



Fulcrum Foundation

Financial Statements
Years Ended June 30, 2020 and 2019

Fulcrum Foundation

Financial Statements
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Fulcrum Foundation

Contents

| | |
|-------------------------------------|-------|
| Independent Auditor's Report | 3-4 |
| Financial Statements | |
| Statements of Financial Position | 6 |
| Statements of Activities | 7 |
| Statements of Functional Expenses | 8 |
| Statements of Cash Flows | 9 |
| Notes to Financial Statements | 10-26 |



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Independent Auditor's Report

To the Member and to the Board of Trustees
Fulcrum Foundation
Seattle, Washington

We have audited the accompanying financial statements of Fulcrum Foundation, which comprise the statement of financial position as of June 30, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



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Opinion

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

Other Matter - Prior-Period Financial Statements

The financial statements of Fulcrum Foundation as of and for the year ended June 30, 2019, were audited by Peterson Sullivan LLP ("PS"), whose partners and professional staff joined BDO USA, LLP as of November 1, 2019, and has subsequently ceased operations. PS expressed an unmodified opinion on those statements in their report dated September 20, 2019.

BDO USA, LLP

October 19, 2020

Financial Statements

Fulcrum Foundation

Statements of Financial Position

| June 30, | 2020 | 2019 |
|---|-----------------------|-----------------------|
| Assets | | |
| Current Assets | | |
| Cash | \$ 4,155,695 | \$ 3,763,855 |
| Foundation investments | 6,901,888 | 5,630,969 |
| Current portion of contributions receivable | 1,198,196 | 426,314 |
| Other receivables | 2,153 | - |
| Current assets before custodial assets | 12,257,932 | 9,821,138 |
| Cash held for other custodial purposes | - | 116,692 |
| Custodial investments held for Catholic Schools | 54,849,584 | 52,887,139 |
| Total custodial assets | 54,849,584 | 53,003,831 |
| Total Current Assets | 67,107,516 | 62,824,969 |
| Contributions receivable, net of current portion | 723,872 | 550,126 |
| Contributions receivable for endowment | 2,363,425 | 2,626,542 |
| Foundation investments held for endowment | 38,900,273 | 40,303,168 |
| Funds held in trust by others | 307,741 | 320,972 |
| Irrevocable trust investments | 1,028,756 | 1,047,388 |
| Other assets | 49,907 | 56,216 |
| Total Assets | \$ 110,481,490 | \$ 107,729,381 |
| Liabilities and Net Assets | | |
| Current Liabilities | | |
| Accounts payable and accrued expenses | \$ 137,953 | \$ 108,012 |
| Current portion of payable to beneficiaries | 50,000 | 50,000 |
| Program grants payable | 3,931,123 | 3,064,883 |
| Current portion of Paycheck Protection Program loan | 79,478 | - |
| Total current liabilities before custodial liabilities | 4,198,554 | 3,222,895 |
| Custodial liabilities | 54,849,584 | 53,003,831 |
| Total Current Liabilities | 59,048,138 | 56,226,726 |
| Paycheck protection program loan, net of current portion | 88,469 | - |
| Payable to beneficiaries, net of current portion | 350,508 | 363,206 |
| Total Liabilities | 59,487,115 | 56,589,932 |
| Net Assets | | |
| Without donor restrictions | 7,294,692 | 7,858,199 |
| With donor restrictions | 43,699,683 | 43,281,250 |
| Total Net Assets | 50,994,375 | 51,139,449 |
| Total Liabilities and Net Assets | \$ 110,481,490 | \$ 107,729,381 |

See accompanying notes to financial statements.

Fulcrum Foundation
Statements of Activities

| <i>Years Ended June 30,</i> | 2020 | | | 2019 | | |
|--|-------------------------------|----------------------------|----------------------|-------------------------------|----------------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Operating Revenue and Other Support | | | | | | |
| Contributions and bequests | \$ 712,007 | \$ 972,251 | \$ 1,684,258 | \$ 487,748 | \$ 871,138 | \$ 1,358,886 |
| Special event - Celebration of Light, net | 1,153,734 | 677,350 | 1,831,084 | 1,624,832 | 218,685 | 1,843,517 |
| Change in value of split-interest agreements | - | 29,845 | 29,845 | - | 34,525 | 34,525 |
| Net assets released from restrictions | 4,728,151 | (4,728,151) | - | 4,507,595 | (4,507,595) | - |
| Total Operating Revenue and Other Support | 6,593,892 | (3,048,705) | 3,545,187 | 6,620,175 | (3,383,247) | 3,236,928 |
| Expenses | | | | | | |
| Program services | | | | | | |
| Tuition assistance, school support, and leadership | 6,284,302 | - | 6,284,302 | 4,973,896 | - | 4,973,896 |
| Supporting services | | | | | | |
| General and administrative | 513,133 | - | 513,133 | 510,139 | - | 510,139 |
| Fundraising | 444,893 | - | 444,893 | 485,709 | - | 485,709 |
| Total Functional Expenses | 7,242,328 | - | 7,242,328 | 5,969,744 | - | 5,969,744 |
| Total Change in Net Assets Before Earnings (Losses) on Endowments and Investments and Capital | | | | | | |
| Campaign Contributions and Expenditures | (648,436) | (3,048,705) | (3,697,141) | 650,431 | (3,383,247) | (2,732,816) |
| Earnings (Losses) on Endowments and Investments | 247,936 | (95,202) | 152,734 | 489,992 | 1,996,860 | 2,486,852 |
| Capital Campaign Contributions | 223,606 | 3,562,340 | 3,785,946 | 201,210 | 502,692 | 703,902 |
| Less: Capital Campaign Expenditures | (386,613) | - | (386,613) | (224,372) | - | (224,372) |
| Total Change in Net Assets | (563,507) | 418,433 | (145,074) | 1,117,261 | (883,695) | 233,566 |
| Net Assets, beginning of year | 7,858,199 | 43,281,250 | 51,139,449 | 6,740,938 | 44,164,945 | 50,905,883 |
| Net Assets, end of year | \$ 7,294,692 | \$ 43,699,683 | \$ 50,994,375 | \$ 7,858,199 | \$ 43,281,250 | \$ 51,139,449 |

See accompanying notes to financial statements.

Fulcrum Foundation

Statements of Functional Expenses

| <i>Years Ended June 30,</i> | 2020 | | | | 2019 | | | |
|-------------------------------------|--|----------------------------|-------------------|---------------------|--|----------------------------|-------------------|---------------------|
| | Tuition Assistance, School Support, and Leadership | General and Administrative | Fundraising | Total | Tuition Assistance, School Support, and Leadership | General and Administrative | Fundraising | Total |
| School partnership grants | \$ 3,457,154 | \$ - | \$ - | \$ 3,457,154 | \$ 1,942,581 | \$ - | \$ - | \$ 1,942,581 |
| Tuition assistance | 2,451,091 | - | - | 2,451,091 | 2,684,470 | - | - | 2,684,470 |
| Leadership program | 83,978 | - | - | 83,978 | 165,423 | - | - | 165,423 |
| Total Program Grants | 5,992,223 | - | - | 5,992,223 | 4,792,474 | - | - | 4,792,474 |
| Total salaries and related expenses | 283,208 | 169,586 | 740,587 | 1,193,381 | 173,003 | 183,378 | 563,855 | 920,236 |
| Professional and contract services | 1,042 | 178,022 | 110,586 | 289,650 | 640 | 153,437 | 69,738 | 223,815 |
| Catering | - | 6,264 | 234,720 | 240,984 | - | 10,061 | 94,847 | 104,908 |
| Printing and publications | 1,729 | 40,102 | 43,429 | 85,260 | 1,822 | 45,368 | 70,433 | 117,623 |
| Supplies | 4,869 | 31,400 | 9,295 | 45,564 | 4,459 | 15,205 | 10,776 | 30,440 |
| Rent | - | 22,196 | 22,196 | 44,392 | - | 22,566 | 22,346 | 44,912 |
| Conferences and meetings | 1,089 | 18,611 | 14,198 | 33,898 | - | 17,759 | 19,771 | 37,530 |
| Bad debt expense | - | 18,409 | - | 18,409 | - | 31,913 | - | 31,913 |
| Other | 142 | 28,543 | 7,030 | 35,715 | 1,498 | 30,452 | 13,151 | 45,101 |
| Total Expenses | 6,284,302 | 513,133 | 1,182,041 | 7,979,476 | 4,973,896 | 510,139 | 864,917 | 6,348,952 |
| Less: Celebration of Light expenses | - | - | (350,535) | (350,535) | - | - | (154,836) | (154,836) |
| Less: Capital Campaign expenditures | - | - | (386,613) | (386,613) | - | - | (224,372) | (224,372) |
| Total Functional Expenses | \$ 6,284,302 | \$ 513,133 | \$ 444,893 | \$ 7,242,328 | \$ 4,973,896 | \$ 510,139 | \$ 485,709 | \$ 5,969,744 |

See accompanying notes to financial statements.

Fulcrum Foundation

Statements of Cash Flows

| Years Ended June 30, | 2020 | 2019 |
|---|---------------------|---------------------|
| Cash Flows Provided by Operating Activities | | |
| Cash received from donors | \$ 6,704,042 | \$ 4,779,162 |
| Interest and dividends received | 823,349 | 1,075,104 |
| Cash paid for tuition assistance, school, and leadership grants | (5,125,983) | (4,282,425) |
| Cash paid to suppliers | (817,883) | (636,927) |
| Cash paid to employees and related costs | (1,133,120) | (914,438) |
| Net Cash Flows Provided by Operating Activities | 450,405 | 20,476 |
| Cash Flows Used in Investing Activities | | |
| Purchase of investments | (72,636,265) | (11,495,493) |
| Proceeds from sales of investments | 71,136,718 | 11,188,380 |
| Net Cash Flows Used in Investing Activities | (1,499,547) | (307,113) |
| Cash Flows Provided by Financing Activities | | |
| Custodial liability receipts | 2,597,443 | 1,891,394 |
| Custodial liability payments | (1,636,535) | (1,820,649) |
| Proceeds from Paycheck Protection Program loan | 167,947 | - |
| Contributions restricted for endowments | 312,127 | 602,064 |
| Net Cash Flows Provided by Financing Activities | 1,440,982 | 672,809 |
| Net Change in Cash | 391,840 | 386,172 |
| Cash, beginning of year | 3,763,855 | 3,377,683 |
| Cash, end of year | \$ 4,155,695 | \$ 3,763,855 |

Reconciliation of Change in Net Assets to

| | | |
|---|-------------------|------------------|
| Cash Flows Provided by Operating Activities | | |
| Change in net assets | \$ (145,074) | \$ 233,566 |
| Adjustments to reconcile change in net assets to net cash flows provided by operating activities: | | |
| Change in split-interest agreements | (29,845) | (34,525) |
| Investment (gains) losses | 670,615 | (1,411,748) |
| Contributions restricted for endowments | - | (266,487) |
| Provision for doubtful contributions | (1,247) | 33,540 |
| Changes in operating assets | | |
| Contributions receivable | (944,381) | 950,968 |
| Other receivables | (2,153) | - |
| Other assets | 6,309 | (659) |
| Changes in operating liabilities | | |
| Accounts payable and accrued expenses | 29,941 | 5,772 |
| Program grants payable | 866,240 | 510,049 |
| Net Cash Flows Provided by Operating Activities | \$ 450,405 | \$ 20,476 |

See accompanying notes to financial statements.

Fulcrum Foundation

Notes to Financial Statements

1. Organization and Significant Accounting Policies

Organization

Fulcrum Foundation (the “Foundation”) is a not for profit corporation that directly or indirectly provides financial assistance to Catholic schools in the Archdiocese of Seattle (the “Archdiocese”), primarily through tuition assistance, school partnership grants, and leadership grants for initiatives that promote academic excellence and faith formation. The Archbishop of Seattle is the sole member and appoints the Foundation’s Board of Trustees.

Income Taxes

The Foundation is an independent Section 501(c)(3) member corporation and is exempt from federal income taxes.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from the estimated amounts.

The valuation of alternative investments, the discount on contributions receivable, the estimate of the allowance for doubtful contributions, the amount of funds held in trust by others, and the payable to beneficiaries are significant estimates, and it is reasonably possible that the estimates will change in the near term, which would affect future financial statements.

Financial Statement Presentation

The Foundation reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Revenue Recognition

Contributions and bequests received are recorded depending on the existence and/or nature of any donor restrictions. Restricted contributions and bequests are then reclassified to net assets without donor restrictions when the restrictions are met.

Contribution revenues are recognized when the pledge is made.

Bequests are recognized when the Foundation is informed that it will receive a bequest and the amount to be received is known by the Foundation, which is generally after completion of the probate process.

Fulcrum Foundation
Notes to Financial Statements

Contribution and bequest revenue consist of the following for the years ended June 30:

| | 2020 | 2019 |
|--|--------------|--------------|
| Contributions | \$ 1,626,537 | \$ 1,452,495 |
| Change in discount | 51,847 | (43,506) |
| Change in allowance for doubtful contributions | 5,874 | (50,103) |
| | \$ 1,684,258 | \$ 1,358,886 |

Special event revenue from the Celebration of Light consists of the following for the years ended June 30:

| | 2020 | 2019 |
|---|--------------|--------------|
| Celebration of Light revenue | \$ 2,186,246 | \$ 1,981,132 |
| Celebration of Light expenses | (350,535) | (154,836) |
| Change in allowance for doubtful accounts | (4,627) | 17,221 |
| | \$ 1,831,084 | \$ 1,843,517 |

Capital Campaign Contributions

A multi-year capital campaign is ongoing to raise funds for tuition assistance, direct support to Catholic schools, and for the development of transformational Catholic school leaders.

Capital campaign contributions consist of the following for the years ended June 30:

| | 2020 | 2019 |
|--|--------------|------------|
| Capital Campaign contributions | \$ 3,731,284 | \$ 664,803 |
| Change in discount | 54,662 | 39,757 |
| Change in allowance for doubtful contributions | - | (658) |
| | \$ 3,785,946 | \$ 703,902 |

Contributions and bequests, and Capital Campaign contributions to the Foundation will vary from year to year given the cyclical nature of annual fundraising and grant making.

Fulcrum Foundation

Notes to Financial Statements

Net Assets without Donor Restrictions

Net assets without donor restrictions consist of undesignated amounts and amounts designated for specific purposes. Net assets without donor restrictions consist of the following at June 30:

| | 2020 | 2019 |
|--|---------------------|---------------------|
| Undesignated | \$ 1,210,401 | \$ 1,392,157 |
| Designated primarily for tuition assistance grants, school partnership grants, and operations | 2,232,573 | 2,420,530 |
| Designated for endowment | 3,851,718 | 4,045,512 |
| | \$ 7,294,692 | \$ 7,858,199 |

Net Assets with Donor Restrictions

Net assets with donor restrictions consist of unexpended contributions restricted in perpetuity, or for particular purposes or time periods. Net assets with perpetual donor restrictions consist of contributions (e.g., endowments), the principal of which is restricted in perpetuity and the income from which is utilized for the purpose specified by the donor. Net assets with donor restrictions consist of the following at June 30:

| | 2020 | 2019 |
|--|----------------------|----------------------|
| Net Assets with Perpetual Donor Restrictions | | |
| Endowment funds with earnings restricted for: | | |
| Tuition assistance | \$ 14,706,894 | \$ 14,304,606 |
| School partnership grants | 6,350,611 | 6,506,400 |
| Pierce County schools | 3,795,096 | 3,747,596 |
| General operations | 149,140 | 131,012 |
| | 25,001,741 | 24,689,614 |
| Funds held in trust by others, restricted for endowment, earnings to be used for tuition assistance | 112,624 | 130,258 |
| Contributions receivable for endowment with earnings restricted for: | | |
| Tuition assistance | 1,289,699 | 1,533,474 |
| School partnership grants | 948,726 | 932,528 |
| Pierce County schools | 125,000 | 160,540 |
| | 2,363,425 | 2,626,542 |
| | 27,477,790 | 27,446,414 |
| Net Assets with Donor Restrictions for Purpose | | |
| Tuition assistance | 9,024,544 | 10,110,793 |
| School partnership grants | 3,794,637 | 2,149,747 |
| Pierce County schools | 1,649,843 | 1,928,360 |
| Leadership grants | 942,388 | 1,040,223 |
| | 15,411,412 | 15,229,123 |
| Net Assets with Donor Restrictions for Time | 810,481 | 605,713 |
| | \$ 43,699,683 | \$ 43,281,250 |

Fulcrum Foundation

Notes to Financial Statements

Net assets with donor restrictions for tuition assistance include \$7,638,983 and \$8,715,557 of endowment earnings and \$816,545 and \$862,259 of time restrictions for the years ended June 30, 2020 and 2019, respectively.

Net assets with donor restrictions for school partnership grants include \$803,227 and \$943,709 of endowment earnings and \$936,501 and \$70,360 of time restrictions for the years ended June 30, 2020 and 2019, respectively.

Net assets with donor restrictions for Pierce County schools include \$1,630,738 and \$1,908,976 of endowment earnings for the years ended June 30, 2020 and 2019, respectively, and \$3,333 of time restrictions for both the years ended June 30, 2020 and 2019.

Net assets with donor restrictions for leadership grants include \$171,320 and \$259,671 of time restrictions for the years ended June 30, 2020 and 2019, respectively.

Functional Allocation of Expenses

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

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include rent and insurance, which are allocated based on estimated usage of square footage, as well as salaries and related expenses, and other expenses, which are allocated on the basis of estimates of time and effort.

Donated Services

A significant number of people have donated time to the Foundation. The donated services do not meet the requirements for recognition in the financial statements and have not been recorded.

Cash and Cash Equivalents

For purposes of cash flows, the Foundation considers cash in checking, savings, and money market accounts to be cash unless these accounts are included as part of investments. At times, the Foundation has deposits in excess of insured limits.

Investments, Irrevocable Trust Investments, and Investment Income Recognition

The Foundation's investments and irrevocable trust investments consist of publicly traded mutual funds, non-publicly traded mutual funds and funds of funds, and private equity funds.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Unrealized gains and losses are included in the change in net assets.

The Foundation's policy is to sell donated stock within 90 days. Consequently, proceeds from the sale of donated stock are reported as part of cash flows from operations (cash received from donors).

Fulcrum Foundation

Notes to Financial Statements

Fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels that prioritize the inputs used in measuring fair value as follows:

Level 1: Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: Situations where there is little or no market data, which require the reporting entity to develop its own assumptions.

The classification of an asset's or liability's measurement within the fair value hierarchy is based on the lowest level of any input that is significant to that fair value measurement.

The following is a description of the valuation methodologies used for investments, including a general description of the Foundation's investments. The tables in Notes 3 and 4 present the Foundation's investment composition as of June 30, 2020 and 2019.

Common Stock and Mutual Funds - Publicly Traded

Common stock and mutual funds that are publicly traded are recorded at fair value based on quoted prices in active markets and are classified within Level 1 of the fair value hierarchy.

Alternative Investments - Non-Publicly Traded

Alternative investments typically have lower correlation to and tend to behave differently than typical stock and bond investments. The Foundation invests in them to provide broader diversification, reduce risk, and enhance returns.

- **Hedge Funds:** Hedge funds seek to provide diversification relative to traditional stocks and bonds. They seek to outperform fixed income with less downside risk and volatility than equities.
- **Private Equity:** Private equity seeks to generate a higher return than public equity with comparable levels of risk but less liquidity. Private equity includes investments in buyouts, venture capital, and special situations.
- **Real Assets:** Real assets include investments in private real estate and private natural resources and infrastructure. Real assets seek to generate returns comparable to stocks while providing inflation protection. They can be both liquid and illiquid.

Hedge Funds of Funds ("Funds") - These investments (see Note 3) are reported at net asset value ("NAV") provided by the administrators of the funds, which is a practical expedient to fair value. NAV is based on the value of the underlying assets, less any liabilities, and then divided by the number of shares outstanding. The Funds may be liquidated periodically, ranging from quarterly to triennially, depending on the provisions of the respective Fund's governing agreement. Investment and liquidation of the Funds are executed at NAV within one year of the statement of financial position. The underlying investments of the Funds include private investment funds that may invest in equity securities, debt securities, derivatives, or other financial instruments. There are no unfunded commitments. Investments held for Catholic schools do not include any hedge funds of funds.

Fulcrum Foundation

Notes to Financial Statements

Private Equity, Private Real Estate, and Private Natural Resources Investments - These investments, for which quoted market prices are not available, are reported using NAV provided by the administrators of the funds, which is a practical expedient to fair value. The administrators' estimates of NAV are based on the value of the underlying assets as reported by the investment managers of the partnerships, less any liabilities, and then divided by the number of shares outstanding. Private real estate investments may be redeemed quarterly. Private equity and private natural resources investments generally cannot be redeemed, and distributions are received from the funds typically upon liquidation of the underlying assets within the funds' portfolios. Investments held for Catholic schools do not include any private equity, private real estate, or private natural resources investments.

Program Grants Payable

Program grants payable are reported as an expense and liability when the unconditional award is made. Program grants payable represents payments to be made to Catholic schools for tuition assistance, school partnership grants, and leadership grants for initiatives that promote academic excellence and faith formation.

Custodial Assets and Liabilities

The Foundation serves a custodial function for Catholic schools' endowments in the Archdiocese. The investment balances and related custodial liabilities are increased to reflect investment gains and the fair values of additional contributions of funds by the Catholic schools to their endowments. Distributions from endowments and investment losses result in reductions of the investment accounts and the corresponding custodial liabilities. In addition, administrative fees of \$57,342 and \$55,142 were charged to these accounts for administrative services provided by the Archdiocese for the years ended June 30, 2020 and 2019, respectively. The custodial liabilities are equal to the fair value of related assets. The changes in the values of the custodial assets and liabilities are not reflected in the statements of activities.

Total investment gains allocated to custodial accounts for the years ended June 30, 2020 and 2019, totaled \$1,001,537 and \$2,893,870, respectively.

Split-Interest Agreements

The Foundation receives contributions in the form of irrevocable split-interest agreements. These agreements include charitable remainder trusts, which include an agreement for which the Foundation acts as trustee and holds the assets, as well as three agreements where the Foundation has an interest in the trust but is not the trustee. When the trust's obligations to all beneficiaries expire, the remaining assets will be received by the Foundation.

Fulcrum Foundation

Notes to Financial Statements

The Foundation recognizes the net present value (which approximates fair value) of those trusts where the Foundation is not the trustee as beneficial interests (“funds held in trust by others”) and revenue. Where the Foundation is the trustee, the assets (“irrevocable trust investments”) are recorded at fair value. The fair value of the distributions expected to be paid to the beneficiaries over the term of the trust is recorded as a liability (“payable to beneficiaries”) and the difference is recorded as contribution revenue. The discount rates used to compute the present value of these beneficial interests and liabilities range from 5% to 7% and the discount periods are based on Internal Revenue Service actuarial tables. As required by accounting principles generally accepted in the United States of America, discount rates are estimated based on the underlying asset mix and estimated maturity of the gifts. These are Level 3 inputs in the fair value hierarchy.

Changes to the present value of funds held in trust by others were the result of the following:

| | Balance at June 30, 2018 | Unrealized Gain (Loss) | Increase in Balance Due to Decrease in Discount Period | Balance at June 30, 2019 |
|---|-----------------------------|---------------------------|---|-----------------------------|
| Funds held in trust by others | \$ 183,323 | \$ 6,028 | \$ 1,363 | \$ 190,714 |
| Funds held in trust by others held for endowment | 126,396 | (3,672) | 7,534 | 130,258 |
| Total | \$ 309,719 | \$ 2,356 | \$ 8,897 | \$ 320,972 |

| | Balance at June 30, 2019 | Unrealized Loss | Increase in Balance Due to Decrease in Discount Period | Distributions | Balance at June 30, 2020 |
|--|-----------------------------|--------------------|---|--------------------|-----------------------------|
| Funds held in trust by others | \$ 190,714 | \$ (1,325) | \$ 5,728 | \$ - | \$ 195,117 |
| Funds held in trust by others held for endowment | 130,258 | (11,687) | 43,063 | (49,010) | 112,624 |
| Total | \$ 320,972 | \$ (13,012) | \$ 48,791 | \$ (49,010) | \$ 307,741 |

Changes to the present value of amount payable to beneficiaries were the result of the following:

| | Balance at June 30, 2018 | Payments | Increase in Payable Due to Decrease in Discount Period | Balance at June 30, 2019 |
|---------------------------|-----------------------------|-------------|---|-----------------------------|
| Payable to beneficiaries | \$ 425,532 | \$ (50,000) | \$ 37,674 | \$ 413,206 |
| Less: Current portion | (50,000) | | | (50,000) |
| Noncurrent Portion | \$ 375,532 | | | \$ 363,206 |

Fulcrum Foundation
Notes to Financial Statements

| | Balance at June 30, 2019 | Payments | Increase in Payable Due to Decrease in Discount Period | Balance at June 30, 2020 |
|---------------------------|-----------------------------|-------------|---|-----------------------------|
| Payable to beneficiaries | \$ 413,206 | \$ (50,000) | \$ 37,302 | \$ 400,508 |
| Less: Current portion | (50,000) | | | (50,000) |
| Noncurrent Portion | \$ 363,206 | | | \$ 350,508 |

Amortization of the related discount and revaluation of expected cash flows are recognized as changes in the value of split-interest agreements in the year in which they occur.

Concentration

At June 30, 2020, 64% of undiscounted contributions receivable were due from four donors. At June 30, 2019, 67% of undiscounted contributions receivable were due from three donors.

Revenue from two donors represented 25% of undiscounted contributions for the year ended June 30, 2020. Revenue from one donor represented 12% of undiscounted contributions for the year ended June 30, 2019.

Reclassifications

Certain items from the June 30, 2019, financial statements have been reclassified to conform to the current-year presentation. These reclassifications had no impact on net assets or changes in net assets as previously reported.

Subsequent Events

Management of the Foundation has evaluated subsequent events through the date these financial statements were available to be issued, which was October 19, 2020.

2. Liquidity and Availability of Resources

The Foundation receives contributions and bequests without donor restrictions, and with donor restrictions for specific purposes consistent with the mission of the Foundation, or to establish or increase endowments to exist in perpetuity. The income generated from such endowments is used as directed by the donors and in a manner consistent with the Foundation's spending policies.

The Foundation considers contributions without donor restrictions, appropriated earnings from donor-restricted endowments, investment income without donor restrictions, and contributions with donor restrictions for use in current programs (tuition assistance, school grants, and leadership grants) to be available to meet cash needs for general expenditures. General expenditures include administrative expenses, fundraising expenses, program expenses, and grants/donations for program purpose. As such, board-designated funds for reserves and other purposes are considered available for general expenditure at June 30, 2020 and 2019.

Fulcrum Foundation

Notes to Financial Statements

A summary of the Foundation's financial assets available for general expenditures within one year as of June 30, 2020 and 2019, is as follows:

| | 2020 | 2019 |
|--|----------------------|---------------------|
| Cash | \$ 4,155,695 | \$ 3,763,855 |
| Foundation investments | 6,901,888 | 5,630,969 |
| Current portion of contributions receivable | 1,198,196 | 426,314 |
| Other receivables | 2,153 | - |
| Financial Assets Available for General Expenditures | 12,257,932 | 9,821,138 |
| Less: Restricted gifts not available within one year | (140,672) | (260,461) |
| Financial Assets Available to Meet General Expenditures Within One Year | \$ 12,117,260 | \$ 9,560,677 |

The Foundation board-designated endowment funds of \$3,851,718 as of June 30, 2020, are subject to an annual spending rate as described in Note 7. Although the Foundation does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary. Board-designated endowment funds are not included in the table above.

The Foundation holds \$54,849,584 and \$52,887,139 in cash and investments on behalf of the Archdiocesan schools as of June 30, 2020 and 2019, respectively. These amounts are held as custodial amounts and are not available for general expenditures of the Foundation.

3. Investments

Current Foundation investments consist of the following at June 30:

| | 2020 | 2019 |
|---|---------------------|---------------------|
| Money Market Funds | \$ 1,253,752 | \$ 1,095,600 |
| Mutual Funds - Publicly Traded | | |
| Fixed income | | |
| Intermediate-term bond funds | 2,484,697 | 2,293,865 |
| Short-term bond funds | 864,673 | 829,393 |
| Inflation-protected bond funds | 606,377 | 560,245 |
| International bond fund | 251,845 | 268,161 |
| Mixed assets | | |
| Multi-alternative funds | 595,398 | 583,705 |
| Total Mutual Funds - Publicly Traded | 4,802,990 | 4,535,369 |
| Funds Pending Purchase | 845,146 | - |
| Total Current Foundation Investments | \$ 6,901,888 | \$ 5,630,969 |

Fulcrum Foundation
Notes to Financial Statements

Foundation investments held for endowment consist of the following at June 30:

| | 2020 | 2019 |
|--|----------------------|----------------------|
| Money Market Funds | \$ 3,697 | \$ - |
| U.S. Large Cap Common Stock | 7,786,678 | - |
| International Common Stock | 4,719,000 | - |
| Mutual Funds - Publicly Traded | | |
| Fixed income | | |
| Intermediate-term bond funds | 4,320,294 | 3,014,328 |
| Emerging market bond fund | 751,980 | 774,644 |
| Short-term bond funds | 750,283 | 752,175 |
| Inflation-protected bond funds | - | 1,130,949 |
| Equity | | |
| Emerging market funds | 2,467,384 | 2,157,748 |
| U.S. equity funds | 1,953,320 | 8,541,698 |
| Developed international small cap fund | 1,164,953 | 6,089,358 |
| International equity funds | - | 1,097,603 |
| Natural resources fund | - | 619,807 |
| Real estate | | |
| Real estate funds | 1,136,024 | 1,228,921 |
| Total Mutual Funds - Publicly Traded | 12,544,238 | 25,407,231 |
| Alternative Investments | | |
| Hedge funds of funds | 7,087,373 | 7,797,145 |
| Private equity | 5,116,494 | 4,340,266 |
| Private real estate | 1,500,020 | 1,526,488 |
| Private natural resources | 987,919 | 1,232,038 |
| Total Alternative Investments | 14,691,806 | 14,895,937 |
| Funds Pending Distribution | (845,146) | - |
| Total Foundation Investments Held for Endowment | \$ 38,900,273 | \$ 40,303,168 |

Fulcrum Foundation
Notes to Financial Statements

Custodial investments held for Catholic Schools consist of the following at June 30:

| | 2020 | 2019 |
|--|----------------------|----------------------|
| Money Market Funds | \$ 57,361 | \$ - |
| U.S. Large Cap Common Stock | 14,115,674 | - |
| International Common Stock | 10,573,654 | - |
| Mutual Funds - Publicly Traded | | |
| Fixed income | | |
| Intermediate-term bond funds | 10,170,024 | 8,094,717 |
| Short-term bond funds | 2,147,161 | 2,005,533 |
| Emerging market bond fund | 1,792,043 | 1,778,428 |
| Inflation-protected bond funds | - | 1,698,747 |
| Equity | | |
| Emerging market funds | 3,881,299 | 3,358,016 |
| U.S. equity funds | 3,148,099 | 14,686,412 |
| Developed international small cap fund | 2,020,784 | 12,059,584 |
| International equity fund | - | 1,520,812 |
| Natural resources fund | - | 935,170 |
| Mixed assets | | |
| Multi-alternative funds | 5,299,836 | 5,081,892 |
| Real estate | | |
| Real estate funds | 1,643,649 | 1,667,828 |
| Total Mutual Funds - Publicly Traded | 30,102,895 | 52,887,139 |
| Total Custodial Investments held for Catholic Schools | \$ 54,849,584 | \$ 52,887,139 |

Redemption and funding commitments for alternative investments are as follows for the years ended June 30:

| | June 30, 2020 Balance | Unfunded Commitments | Redemption Frequency | Redemption Notice |
|---------------------------|--------------------------|-------------------------|--------------------------|----------------------|
| Hedge fund of funds | \$ 7,087,373 | \$ - | quarterly to triennially | 95-180 days |
| Private equity funds | 5,116,494 | 4,238,978 | illiquid (>5 years) | N/A |
| Private real estate | 1,500,020 | - | quarterly | 75 days |
| Private natural resources | 987,919 | 702,407 | illiquid (>5 years) | N/A |
| | \$ 14,691,806 | \$ 4,941,385 | | |

Fulcrum Foundation

Notes to Financial Statements

4. Irrevocable Trust Investments

Irrevocable trust investments are all valued using Level 1 inputs and consist of the following at June 30:

| | 2020 | 2019 |
|--|---------------------|---------------------|
| Money Market Fund | \$ 199 | \$ 1,217 |
| Mutual Funds - Publicly Traded | | |
| Fixed income | | |
| Intermediate bond funds | 137,564 | 149,100 |
| Inflation-protected bond fund | 33,985 | 33,920 |
| Short-term bond fund | 30,238 | 30,875 |
| Emerging markets bond fund | 30,338 | 31,622 |
| Equity | | |
| U.S. equity funds | 347,667 | 306,282 |
| International equity funds | 200,737 | 244,962 |
| Emerging markets funds | 82,566 | 68,041 |
| Developed international small cap fund | 39,502 | 29,692 |
| Natural resource fund | - | 17,997 |
| Mixed assets | | |
| Multi-alternative funds | 98,853 | 97,690 |
| Real estate | | |
| Real estate funds | 27,107 | 35,990 |
| Total Mutual Funds | 1,028,557 | 1,046,171 |
| Total Irrevocable Trust Investments | \$ 1,028,756 | \$ 1,047,388 |

5. Related-Party Transactions

During the years ended June 30, 2020 and 2019, the Foundation received contributions of \$5,250 and \$4,500, respectively, from the Archdiocese. As of both June 30, 2020 and 2019, the Foundation has pledges receivable due from the Archdiocese amounting to \$2,500.

In April 2020, the Foundation partnered with the Archdiocese and Catholic Community Services and Housing Services (CCS/CHS) to raise funds to offset the impact of COVID-19 on our schools, parishes, and other relief work and ministries. Fulcrum was allocated 40% of amounts raised to support schools. As of June 30, 2020, Fulcrum received \$772,640 as their share of the funds collected (all joint gifts were received and processed by the Archdiocese and distributed to the other partners).

In addition, the Archdiocese provided \$250,000 of support that was passed through the Foundation to Catholic schools during the year ended June 30, 2019. This support is not recognized as contribution revenue by the Foundation on the statements of activities. There was no support provided by the Archdiocese that was passed through the Foundation to Catholic Schools during the year ended June 30, 2020.

Fulcrum Foundation

Notes to Financial Statements

The Foundation had amounts due to the Archdiocese for allocated administrative charges amounting to \$40 and \$18,342 at June 30, 2020 and 2019, respectively.

The Foundation paid the Archdiocese \$40,658 and \$28,858 for administrative services during the years ended June 30, 2020 and 2019, respectively.

The Foundation's office space is rented from the Archdiocese. Rent expense was \$44,392 and \$44,692 for the years ended June 30, 2020 and 2019, respectively.

Undiscounted contributions receivable from Board members amounted to \$1,122,784 and \$1,399,884 at June 30, 2020 and 2019, respectively. Revenue recognized from Board member contributions amounted to \$125,689 and \$106,413 for the years ended June 30, 2020 and 2019, respectively. Cash received related to these contributions totaled \$176,389 and \$231,677 for the years ended June 30, 2020 and 2019, respectively.

6. Contributions Receivable

Unconditional promises to give are as follows at June 30:

| | 2020 | 2019 |
|---|---------------------|---------------------|
| Receivable in less than one year | \$ 1,605,417 | \$ 875,429 |
| Receivable in one to five years | 1,117,665 | 1,292,898 |
| Thereafter | 2,060,184 | 2,040,184 |
| | 4,783,266 | 4,208,511 |
| Less: Allowance for doubtful contributions | (61,500) | (62,747) |
| Less: Discount at rates from 3.00% to 4.59% | (436,273) | (542,782) |
| Net Unconditional Promises to Give | \$ 4,285,493 | \$ 3,602,982 |

Receivables restricted for endowment that are expected to be collected in the next year are considered to be noncurrent assets. Contributions receivable are recorded in the statements of financial position as of June 30, 2020 and 2019, as follows:

| | 2020 | 2019 |
|--------------------------|---------------------|---------------------|
| Current | \$ 1,198,196 | \$ 426,314 |
| Long-term | 723,872 | 550,126 |
| Restricted for endowment | 2,363,425 | 2,626,542 |
| | \$ 4,285,493 | \$ 3,602,982 |

7. Endowment

The Foundation's endowment consists of 24 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments ("quasi-endowments"). As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds,

Fulcrum Foundation

Notes to Financial Statements

including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the Foundation has interpreted the State of Washington 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 perpetual donor restrictions (a) the original value of gifts donated to the donor-restricted endowment, plus (b) the original value of subsequent gifts to the donor-restricted endowment and accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with perpetual donor restrictions is classified as net assets with donor restrictions for purpose until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

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

Endowment net assets, which include cash of \$26,134 and \$200 at June 30, 2020 and 2019, respectively, consist of the following:

| | Without Donor Restrictions | With Donor Restrictions for Purpose | With Perpetual Donor Restrictions | Total |
|--|----------------------------------|---|---|----------------------|
| <i>June 30, 2020</i> | | | | |
| Donor-restricted endowment funds | \$ - | \$ 10,072,948 | \$ 25,001,741 | \$ 35,074,689 |
| Board-designated quasi-endowment funds | 3,851,718 | - | - | 3,851,718 |
| Total Funds | \$ 3,851,718 | \$ 10,072,948 | \$ 25,001,741 | \$ 38,926,407 |

| | Without Donor Restrictions | With Donor Restrictions for Purpose | With Perpetual Donor Restrictions | Total |
|--|----------------------------------|---|---|----------------------|
| <i>June 30, 2019</i> | | | | |
| Donor-restricted endowment funds | \$ - | \$ 11,568,242 | \$ 24,689,614 | \$ 36,257,856 |
| Board-designated quasi-endowment funds | 4,045,512 | - | - | 4,045,512 |
| Total Funds | \$ 4,045,512 | \$ 11,568,242 | \$ 24,689,614 | \$ 40,303,368 |

Fulcrum Foundation
Notes to Financial Statements

Changes in endowment net assets are as follows:

| <i>Year Ended June 30, 2020</i> | Without Donor Restrictions | With Donor Restrictions for Purpose | With Perpetual Donor Restrictions | Total |
|---|----------------------------------|---|---|---------------|
| Endowment Net Assets , beginning of year | \$ 4,045,512 | \$ 11,568,242 | \$ 24,689,614 | \$ 40,303,368 |
| Investment Return | | | | |
| Investment income | 65,970 | 592,587 | - | 658,557 |
| Net depreciation (realized and unrealized) | (80,408) | (706,086) | - | (786,494) |
| Total Investment Return | (14,438) | (113,499) | - | (127,937) |
| Contributions | - | - | 312,127 | 312,127 |
| Distributions to operations | (179,356) | (1,381,795) | - | (1,561,151) |
| Endowment Net Assets , end of year | \$ 3,851,718 | \$ 10,072,948 | \$ 25,001,741 | \$ 38,926,407 |

| <i>Year Ended June 30, 2019</i> | Without Donor Restrictions | With Donor Restrictions for Purpose | With Perpetual Donor Restrictions | Total |
|---|----------------------------------|---|---|---------------|
| Endowment Net Assets , beginning of year | \$ 3,884,721 | \$ 11,067,901 | \$ 24,087,550 | \$ 39,040,172 |
| Investment Return | | | | |
| Investment income | 89,700 | 819,508 | - | 909,208 |
| Net appreciation (realized and unrealized) | 138,424 | 1,158,375 | - | 1,296,799 |
| Total Investment Return | 228,124 | 1,977,883 | - | 2,206,007 |
| Contributions | - | - | 602,064 | 602,064 |
| Transfers in | 100,000 | - | - | 100,000 |
| Distributions to operations | (167,333) | (1,477,542) | - | (1,644,875) |
| Endowment Net Assets , end of year | \$ 4,045,512 | \$ 11,568,242 | \$ 24,689,614 | \$ 40,303,368 |

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor specified period, as well as quasi-endowment funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested with the objective of yielding returns that will permit for adequate growth in principal, to provide the same benefit for future generations adjusted for inflation with an acceptable level of risk and asset selections that are consistent with Catholic values. Inflation for this purpose is presently estimated to be 2.5%. Allocations of endowment investments will change over time as circumstances, investment performance, economic, and other conditions change.

Fulcrum Foundation

Notes to Financial Statements

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 the Spending Policy

The Foundation has a policy of appropriating for distribution each year an amount based on a Hybrid Method that the Foundation believes will reduce the volatility of annual spending provided to the Foundation for its operational needs. The Hybrid Method uses 70% of the Foundation's prior year spending and increases it by 2.5%. That amount is then added to 30% of the ending market value of the portfolio times 4.25% to calculate the total current year's spending amount. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity for a specified term, as well as to provide additional real growth through new gifts and investment return. Investment returns depend on many factors and there can be no assurance that the planned returns will be achieved.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in net assets with donor restrictions. At June 30, 2020, funds with an original gift value of \$199,140, fair value of \$190,157, and a deficiency of \$8,983 were reported in net assets with donor restrictions. At June 30, 2019, a fund with an original gift value of \$131,012, fair value of \$129,236, and a deficiency of \$1,776 was reported in net assets with donor restrictions. The Foundation may temporarily reduce spending from these donor-restricted endowment funds until the deficit is recovered.

8. CARES Act

On March 27, 2020, President Trump signed into law the "Coronavirus Aid, Relief, and Economic Security (CARES) Act." The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property.

It also appropriated funds for the SBA Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. In April 2020, the Foundation was awarded a \$157,947 SBA Paycheck Protection Program loan, which is forgivable if the Foundation complies with the provisions of the SBA Paycheck Protection Program. The loan is unsecured and bears interest at 1%. Monthly principal and interest payments of \$8,890 are due beginning on November 30, 2020, and continue until the loan matures on April 30, 2022. The Foundation expects to qualify for at least a portion of the loan to be forgiven.

Fulcrum Foundation

Notes to Financial Statements

9. Risks and Uncertainties

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Foundation’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Foundation is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

Although the Foundation cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material adverse effect on the Foundation’s results of future operations, financial position, and liquidity in fiscal year 2021.