

**UKRAINIAN CATHOLIC UNIVERSITY
FOUNDATION**

FINANCIAL STATEMENTS

**For the Year Ending
June 30, 2022**

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

Opinion

We have audited the accompanying financial statements of Ukrainian Catholic University Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ukrainian Catholic University Foundation as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ukrainian Catholic University Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Ukrainian Catholic University Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Ukrainian Catholic University Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ukrainian Catholic University Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Desmond & Ahern, Ltd

June 30, 2023
Chicago, IL

UKRAINIAN CATHOLIC UNIVERSITY FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2022

Assets

Current Assets

Cash and cash equivalents	\$ 7,271,413
Investments	6,824,750
Contributions receivable	138,916
Prepaid expenses	91,929
Employee advance	929
Total current assets	<u>14,327,937</u>

Property and Equipment

Equipment	77,271
Software	14,026
Total property and equipment	<u>91,297</u>
Less accumulated depreciation and amortization	<u>(81,791)</u>
Net property and equipment	<u>9,506</u>

Charitable remainder unitrust	52,466
Investments - restricted debt service fund	<u>6,337,765</u>

Total Assets \$ 20,727,674

Liabilities and Net Assets

Current Liabilities

Accounts payable	\$ 1,415,026
Accrued payroll and related expenses	37,956
Total current liabilities	<u>1,452,982</u>

Debt guaranty, long term	<u>668,792</u>
Total liabilities	<u>2,121,774</u>

Net Assets

Without donor restrictions	
General	12,122,358
Board designated - endowment	<u>5,567,615</u>
Total net assets without donor restrictions	17,689,973
With donor restrictions - purpose	<u>915,927</u>
Total net assets	<u>18,605,900</u>

Total Liabilities and Net Assets \$ 20,727,674

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

UKRAINIAN CATHOLIC UNIVERSITY FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ending June 30, 2022

	Without Donor Restrictions	With Donor Restrictions - Purpose	Total
<u>Public Support and Revenue</u>			
Contributions			
Cash	\$ 10,778,849	\$ -	\$ 10,778,849
Stock	-	-	-
Special Events and Other Fundraising Efforts			
Ticket revenue	29,830	-	29,830
Contributions	459,016	-	459,016
Less costs of direct benefits to donors	(1,950)	-	(1,950)
Net revenues from special events	486,896	-	486,896
Net investment income	(2,259,599)	30,196	(2,229,403)
Change in present value of Unitrust	-	(24,476)	(24,476)
Net assets released from restriction	-	-	-
Total Public Support and Revenue	9,006,146	5,720	9,011,866
<u>Expenses</u>			
Program services	5,431,231	-	5,431,231
Management and general	687,391	-	687,391
Fundraising	542,453	-	542,453
Total Expenses	6,661,075	-	6,661,075
Change in net assets	2,345,071	5,720	2,350,791
Net assets, beginning of year	15,344,902	910,207	16,255,109
Net assets, end of year	\$ 17,689,973	\$ 915,927	\$ 18,605,900

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

UKRAINIAN CATHOLIC UNIVERSITY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ending June 30, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
<u>Personnel Expenses</u>				
Salaries	\$ 50,151	\$ 357,328	\$ 219,412	\$ 626,891
Employee benefits and related taxes	17,948	127,883	78,524	224,355
Total salaries and related expenses	68,099	485,211	297,936	851,246
<u>Other Expenses</u>				
Grants to Catholic institutions	5,355,228	1,286	250	5,356,764
Professional fees	-	82,056	36	82,092
Occupancy	2,832	20,180	12,391	35,403
Telephone	-	15,603	4,286	19,889
Insurance	-	11,525	-	11,525
Supplies	1,728	4,974	11,441	18,143
Equipment maintenance and supplies	2,467	7,770	1,061	11,298
Printing and publications	188	22,460	136,287	158,935
Postage and shipping	-	4,355	19,689	24,044
Travel and training	207	9,758	52,660	62,625
Dues and subscriptions	-	2,459	4,097	6,556
Commissions and fees	-	16,645	550	17,195
Depreciation	482	3,109	1,769	5,360
Total Expenses	\$ 5,431,231	\$ 687,391	\$ 542,453	\$ 6,661,075

See independent auditor's report and notes to financial statements

UKRAINIAN CATHOLIC UNIVERSITY FOUNDATION
STATEMENT OF CASH FLOWS
For the Year Ending June 30, 2022

Cash Flows from Operating Activities

Change in net assets	\$ 2,350,791
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Realized / unrealized (gain) loss on investments	2,849,141
Depreciation expense	5,360
Guaranty obligation expense	103,640
Change in assets - (increase) decrease	
Contribution receivable - Charitable Remainder Unitrust	24,476
Contributions receivable	(27,476)
Prepaid expenses	(87,295)
Change in liabilities - increase (decrease)	
Accounts payable	(105,496)
Accrued payroll and related expenses	9,879
Net cash provided by operating activities	<u>5,498,020</u>

Cash Flows from Investing Activities

Purchase of investments	(4,765,783)
Proceeds from sale of investments	2,076,808
Purchase of property and equipment	<u>(7,207)</u>
Net cash used in investing activities	<u>(2,696,182)</u>

Net increase in cash and cash equivalents	2,801,838
Cash and cash equivalents, beginning of year	<u>4,469,575</u>
Cash and cash equivalents, end of year	<u><u>\$ 7,271,413</u></u>

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

UKRAINIAN CATHOLIC UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ending June 30, 2022

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

Organization

Ukrainian Catholic University 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 UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ending June 30, 2022

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, 2022:

Paris Eparchy	\$ 201,370
Donor restricted endowments	662,091
Beneficial interest in Charitable Remainder Trust	<u>52,466</u>
	<u>\$ 915,927</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, 2022.

UKRAINIAN CATHOLIC UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ending June 30, 2022

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 June 30, 2022 no such gifts of land, buildings, or equipment were received.

UKRAINIAN CATHOLIC UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ending June 30, 2022

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, 2022.

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 UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ending June 30, 2022

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

Certain Vulnerabilities and Concentrations

The Foundation's contributions for the year ending June 30, 2022, as reported in the Statement of Activities, amounted to approximately \$10,800,000. 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 June 30, 2023, 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, 2022, 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	\$ 7,271,413
Contributions receivable	138,916
Investments	6,824,750
Total financial assets, at year-end	<u>\$ 14,235,079</u>
Less amounts not available to be used within one year:	
Restricted by donor with purpose restrictions	<u>(915,927)</u>
Financial assets available to meet cash need for general expenditures within one year	<u><u>\$ 13,319,152</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 year ending June 30, 2022.

UKRAINIAN CATHOLIC UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ending June 30, 2022

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 UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ending June 30, 2022

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, 2022		
	Level 1	Level 2	Level 3
Bond Funds	\$ 4,208,519	\$ -	\$ -
Mutual Funds	8,953,996	-	-
Total Investments	<u>\$ 13,162,515</u>	<u>\$ -</u>	<u>\$ -</u>

The following summarizes the investment income and its classification on the Statement of Activities for the year ending June 30, 2022:

Dividends and interest	\$ 649,199
Net realized and unrealized loss	(2,849,141)
	<u>(2,199,942)</u>
Less investment expenses	(29,461)
Net investment loss	<u>\$ (2,229,403)</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 \$52,466 at June 30, 2022 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, 2022:

Scholarships	\$ 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 UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ending June 30, 2022

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, 2022

	Without Donor Restrictions	With Donor Restrictions		Total
		Temporary Donor Restrictions	Perpetual Donor Restrictions	
Donor-restricted endowment funds	\$ -	\$ 221,045	\$ 441,000	\$ 662,045
Board-designated endowment funds	5,567,615	-	-	5,567,615
Total Endowment Funds	<u>\$ 5,567,615</u>	<u>\$ 221,045</u>	<u>\$ 441,000</u>	<u>\$ 6,229,660</u>

UKRAINIAN CATHOLIC UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ending June 30, 2022

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

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions - Purpose	Total
Endowment net assets, beginning of year	\$ 5,595,458	\$ 631,849	\$ 6,227,307
Investment return			
Investment income	79,392	2,199	81,591
Net appreciation - realized and unrealized	142,761	27,997	170,758
Fees	(1,313)	-	(1,313)
Contributions	482,573	-	482,573
Appropriation of endowment assets for expenditure	(731,256)	-	(731,256)
Endowment net assets, end of year	<u>\$ 5,567,615</u>	<u>\$ 662,045</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 UNIVERSITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ending June 30, 2022

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 \$103,640 in grants to the University during the year ended June 30, 2022.

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, 2022, the fair value of the guaranty and the pledged assets amounted to \$668,792.