Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Independent Auditor's Report

To the Board of Directors of
Ukrainian Catholic University Foundation
Chicago, IL

We have audited the accompanying financial statements of Ukrainian Catholic Education Foundation a (non-profit organization) which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the six months then ended, and the related notes to the financial statements.

Managements 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 of 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 Ukrainian Catholic Education Foundation as of June 30, 2021, and the changes in its net assets and its cash flows for the six months then ended in accordance with accounting principles generally accepted in the United States of America.

Desmond & Akers, Ltd

May 12, 2022
Chicago, IL

UKRAINIAN CATHOLIC UNIVERSITY FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2021

	<u>2021</u>
<u>Assets</u>	
Current Assets	
Cash and cash equivalents	\$ 4,469,575
Investments	3,811,945
Contributions receivable	111,440
Prepaid expenses	4,634
Employee advance	929
Total current assets	<u>8,398,523</u>
Property and Equipment	
Equipment	70,084
Software	14,006
Total property and equipment	<u>84,090</u>
Less accumulated depreciation and amortization	<u>(76,431)</u>
Net property and equipment	<u>7,659</u>
Charitable remainder unitrust	76,942
Investments - donor restricted endowment	375,000
Investments - restricted debt service fund	<u>9,510,736</u>
Total Assets	<u><u>\$ 18,368,860</u></u>
<u>Liabilities and Net Assets</u>	
Current Liabilities	
Accounts payable	\$ 1,520,522
Accrued payroll and related expenses	<u>28,077</u>
Total current liabilities	1,548,599
Debt guaranty, long term	<u>565,152</u>
Total liabilities	<u>2,113,751</u>
Net Assets	
Without donor restrictions	
General	9,747,091
Board designated - endowment	<u>5,597,811</u>
Total net assets without donor restrictions	15,344,902
With donor restrictions - purpose	<u>910,207</u>
Total net assets	<u>16,255,109</u>
Total Liabilities and Net Assets	<u><u>\$ 18,368,860</u></u>

See independent auditor's report and notes to financial statements.

UKRAINIAN CATHOLIC UNIVERSITY FOUNDATION
STATEMENT OF ACTIVITIES
For the Six Months Ending June 30, 2021

	2021		Total
	Without Donor Restrictions	With Donor Restrictions - Purpose	
<u>Public Support and Revenue</u>			
Contributions			
Cash	\$ 1,269,535	\$ -	\$ 1,269,535
Stock	-	-	-
In-kind	-	-	-
Special Events and Other Fundraising Efforts			
Ticket revenue	-	-	-
Contributions	4,993	-	4,993
Less costs of direct benefits to donors	-	-	-
Net revenues from special events	<u>4,993</u>	<u>-</u>	<u>4,993</u>
Net investment income	1,130,176	9,658	1,139,834
Change in present value of Unitrust	-	2,038	2,038
Net assets released from restriction	-	-	-
Total Public Support and Revenue	<u>2,404,704</u>	<u>11,696</u>	<u>2,416,400</u>
<u>Expenses</u>			
Program services	829,692	-	829,692
Management and general	319,691	-	319,691
Fundraising	189,240	-	189,240
Total Expenses	<u>1,338,623</u>	<u>-</u>	<u>1,338,623</u>
Change in net assets	1,066,081	11,696	1,077,777
Net assets, beginning of year	<u>14,278,821</u>	<u>898,511</u>	<u>15,177,332</u>
Net assets, end of year	<u>\$ 15,344,902</u>	<u>\$ 910,207</u>	<u>\$ 16,255,109</u>

See independent auditor's report and notes to financial statements.

UKRAINIAN CATHOLIC UNIVERSITY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Six Months Ending June 30, 2021

	2021			
	Program Services	Management and General	Fundraising	Total
<u>Personnel Expenses</u>				
Salaries	\$ 29,082	\$ 187,414	\$ 106,632	\$ 323,128
Employee benefits and related taxes	8,499	54,768	31,161	94,428
Total salaries and related expenses	37,581	242,182	137,793	417,556
<u>Other Expenses</u>				
Grants to Catholic institutions	787,126	3,161	1,000	791,287
Professional fees	889	24,880	3,261	29,030
Occupancy	1,454	9,368	5,331	16,153
Telephone	384	7,966	2,236	10,586
Insurance	-	4,600	-	4,600
Supplies	-	3,748	589	4,337
Equipment maintenance and supplies	21	2,599	80	2,700
Printing and publications	63	4,703	20,648	25,414
Postage and shipping	39	7,336	8,943	16,318
Travel and training	100	1,307	7,395	8,802
Dues and subscriptions	1,499	296	-	1,795
Commissions and fees	-	4,092	-	4,092
Depreciation	536	3,453	1,964	5,953
Total Expenses	\$ 829,692	\$ 319,691	\$ 189,240	\$ 1,338,623

See independent auditor's report and notes to financial statements

UKRAINIAN CATHOLIC UNIVERSITY FOUNDATION
STATEMENT OF CASH FLOWS
For the Six Months Ending June 30, 2021

	<u>2021</u>
<u>Cash Flows from Operating Activities</u>	
Change in net assets	\$ 1,077,777
Adjustments to reconcile change in net assets to net cash used by operating activities	
Donated equitable securities	-
Realized / unrealized gain on investments	(1,062,885)
Depreciation expense	5,953
Guaranty obligation expense	(189,755)
Change in assets - (increase) decrease	
Contribution receivable - Charitable Remainder Unitrust	(2,038)
Contributions receivable	949,447
Prepaid expenses	4,707
Change in liabilities - increase (decrease)	
Accounts payable	(1,201,385)
Accrued payroll and related expenses	13,675
Net cash used by operating activities	<u>(404,504)</u>
<u>Cash Flows from Investing Activities</u>	
Purchase of investments	(781,243)
Proceeds from sale of investments	482,224
Purchase of property and equipment	(2,462)
Net cash used in investing activities	<u>(301,481)</u>
Net decrease in cash and cash equivalents	(705,985)
Cash and cash equivalents, beginning of year	<u>5,175,560</u>
Cash and cash equivalents, end of year	<u><u>\$ 4,469,575</u></u>

See independent auditor's report and notes to financial statements.

UKRAINIAN CATHOLIC EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Six Months Ending June 30, 2021

Note 1 – Nature of Operations and Summary of Significant Accounting Policies

Organization

Ukrainian Catholic Education Foundation is a not-for-profit Illinois corporation exempt from Federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. The Foundation is not considered a private foundation. The Ukrainian Catholic Education Foundation provides educational and financial support for the Catholic Church and its programs in Ukraine.

Description of Program Services

The Foundation's program services include:

Institutional Support – Helps educational and religious institutions in Ukraine to meet present needs and develop endowments for the future.

Information and Education – Promotes public awareness and distributes material about Ukrainian history, culture and spirituality, fostering a deeper knowledge in the United States of the Ukrainian Catholic Church.

Exchange Program – Provides opportunities both for Ukrainian students to study or intern in North America (Summer in America program) and for North American teachers and professors to volunteer in Ukraine.

Teaching Materials Program – Collects books and other educational resources in the United States to help rebuild libraries of Catholic institutions in Ukraine.

Basis of Accounting

The accounts and financial statements are maintained on the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Foundation reports information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions, as required by Generally Accepted Accounting Principles. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Items that affect this net asset category principally consist of gifts without restrictions, including those designated by the Board, fees for service and related expenses associated with the core activities of the Foundation.

With Donor Restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the Foundation or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met, endowment gifts, pledges, and investment returns on endowment funds.

UKRAINIAN CATHOLIC EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Six Months Ending June 30, 2021

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

Expirations of restrictions on net assets with donor restrictions, including reclassification of restricted gifts and grants for buildings and equipment when the associated long-lived asset is placed in service, are reported as net assets released from restrictions. Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by the Foundation, including gifts and pledges wherein donors stipulate that the corpus of the gift be held in perpetuity and that only the income be made available for program operations.

Net assets with donor restrictions are comprised of the following as of June 30, 2021:

Paris Eparchy	\$ 201,370
Donor restricted endowments	631,895
Beneficial interest in Charitable Remainder Trust	<u>76,942</u>
	<u>\$ 910,207</u>

Use of Estimates

The preparation 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 report amounts of the revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Compensated Absences

Employees of the Foundation are entitled to paid vacation, sick and personal days off, depending on job classification, length of service and other factors. The Foundation's policy is to recognize the costs of compensated absences when actually paid to employees. No provision has been recorded in the accompanying financial statements.

Income Tax Status

Ukrainian Catholic Education Foundation was granted an exemption from federal income taxes by the Internal Revenue Service pursuant to the provisions of Internal Revenue Code Section 501(c)(3). The Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(1). The tax exempt purpose of the Foundation and the nature in which it operates is described above. Management believes the Foundation continues to operate in compliance with its tax-exempt purpose. Thus, no provision for income tax has been provided for in the financial statements. The Foundation's Form 990s, *Return of Organization Exempt from Income Tax*, are subject to examination by the IRS, generally for three years after they have been filed.

The Foundation has adopted the requirements for accounting for uncertain tax positions and management has determined that the Foundation was not required to record a liability related to uncertain tax positions as of June 30, 2021.

UKRAINIAN CATHOLIC EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Six Months Ending June 30, 2021

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

Cash and Cash Equivalents

Cash and cash equivalents consist of federally insured bank deposits and federally uninsured money market accounts maintained with a broker. The money market accounts primarily invest in overnight U.S. Treasury securities. At times, the Foundation's cash and cash equivalents may exceed federally insured limits.

The Foundation considers all highly liquid debt instruments, if any, purchased with an original maturity of three months or less to be cash equivalents.

Investments

Investments are carried at fair value. Realized and unrealized gains and losses are netted and reflected in the statement of activities.

Property and Equipment

Expenditures for property, equipment, and other items which substantially increase the useful lives of existing assets, are capitalized at cost, when exceeding \$1,000. The Foundation provides for depreciation on the straight-line method at rates designed to depreciate the costs of assets over the estimated useful lives as follows:

Furniture and equipment and software	3 - 7 years
--------------------------------------	-------------

Support and Revenue

The Foundation recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return- are not recognized until the conditions on which they depend have been met. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Foundation reports gifts of land, buildings, and equipment as without donor restriction support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. During the six months ending June 30, 2021 no such gifts of land, buildings, or equipment were received.

UKRAINIAN CATHOLIC EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Six Months Ending June 30, 2021

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

The Foundation recognizes contract revenue at an amount that reflects consideration to which the Foundation expects to be entitled to in exchange for transferring goods or services to a customer. The Foundation is not currently engaged in this type of contract, which is based on performance reporting. All contracts recognize revenue in accordance with ASU No. 2014-09 and prior year revenues have been retrospectively adjusted.

Performance Obligations

The Foundation recognizes revenue when it satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration the Foundation expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, the Foundation combines it with other performance obligations until a distinct bundle of goods or service exists.

The Foundations management expects that the period between when the transfers goods and services to their customers and when the customers pay for those goods and services will be one year or less. Therefore, the Foundation has elected the practical expedient not to adjust the promised amount of consideration for the effect of a significant financing component. Amounts received in advance of services performed, but not yet earned, are held and recorded as deferred revenue, unless otherwise noted below. Contracts with customers are generally due within 30-90 days of the invoice date. There are no contract assets or liabilities as of June 30, 2021.

Donated Services

Contributions of services are required to be recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the current year, no donated services met this criteria.

In-Kind Contributions

In addition to receiving cash contributions, the Foundation may receive in-kind contributions from various donors. Generally, it is the policy of the Foundation to record the estimated fair value of certain in-kind contributions as an expense in its financial statements, and similarly increase donations by a like amount.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Directly identifiable expenses are charged to the specific program or supporting service. Expenses related to more than one function are allocated to program expenses and supporting services on the basis of periodic time and expense reviews made by management.

UKRAINIAN CATHOLIC EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Six Months Ending June 30, 2021

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

Certain Vulnerabilities and Concentrations

The Foundation's contributions for the six months ending June 30, 2021, as reported in the Statement of Activities, amounted to approximately \$1,300,000. The contributions were received from individual contributors, foundations, and corporations through various fundraising efforts. Negative changes in the economy could have an impact on future levels of contributions and fundraising efforts.

Subsequent Events

Accounting principles generally accepted in the United States of America establish general standards of accounting for, and disclosure of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The Foundation has evaluated subsequent events through May 12, 2022, which is the date the statements were available to be issued. No subsequent events occurred that require disclosure.

Note 2 – Financial Assets and Liquidity Resources

As of June 30, 2021, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

Financial assets, at year-end:	
Cash and cash equivalents	\$ 4,469,575
Contributions receivable	111,440
Investments	3,811,945
Total financial assets, at year-end	<u>\$ 8,392,960</u>
Less amounts not available to be used within one year:	
Restricted by donor with purpose restrictions	<u>(910,207)</u>
Financial assets available to meet cash need for general expenditures within one year	<u><u>\$ 7,482,753</u></u>

The Foundation provides financial support from which it receives individual, corporation and foundation donations; and considers contributions with donor restrictions for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general operating purposes. The organization manages its liquidity and reserves following three guiding principles: 1) operating within a prudent range of financial soundness and stability; 2) maintaining adequate liquid assets to fund near-term operating needs; and 3) maintaining sufficient reserves to provide reasonable assurance that programming is continued, and obligations will be adequately discharged in the future. The level of liquidity and reserves was managed within the policy requirements for the six months ending June 30, 2021.

UKRAINIAN CATHOLIC EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Six Months Ending June 30, 2021

Note 3 – Investments and Fair Value

Generally Accepted Accounting Principles defines Fair Value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Foundation's most advantageous market in an orderly transaction between market participants on the measurement date.

Fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Generally Accepted Accounting Principles describe three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

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

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

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The following is a description of valuation methodologies used for fair value measurement of investments:

Bond and Mutual Funds: Valued at the daily closing prices as reported by the fund. Funds held by the Foundation are open-end bond and mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The bond and mutual funds held by the Foundation are deemed to be actively traded.

The fair value of debt and equity investments that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or by quoted market prices of similar securities with similar due dates or matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on securities' relationship to other benchmark quoted securities (Level 2 inputs).

UKRAINIAN CATHOLIC EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Six Months Ending June 30, 2021

Note 3 – Investments and Fair Market Value (cont.)

Assets and Liabilities Measured on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis are summarized below:

	Fair Value Measurements at June 30, 2021		
	Level 1	Level 2	Level 3
Bond Funds	\$ 4,068,593	\$ -	\$ -
Mutual Funds	9,629,088	-	-
Total Investments	<u>\$ 13,697,681</u>	<u>\$ -</u>	<u>\$ -</u>

The following summarizes the investment income and its classification on the Statement of Activities for the six months ending June 30, 2021:

Dividends and interest	\$ 89,231
Net realized and unrealized gains	<u>1,064,078</u>
	1,153,309
Less investment expenses	<u>(13,475)</u>
Net investment income	<u>\$ 1,139,834</u>

Note 4 – Beneficial Interest in Charitable Remainder Unitrust

The Foundation is named as a beneficiary in a charitable remainder unitrust. Under the terms of this split interest agreement, the donor and his wife are to receive 5 ½% of net fair market value of the trust assets each year as long as one is living. Upon the death of the donor and his wife, the trust is to terminate and the remaining 40% of the trust assets are to be distributed to the Foundation. Based on the donors' life expectancy and a 6% discount rate, the present value of future benefits expected to be received by the Foundation is estimated to be \$76,942 at June 30, 2021 and is reflected as a temporarily restricted net asset and as a contribution receivable – charitable remainder unitrust.

Note 5 – Donor-Restricted Endowments

Donor-restricted endowments include the following gifts as of June 30, 2021:

Scholarships	\$ 225,000
Books, journals and supplies for the Ukrainian Catholic University	100,000
Educate the youth of Ukraine	<u>50,000</u>
	<u>\$ 375,000</u>

UKRAINIAN CATHOLIC EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Six Months Ending June 30, 2021

Note 6 – Donor-Restricted and Board-Designated Endowments

The Foundation’s endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. 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 Audit/Finance Committee of the Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulations to the donor-restricted endowment, 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 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 organization 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 organization
- (7) The investment policies of the organization.

Endowment Net Asset Composition by Type of Fund as of June 30, 2021

	Without Donor Restrictions	With Donor Restrictions		Total
		Temporary Donor Restrictions	Perpetual Donor Restrictions	
Donor-restricted endowment funds	\$ -	\$ 190,849	\$ 441,000	\$ 631,849
Board-designated endowment funds	5,597,811	-	-	5,597,811
Total Endowment Funds	<u>\$ 5,597,811</u>	<u>\$ 190,849</u>	<u>\$ 441,000</u>	<u>\$ 6,229,660</u>

UKRAINIAN CATHOLIC EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Six Months Ending June 30, 2021

Note 6 – Donor-Restricted and Board-Designated Endowments (cont.)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions - Purpose	Total
Endowment net assets, beginning of year	\$ 4,488,714	\$ 622,237	\$ 5,110,951
Investment return			
Investment income	19,437	317	19,754
Net appreciation - realized and unrealized	1,032,875	9,341	1,042,216
Fees	(1,313)	(46)	(1,359)
Contributions	559,508	-	559,508
Appropriation of endowment assets for expenditure	(501,410)	-	(501,410)
Endowment net assets, end of year	<u>\$ 5,597,811</u>	<u>\$ 631,849</u>	<u>\$ 6,229,660</u>

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 organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. The vast majority of the endowment is in board-designated funds.

The objective of the Investment Policy is to select asset classes for Fund investments and an asset allocation formula for the selected asset classes that can reasonably be expected over a long-term time horizon (5 - 7 years) to:

- Maximize total returns consistent with (1) acceptable levels of risk and (2) the liquidity needs of the Foundation;
- Be consistent with applicable statutes and policies related to investment matters for not-for-profit organizations and the appropriate exercise of fiduciary responsibility;
- Generate positive, long-term, real returns in the range of 3% - 5% above inflation; and
- Outperform relative to a customized policy benchmark or asset allocation benchmark over a full market cycle.

UKRAINIAN CATHOLIC EDUCATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Six Months Ending June 30, 2021

Note 6 – Donor-Restricted and Board-Designated Endowments (cont.)

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

A spending rate allocation from the Fund will be recommended by the Committee on an annual basis for approval by the board of directors. The Committee shall take into account the growth of the portfolio, other resources available to the Foundation, and such other factors as the Committee deems relevant.

In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 3-5 percent annually. This is consistent with the organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Note 7 – Related Party Loan Guaranty

The Ukrainian Catholic University provides fundraising support to the Foundation, and the University's director of development is also a UCEF board member. UCEF distributed approximately \$791,287 in grants to the University during the six months ended June 30, 2021.

On June 1, 2019, the Foundation entered into a guarantor agreement with the Overseas Private Investment Corporation (OPIC), to which it will act as the primary guarantor for an estimated \$6,200,000 construction loan for a collegium at the Ukrainian Catholic University. The guaranty is expected to last for a term of 12 years, and requires the Foundation to pledge 111% of the outstanding loan amount as collateral. As of June 30, 2021, the fair value of the guaranty and the pledged assets amounted to \$565,152.