

APPROVED

**CATHOLIC FOUNDATION OF
SOUTHERN MINNESOTA**

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS'
REPORT**

JUNE 30, 2020 AND 2019

CATHOLIC FOUNDATION OF SOUTHERN MINNESOTA

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Catholic Foundation of Southern Minnesota
Winona, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of Catholic Foundation of Southern Minnesota (the "Foundation") (a nonprofit Foundation), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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 Catholic Foundation of Southern Minnesota'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 Foundation'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 Catholic Foundation of Southern Minnesota as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

La Crosse, Wisconsin
_____, 2020

APPROVED

**CATHOLIC FOUNDATION OF SOUTHERN
MINNESOTA**

FINANCIAL STATEMENTS

CATHOLIC FOUNDATION OF SOUTHERN MINNESOTA
STATEMENTS OF FINANCIAL POSITION

APPROVED

<u>ASSETS</u>	JUNE 30,	
	2020	2019
Cash and cash equivalents	\$ 41,272	\$ 44,350
Pledges receivables, net	234,867	404,356
Accounts receivable	37,203	394,976
Property and equipment, net	19,162	22,944
Cash and cash equivalents - restricted	1,356,012	1,371,002
Investments	24,274,268	24,094,999
TOTAL ASSETS	\$ 25,962,784	\$ 26,332,627
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 53,711	\$ 406,179
Funds held for others	13,124,274	12,717,436
Refundable advance (PPP Loan)	41,500	-
Pledge payable to Immaculate Heart of Mary Seminary - Phase 2, net	83,531	79,670
Pledges payable to other Catholic religious and charitable institutions within the geographic area of the Diocese - Rooted in Faith Campaign, net	-	19,503
TOTAL LIABILITIES	13,303,016	13,222,788
NET ASSETS		
Without donor restrictions	289,708	262,570
With donor restrictions	12,370,060	12,847,269
TOTAL NET ASSETS	12,659,768	13,109,839
TOTAL LIABILITIES AND NET ASSETS	\$ 25,962,784	\$ 26,332,627

The accompanying notes are an integral part of these statements.

CATHOLIC FOUNDATION OF SOUTHERN MINNESOTA
STATEMENTS OF ACTIVITIES

APPROVED

YEAR ENDED
 JUNE 30,

	2020			2019		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE AND OTHER SUPPORT						
Contributions	\$ 30,005	\$ 2,220,405	\$ 2,250,410	\$ 77	\$ 2,442,361	\$ 2,442,438
Service fee revenue	367,020	-	367,020	423,936	-	423,936
Shortfall assessments	-	-	-	-	311,616	311,616
Investment income, net of fees	35,401	107,051	142,452	51,734	266,175	317,909
Net assets released from restrictions	<u>2,804,665</u>	<u>(2,804,665)</u>	<u>-</u>	<u>3,017,420</u>	<u>(3,017,420)</u>	<u>-</u>
TOTAL REVENUE AND OTHER SUPPORT	<u>3,237,091</u>	<u>(477,209)</u>	<u>2,759,882</u>	<u>3,493,167</u>	<u>2,732</u>	<u>3,495,899</u>
EXPENSES						
Program Services	2,985,714	-	2,985,714	3,317,167	-	3,317,167
Management & general	<u>224,239</u>	<u>-</u>	<u>224,239</u>	<u>190,694</u>	<u>-</u>	<u>190,694</u>
TOTAL EXPENSES	<u>3,209,953</u>	<u>-</u>	<u>3,209,953</u>	<u>3,507,861</u>	<u>-</u>	<u>3,507,861</u>
CHANGE IN NET ASSETS	27,138	(477,209)	(450,071)	(14,694)	2,732	(11,962)
NET ASSETS, BEGINNING OF YEAR	<u>262,570</u>	<u>12,847,269</u>	<u>13,109,839</u>	<u>277,264</u>	<u>12,844,537</u>	<u>13,121,801</u>
NET ASSETS, END OF YEAR	<u>\$ 289,708</u>	<u>\$ 12,370,060</u>	<u>\$ 12,659,768</u>	<u>\$ 262,570</u>	<u>\$ 12,847,269</u>	<u>\$ 13,109,839</u>

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

CATHOLIC FOUNDATION OF SOUTHERN MINNESOTA**APPROVED****STATEMENT OF FUNCTIONAL EXPENSES****YEAR ENDED JUNE 30, 2020**

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>TOTAL</u>
Distributions to the Diocese	\$ 2,260,402	\$ -	\$ 2,260,402
Distributions to others	282,600	-	282,600
Distributions to parishes	186,810	-	186,810
Payroll	134,226	51,273	185,499
Payroll taxes	8,842	3,609	12,451
Health insurance	-	4,298	4,298
Retirement	6,739	3,011	9,750
Appeal expenses	-	-	-
Professional fees	8,473	74,647	83,120
Supplies	80,651	2,710	83,361
Financial institution fees	-	10,336	10,336
Insurance	4,298	8,464	12,762
Postage	12,035	1,615	13,650
Travel	-	7,184	7,184
Relocation	-	-	-
Website development and maintenance	-	2,850	2,850
Depreciation	-	3,782	3,782
Miscellaneous	638	50,460	51,098
TOTAL FUNCTIONAL EXPENSES	<u>\$ 2,985,714</u>	<u>\$ 224,239</u>	<u>\$ 3,209,953</u>

The accompanying notes are an integral part of these statements.

CATHOLIC FOUNDATION OF SOUTHERN MINNESOTA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

APPROVED

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	TOTAL
Distributions to the Diocese	\$ 2,449,764	\$ -	\$ 2,449,764
Distributions to others	261,909	-	261,909
Distributions to parishes	242,828	-	242,828
Payroll	133,909	21,257	155,166
Payroll taxes	9,352	1,644	10,996
Health insurance	12,356	19,218	31,574
Retirement	6,053	1,232	7,285
Appeal expenses	379	-	379
Professional fees	11,668	84,349	96,017
Supplies	170,294	25,239	195,533
Financial institution fees	-	10,988	10,988
Insurance	-	6,036	6,036
Postage	14,523	4,614	19,137
Travel	-	7,388	7,388
Relocation	-	324	324
Website development and maintenance	-	1,828	1,828
Depreciation	-	-	-
Miscellaneous	4,132	6,577	10,709
TOTAL FUNCTIONAL EXPENSES	<u>\$ 3,317,167</u>	<u>\$ 190,694</u>	<u>\$ 3,507,861</u>

The accompanying notes are an integral part of these statements.

CATHOLIC FOUNDATION OF SOUTHERN MINNESOTA
STATEMENTS OF CASH FLOWS

APPROVED

	YEAR ENDED	
	JUNE 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (450,071)	\$ (11,962)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	3,782	3,529
Allowance for uncollectible pledges receivable	(441,000)	186,900
Discount on pledges receivable	(2,060)	(34,800)
Net realized and unrealized losses (gains) on investments	96,305	(228,367)
Contributions restricted for investment in endowment	(1,200)	(52,150)
Change in assets and liabilities		
Decrease (increase) in assets		
Pledges receivable	612,549	1,789,461
Accounts receivable	357,773	(20,323)
Increase (decrease) in liabilities		
Refundable advance (PPP Loan)	41,500	-
Accounts payable and accrued liabilities	(352,471)	(147,141)
Funds held for others	406,838	(53,524)
Immaculate Heart of Mary Seminary - Phase 2 payable, net	801	78,070
Pledges payable to other Catholic religious and charitable institutions within the geographic area of the Diocese - Rooted in Faith Campaign, net	(16,443)	(2,074,347)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	256,303	(564,654)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,688,611)	(2,048,425)
Purchase of fixed assets	-	(26,473)
Proceeds on sales of investments	1,413,040	2,400,862
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(275,571)	325,964
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for endowment	1,200	52,150
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	(18,068)	(186,540)
CASH AND RESTRICTED CASH AT BEGINNING OF YEAR	1,415,352	1,601,892
CASH AND RESTRICTED CASH AT END OF YEAR	\$ 1,397,284	\$ 1,415,352
 <u>RECONCILIATION OF CASH AND RESTRICTED CASH PER STATEMENT OF CASH FLOWS TO THE STATEMENTS OF FINANCIAL POSITION</u>		
Cash - operations	\$ 41,272	\$ 44,350
Restricted cash	1,356,012	1,371,002
TOTAL CASH AND RESTRICTED CASH SHOWN IN THE STATEMENTS OF CASH FLOWS	\$ 1,397,284	\$ 1,415,352

The accompanying notes are an integral part of these statements.

CATHOLIC FOUNDATION OF SOUTHERN MINNESOTA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

APPROVED

NOTE 1 - Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities:

The Catholic Foundation of Southern Minnesota (the "Foundation") is a nonprofit Foundation organized under Chapter 317A of the Minnesota Statutes. The Foundation is organized and shall be operated exclusively for religious, charitable, and educational purposes within the geographical boundaries of the Diocese of Winona - Rochester (the "Diocese") located in southern Minnesota. The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Summary of Significant Accounting Policies:

Basis of Accounting - The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation - The accompanying financial statements are prepared in accordance with the accounting principles generally accepted in the United States of America (U.S. GAAP) as codified by the Financial Accounting Standards Board.

The Foundation is required to report information regarding its net assets and activities based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets and without donor restrictions, net assets for the education of priests and seminarians.
- *Net Assets With Donor Restrictions* - Net assets subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Accounting Pronouncements Adopted - As of January 1, 2019, the Foundation adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Results for reporting year ended December 31, 2019 are presented under FASB ASC Topic 606. The ASU has been applied retrospectively to all periods presented, with no effect on net assets or previously issued financial statements. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

During the year, the Foundation also adopted FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958), which clarifies how entities should characterize grants and similar contracts with government agencies and others. It will assist entities in evaluating whether transactions are reciprocal exchange transactions or contributions and if they are conditional or unconditional contributions. The Foundation has adjusted the presentation of these statements accordingly. Results for reporting the year ended December 31, 2019 are presented under FASB ASU 2018-08. The comparative information has not been restated and continues to be reported under the accounting standards in effect in those reporting periods. There was no material impact to the financial statements as a result of adoption. Accordingly, no adjustment to opening net assets was recorded.

NOTE 1 - Nature of Activities and Summary of Significant Accounting Policies - Continued

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows: Restricted Cash* (Topic 230), which requires that the statement of cash flows explains the change during the period in the total of cash, cash equivalents, and restricted cash or restricted cash equivalents. The ASU has been applied retrospectively to all periods presented.

Cash and Cash Equivalents - The Foundation's cash and cash equivalents consist of cash on deposit with banks. For purposes of the statements of cash flows, the Foundation considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents. However, the Foundation does not consider cash, money market accounts, or certificates of deposits included as investments to be cash equivalents for the statements of cash flows. The Foundation does not have any cash equivalents as of June 30, 2020 and 2019.

Accounts Receivable - Receivables are stated at the amount the Foundation expects to collect from outstanding balances. Management provides for uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after the Foundation has used reasonable collection efforts are written off through a charge of the valuation allowance and a credit to accounts receivable. Management believes all receivables are collectible; accordingly, no allowance has been recorded.

Pledges Receivable - Unconditional pledges receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using bond interest rates applicable to the years in which the pledges are received. The discount is offset by a corresponding decrease of the related pledges payable to other Catholic religious and charitable institutions within the geographic area of the Diocese listed in the Rooted in Faith Campaign Case Statement and the Immaculate Heart of Mary Seminary - Phase 2 Campaign as described in Note 9. Conditional pledges receivable are not included as support until the conditions are substantially met. Management provides for uncollectible amounts through an adjustment to a valuation allowance based on its assessment of the current status of individual pledges. This allowance is offset by a corresponding decrease of the related pledges payable to Foundations listed in the Rooted in Faith Campaign case statement and Immaculate Heart of Mary Seminary - Phase 2 Campaign as described in Note 9.

Restricted Cash and Cash Equivalents - Restricted cash and cash equivalents consist of deposits held in financial institutions that are donor designated or custodial funds.

Investments - Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statements of financial position.

The aggregate of (a) the unrealized appreciation (depreciation) in the fair value of investments during the year (b) the realized gains (losses) on sales of investments during the year (c) dividend income, and (d) interest income are reflected in investment return on the statements of activities.

Purchases and sales of securities are recorded on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statements of activities in the period in which the securities are sold. Dividends are recorded on the ex-dividend date.

CATHOLIC FOUNDATION OF SOUTHERN MINNESOTA

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2020 AND 2019

APPROVED

NOTE 1 - Nature of Activities and Summary of Significant Accounting Policies - Continued

Property and Equipment - All acquisitions of property and equipment in excess of \$5,000 with useful lives greater than one year are capitalized. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed on the straight-line method based on the following estimated useful lives:

<u>Asset</u>	<u>Life</u>
Furniture, fixtures and equipment	7 - 10 years
Vehicles	5 - 7 years

Fund Held for Others - The Foundation acts as an agent for other Catholic religious and charitable institutions within the geographic area of the Diocese by managing endowment funds and other assets for them. The Foundation is the custodian for several funds, subject to donor restrictions that are to exclusively benefit a named organization, and the Foundation serves as trustee of a number of charitable trusts. The investment income from funds held for others is distributed to various charities and individuals in accordance with the depositors' directions or donor restrictions as applicable.

Catholic Ministries Appeal - The Foundation's primary source of activity is from the Catholic Ministries Appeal (the "CMA"). The Foundation solicits donations for the Appeal beginning in the first quarter each year. Each parish within the Diocese has a fundraising goal. In the event a parish exceeds its goal, the Foundation distributes 100 percent of the excess to the parish in the form of a rebate. After July 1 of the Appeal year, the Board of Directors may approve grants to the Diocese of Winona - Rochester to reimburse the Diocese for expenditures that are consistent with the restricted purposes specifically designated in the Appeal solicitation materials. Appeal funds are recorded as net assets with donor restrictions on the accompanying statements of financial position.

Rooted in Faith Campaign - During the year ended June 30, 2013, the Foundation initiated a five-year, diocesan-wide campaign with a goal of raising \$30,200,000. The campaign was a combined campaign with the Pension Plan for the Priests of the Diocese of Winona - Rochester (Pension Plan), the Immaculate Heart of Mary Seminary (IHM), and the parishes of the Diocese of Winona - Rochester, in addition to including the 2013 Appeal. The funds raised for the Pension Plan, IHM and parishes are reported as agency transactions. The pledges receivable related to these transactions are reported as assets on the accompanying statements of financial position. A corresponding liability, "pledges payable to other Catholic religious and charitable institutions within the geographic area of the Diocese - Rooted in Faith Campaign," is recorded to reflect the obligation to the other Catholic religious and charitable institutions within the geographical areas of the Diocese of Winona - Rochester. The expenses related to the campaign are borne by the Pension Plan and IHM Seminary.

Revenue Recognition - The Foundation recognizes revenue in accordance with ASC 606, *Revenue from Contracts with Customers*, as amended. ASC 606 applies to exchange transactions and requires the Foundation to follow a five step process: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the Foundation satisfies a performance. The Foundation records the following exchange transaction revenue in its statements of activities and changes in net assets:

Administrative fees assessed to funds are based on an analysis of the fee structures used by 34 Catholic Foundations. Fees range from 1.00 to 1.25 percent and 0.75 and 1.25 percent as of June 30, 2020 and 2019, respectively, depending on the level of the involvement of Foundation staff to manage the funds.

NOTE 1 - Nature of Activities and Summary of Significant Accounting Policies - Continued

Contribution Recognition - Contributions are recognized in accordance with ASC 958-605, *Not-for-Profit Entities – Revenue Recognition - Contributions*. Contributions are recognized when received or unconditionally pledged. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions

In-Kind Contributions - The Foundation records the value of donated goods when there is an objective basis to measure the value. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. No significant contributions of such goods or services were received during the years ended June 30, 2020 and 2019.

Functional Expenses - The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. Those expenses include salaries and wages, benefits, payroll taxes, professional services and certain office expenses, which are allocated based on estimates of time and usage as determined by a time and cost study.

Advertising Costs - Advertising costs are expensed as incurred and totaled \$2,157 and \$3,848 for the years ended June 30, 2020 and 2019, respectively.

Tax Status - The Foundation is a not-for-profit Foundation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as a Foundation other than a private foundation by Section 509(a)(2). The Foundation is also exempt from state taxation.

Accounting for Uncertainty in Income Taxes - U.S. GAAP requires management to evaluate tax positions taken by the Foundation and recognize a tax liability (or asset) if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by a taxing authority. Management has analyzed the tax positions taken by the Foundation and has concluded that as of June 30, 2020 and 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Foundation is subject to routine audits by taxing jurisdictions, however, there are currently no audits in progress for any tax period. The Foundation will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred.

Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications - Certain accounts in the prior year financial statements have been reclassified for comparative purpose to conform to the presentation of the current year's financial statements.

Subsequent Events - The Foundation evaluated subsequent events through _____, 2020, the date which the financial statements were available to be issued.

CATHOLIC FOUNDATION OF SOUTHERN MINNESOTA
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2020 AND 2019

APPROVED

NOTE 2 - Concentration of Cash and Credit Risk

The Foundation may have deposits with a financial institution at times during the year that exceed the Federal Deposit Insurance Corporation (FDIC) insurance threshold of \$250,000. The amount of the accounting loss that the Foundation would have incurred had the financial institution not been able to return monies in excess of \$250,000 amounted to \$1,350,522 and \$1,078,257 as of June 30, 2020 and 2019, respectively. The Foundation does not require collateral or other security to support deposits subject to this credit risk.

NOTE 3 - Liquidity and Availability

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

	JUNE 30,	
	2020	2019
Cash and cash equivalents	\$ 41,272	\$ 44,350
Accounts receivable	37,203	394,976
Cash and cash equivalents - restricted	1,356,012	1,371,002
Investments	<u>24,274,268</u>	<u>24,094,999</u>
Total financial assets available within one year	25,708,755	25,905,327
Less amounts not available for general expenditure within one year:		
Net assets with donor restrictions	(12,370,060)	(12,847,269)
Funds held for others	(13,124,274)	(12,717,436)
Board designated net assets	<u>(21,763)</u>	<u>(19,638)</u>
TOTAL FINANCIAL ASSETS AVAILABLE TO MANAGEMENT FOR GENERAL EXPENDITURE WITHIN ONE YEAR	<u>\$ 192,658</u>	<u>\$ 320,984</u>

Liquidity Management

The Foundation maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Foundation's board-designated funds of \$21,763 as described in Note 12. Although the Foundation does not intend to spend from these board-designated funds (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.

NOTE 4 - Investments and Endowment Funds

The following is a summary of investments:

	JUNE 30, 2020		
	COST	FAIR VALUE	UNREALIZED (DEPRECIATION)
Money Market	\$ 44,378	\$ 44,378	\$ -
Common and Collective Funds	<u>24,266,733</u>	<u>24,229,890</u>	<u>(36,843)</u>
TOTAL INVESTMENTS	<u>\$ 24,311,111</u>	<u>\$ 24,274,268</u>	<u>\$ (36,843)</u>

CATHOLIC FOUNDATION OF SOUTHERN MINNESOTA
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2020 AND 2019

APPROVED

NOTE 4 - Investments and Endowment Funds - Continued

	JUNE 30, 2019		
	COST	FAIR VALUE	UNREALIZED APPRECIATION (DEPRECIATION)
Money Market	\$ 43,806	\$ 43,806	\$ -
Common and Collective Funds	23,916,420	23,855,985	(60,435)
CUIT Short Bond Fund	193,946	195,208	1,262
TOTAL INVESTMENTS	<u>\$ 24,154,172</u>	<u>\$ 24,094,999</u>	<u>\$ (59,173)</u>

The following schedule summarizes the investment return and its classification in the statements of activities.

	JUNE 30,	
	2020	2019
Interest and dividends, net of fees	\$ 172,273	\$ 215,886
Realized (loss) gain	(53,151)	8,910
Unrealized gain	23,330	93,113
TOTAL INVESTMENT RETURN	<u>\$ 142,452</u>	<u>\$ 317,909</u>

For the years ended June 30, 2020 and 2019, realized and unrealized (losses) gains of (\$66,484) and \$125,573, respectively, and interest income of \$167,707 and \$220,388, respectively, related to Funds Held for Others, are not included in the statements of activities. Investment income is \$243,675 and \$663,870 for all investments, including those that are held for others for the years ended June 30, 2020 and 2019, respectively.

NOTE 5 - Unconditional Promises to Give

The Foundation's pledges receivable consist of pledges to support the IHM Phase 2, Hearts on Fire, Gifts from the Heart, Catholic Ministries Appeal, St. Joachim Plainview Rectory, and the Rooted in Faith Campaigns. The aggregate collection of pledges receivable is as follows:

	JUNE 30,	
	2020	2019
Receivable in less than one year	\$ 197,007	\$ 812,714
Receivable in one to two years	40,300	37,142
Total pledges receivable	237,307	849,856
Less: Allowance for uncollectible pledges	(2,300)	(443,300)
Less: Discount to net present value	(140)	(2,200)
NET PLEDGE RECEIVABLES	<u>\$ 234,867</u>	<u>\$ 404,356</u>

Amounts due in less than one year are reported at net realizable value. Amounts receivable in one to two years are discounted at 0.225 and 1.840 percent as of June 30, 2020 and 2019, respectively, and approximate their fair value. The Rooted in Faith Campaign ended as of June 30, 2020.

CATHOLIC FOUNDATION OF SOUTHERN MINNESOTA
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2020 AND 2019

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NOTE 5 - Unconditional Promises to Give - Continued

The individual campaign balances are as follows:

	JUNE 30,	
	2020	2019
Seminarian Education Fund	\$ 1,050	\$ -
IHM Phase 2, net	42,960	61,600
Catholic Ministries Appeal	109,904	150,029
Rooted in Faith Campaign, net	-	13,930
Sacred Heart - Gifts from the Heart	8,052	75,208
IHM Hearts on Fire Campaign	500	300
St. Joachim Plainview Rectory	72,401	103,289
	<u>\$ 234,867</u>	<u>\$ 404,356</u>

NOTE 6 - Property and Equipment

A summary of property and equipment is as follows:

	JUNE 30,	
	2020	2019
Vehicles	\$ 21,228	\$ 21,228
Equipment	5,245	5,245
TOTAL PROPERTY AND EQUIPMENT	26,473	26,473
Accumulated Depreciation	(7,311)	(3,529)
NET PROPERTY AND EQUIPMENT	<u>\$ 19,162</u>	<u>\$ 22,944</u>

NOTE 7 - Fair Value Measurements

The Foundation has determined the fair value of certain assets in accordance with the provisions of U.S. GAAP, which provides a framework for measuring fair value under generally accepted accounting principles.

U.S. GAAP defines fair value as the exchange price that would be received for an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. U.S. GAAP requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. U.S. GAAP also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

Level 1 inputs consist of quoted prices in active markets for identical assets that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset. Level 3 inputs are unobservable inputs related to the asset.

The asset's fair value measurement within the fair value hierarchy is based on the lowest of any input that is significant to the fair value measurement. There have been no changes in the methodologies used at June 30, 2020 and 2019.

CATHOLIC FOUNDATION OF SOUTHERN MINNESOTA

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2020 AND 2019

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NOTE 7 - Fair Value Measurements - Continued

Common/Collective Trust Funds: Valued at net asset value (NAV) of shares held by the Foundation at year end.

Debt securities: Debt securities consisting of corporate bonds are generally valued at the most recent price of the equivalent quoted yield for such securities, or those of comparable maturity, quality, and type.

The methods described above may produce a fair value calculation that may be indicative of net realizable value or reflective of future fair values. Furthermore, while the Catholic Foundation of Southern Minnesota believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value on a receiving basis as of June 30, 2020 and 2019.

	FAIR VALUE MEASUREMENTS AT REPORTING DATE USING			
	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	
JUNE 30, 2020				
Money Market	\$ 44,378	\$ 44,378	\$ -	\$ -
Common and Collective Funds	24,229,890	-	24,229,890	-
	<u>\$ 24,274,268</u>	<u>\$ 44,378</u>	<u>\$ 24,229,890</u>	<u>\$ -</u>

	FAIR VALUE MEASUREMENTS AT REPORTING DATE USING			
	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	
JUNE 30, 2019				
Money Market	\$ 43,806	\$ 43,806	\$ -	\$ -
Common and Collective Funds	23,855,985	-	23,855,985	-
Debt Securities	195,208	-	195,208	-
	<u>\$ 24,094,999</u>	<u>\$ 43,806</u>	<u>\$ 24,051,193</u>	<u>\$ -</u>

NOTE 8 - Funds Held for Others

Funds held for others consist of the following:

	JUNE 30,	
	2020	2019
Parish endowment funds	\$ 5,328,535	\$ 5,015,230
Cemetery endowment funds	927,450	516,043
Individual charitable trust funds	488,629	519,866
School endowment funds	1,291,551	1,013,964
Immaculate Heart Seminary funds	4,677,608	4,968,420
Other	410,501	683,913
	<u>\$13,124,274</u>	<u>\$12,717,436</u>

CATHOLIC FOUNDATION OF SOUTHERN MINNESOTA

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2020 AND 2019

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NOTE 8 - Funds Held for Others - Continued

Some parish and school endowments are to be held in perpetuity for which the contributing Catholic organization is also the sole beneficiary. For these funds, the Foundation retains legal ownership. Other parish and school endowment funds belong to the respective parish or school and are held and managed by the Foundation on their behalf. The Foundation is the custodian for the cemetery endowments subject to the restriction that the annual proceeds be used exclusively for the designated cemetery. Title to assets in the charitable trusts rests with the applicable trust and the Foundation merely serves as trustee. In accordance with GAAP, the Foundation must account for the fair market value of all of these funds as both assets and liabilities on the statements of financial position.

NOTE 9 - Pledges Payable to Diocesan Organizations

Pledges payable to other Catholic religious and charitable institutions within the geographic area of the Diocese for the Rooted in Faith and the Immaculate Heart of Mary - Phase 2 Campaign consist of the following:

	JUNE 30, 2020			
	GROSS PAYABLE	LESS: NET PRESENT VALUE DISCOUNT	LESS: ALLOWANCE FOR UNCOLLECTIBLE PLEDGES	NET PAYABLE
Immaculate Heart of Mary Seminary - Phase 2	<u>\$ 85,971</u>	<u>\$ 140</u>	<u>\$ 2,300</u>	<u>\$ 83,531</u>
	JUNE 30, 2019			
	GROSS PAYABLE	LESS: NET PRESENT VALUE DISCOUNT	LESS: ALLOWANCE FOR UNCOLLECTIBLE PLEDGES	NET PAYABLE
Pension Plan for Priests of the Diocese of Winona - Rochester - Rooted in Faith	\$ 146,659	\$ -	\$ 140,434	\$ 6,225
Immaculate Heart of Mary Seminary - Rooted in Faith	191,891	-	183,747	8,144
Parishes - Rooted in Faith	120,953	-	115,819	5,134
Immaculate Heart of Mary Seminary - Phase 2	85,170	2,200	3,300	79,670
	<u>\$ 544,673</u>	<u>\$ 2,200</u>	<u>\$ 443,300</u>	<u>\$ 99,173</u>

The net present value discount and allowance for uncollectible pledges related to pledges receivable are offset against pledges payable as described in Note 1.

The aggregate payment of pledges payable is as follows:

	JUNE 30,	
	2020	2019
Payable in less than one year	\$ 45,671	\$ 507,531
Payable in one to two years	<u>40,300</u>	<u>37,142</u>
Total pledges payable	85,971	544,673
Less: Discount to net present value	(140)	(2,200)
Less: Allowance for uncollectible pledges	<u>(2,300)</u>	<u>(443,300)</u>
NET PLEDGES PAYABLE	<u>\$ 83,531</u>	<u>\$ 99,173</u>

CATHOLIC FOUNDATION OF SOUTHERN MINNESOTA

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2020 AND 2019

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NOTE 10 - Paycheck Protection Program (PPP) Loan

The Foundation applied for and was granted a loan under the Payroll Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The loan accrues interest, but payments are not required to begin for ten months to one year after the funding of the loan. The Foundation is eligible for loan forgiveness of up to 100 percent of the loan, upon meeting certain requirements. The portion of the loan that will be forgiven is dependent on certain future events occurring, which represents a barrier in the agreement. This barrier has resulted in a conditional contribution that will not be recognized until the barrier has been overcome. Due to the above criteria, the amount eligible for forgiveness has been recorded as a refundable advance of \$41,500 on the statement of financial position in accordance with ASC 958-605.

NOTE 11 - Grants and Catholic Ministries Appeal Distributions Expense

The Foundation made the following grants to other Catholic religious and charitable institutions within the geographic area of the Diocese:

	YEARS ENDED JUNE 30	
	2020	2019
CMA distributions to Diocese of Winona-Rochester	\$ 1,818,252	\$ 2,059,473
CMA rebate distributions to Parishes	186,810	242,828
Grants to Diocese of Winona-Rochester	442,150	390,291
Grants to other Catholic religious and charitable institutions within the geographic area of the Diocese	282,600	261,909
	\$ 2,729,812	\$ 2,954,501

NOTE 12 - Net Assets

Included in net assets without donor restrictions are amounts designated by the board for the following purposes at December 31:

	2020	2019
Education of Priests and Seminarians	\$ 21,763	\$ 19,638

Net assets with donor restrictions are restricted for the following purposes or periods:

	JUNE 30	
	2020	2019
Subject to time restriction:		
Charitable Gift Annuity		
To be used by the Catholic Foundation of Southern Minnesota when annuity payments are complete	\$ 31,941	\$ 31,900
Subject to expenditure for specified purpose:		
Catholic Ministries Appeal		
To support specific diocesan ministries	2,071,399	2,234,826
Seminarian Burse		
To be used to support the education of seminarians	635,081	585,497
Education of Priests and Seminarians		
To be used for the education of priests and seminarians	203,703	200,431
Children and Aging in India		
To be used to educate the poor of India by providing tuition, school supplies, uniforms, and other essential needs	100,401	123,214
Seminarian Assistance		
To be used for miscellaneous unexpected expenses	1,807	2,968
	3,044,332	3,178,836

CATHOLIC FOUNDATION OF SOUTHERN MINNESOTA

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2020 AND 2019

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NOTE 12 - Net Assets - Continued

	JUNE 30	
	2020	2019
Endowments		
Amounts required to be held in perpetuity		
Charitable Endowment		
Income to be used for the purpose of promoting, assisting, and furthering charitable causes	\$ 1,500,000	\$ 1,500,000
Income to be used for the benefit of Catholic parishes, schools, and institutions	21,713	21,713
Vocational or Trade Scholarships		
Income to be used to provide vocational or trade school scholarships to students from the Church of St. Felix in Wabasha, Minnesota - Cluster	664,315	664,315
Tuition Assistance		
Income to be used to provide tuition assistance for children attending Catholic Schools	1,992,325	1,992,325
Faith Formation		
Income to be used for faith formation needs	958,163	958,163
Education of Clergy		
Income to be used for the purposes of education of candidates to the priesthood, continuing education of priests and deacons, and formation of deacons	1,140,448	1,140,448
Income to be used for the purpose of paying tuition for Hispanic and other low-income students in elementary and secondary schools in the Diocese of Winona - Rochester	200,000	200,000
Income to be used for the purpose to support Totus Tuus program of the Diocese of Winona - Rochester and its funding of scholarships for the needy and eligible youth in the program	60,390	59,190
Income to be used as perpetual care fund for Hart Cemetery	50,000	50,000
Income to be used for St. Casimir maintenance	10,000	10,000
	<u>6,597,354</u>	<u>6,596,154</u>
Earnings subject to appropriation and expenditure for specified purposes:		
Charitable Endowment		
To be used for the purpose of promoting, assisting, and furthering charitable causes	576,929	663,711
To be used for the benefit of Catholic parishes, schools, and institutions	22,382	22,124
To be used to provide vocational or trade scholarships to students from the Church of St. Felix in Wabasha, Minnesota – cluster	232,815	275,779
Tuition Assistance		
To be used to provide tuition assistance for children attending Catholic schools	626,234	753,003
Faith Formation		
To be used for faith formation needs	435,800	448,888
Education of Clergy		
To be used for the purposes of education of candidates to the priesthood, continuing education of priests and deacons, and formation of deacons	529,336	604,312
To be used as a perpetual care fund for Hart Cemetery	(680)	(971)
To be used for St. Casimir maintenance	(224)	(284)
To be used for paying tuition for Hispanic and other low-income students in elementary and secondary schools in the Diocese of Winona - Rochester	118,504	133,719
To be used to further tax-exempt purposes of Catholic Foundation of Southern Minnesota	84,428	76,104
To be used to further tax-exempt purposes of Catholic Charities of the Diocese of Winona - Rochester	102,850	95,894
	<u>2,728,374</u>	<u>3,072,279</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$12,370,060</u>	<u>\$12,847,269</u>

CATHOLIC FOUNDATION OF SOUTHERN MINNESOTA
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2020 AND 2019

NOTE 12 - Net Assets - Continued

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows:

	JUNE 30	
	2020	2019
Expiration of time restrictions	\$ 2,340,019	\$ 2,416,746
Satisfaction of purpose restrictions:		
Educational programs	122,388	264,602
Other	342,258	336,072
TOTAL RESTRICTIONS RELEASED	<u>\$ 2,804,665</u>	<u>\$ 3,017,420</u>

NOTE 13 - Endowment Funds

The Foundation's endowment fund consists of both donor-restricted endowment funds and donor restricted term endowment funds. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence of or absence of donor-imposed restrictions.

Interpretation of the Law - The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the amount of each endowment fund that is prudent for the uses, benefits, purposes, and duration which the endowment fund is established. In these financial statements, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by 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 purpose of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

Investing Policy - The Foundation has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the principal and 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. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that proposes to preserve capital, provide growth in principal combined with sufficient return on investment that will generate continued income and interest in such a manner to satisfy anticipated liquidity requirements. All investments shall be made consistent with the Socially Responsible Investment Guidelines established by the United States Conference of Catholic Bishops. The Foundation expects its endowment funds, over time to provide an average rate of return of approximately 5 percent annually. Returns in any given year may vary from this amount.

CATHOLIC FOUNDATION OF SOUTHERN MINNESOTA

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2020 AND 2019

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NOTE 13 - Endowment Funds - Continued

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 (dividends and interest). The Foundation targets a diversified asset allocation across a broad spectrum of investment strategies so as to provide a balance that will meet the total return objectives and avoid undue risk concentration in a single asset class or investment category.

Spending Policy - The Foundation has a policy of appropriating for distribution at the end of the fiscal year, absent any donor-imposed restrictions, based on the total investment earning earned for each endowment. Accordingly, the Foundation expects that this spending policy will allow the endowments to grow at an average rate of 3 percent, less any investment costs and/or fees. This allows the Foundation to meet its goal to maintain the principal and purchasing power of the assets held in perpetuity or for a specified term, as well as allows additional real growth through investment return and new gifts.

Endowment Net Asset Composition by Type of Fund as of June 30, 2020:

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds:			
Original donor-restricted gift and amounts required to be maintained in perpetuity by donors	\$ -	\$ 6,597,354	\$ 6,597,354
Accumulated investment gains	-	2,728,374	2,728,374
TOTAL	\$ -	\$ 9,325,728	\$ 9,325,728

Endowment Net Asset Composition by Type of Fund as of June 30, 2019:

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds:			
Original donor-restricted gift and amounts required to be maintained in perpetuity by donors	\$ -	\$ 6,596,154	\$ 6,596,154
Accumulated investment gains	-	3,072,279	3,072,279
TOTAL	\$ -	\$ 9,668,433	\$ 9,668,433

Funds with Deficiencies - From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as fund of perpetual duration (underwater endowments). In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions. The deficiencies may result from unfavorable market fluctuations that have occurred. The Foundation did not have any such deficiency as of June 30, 2020 and 2019.

Changes in Endowment Net Assets for the Year Ended June 30, 2020:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ -	\$ 9,668,433	\$ 9,668,433
Investment return, net	-	100,299	100,299
Contributions	-	20,439	20,439
Appropriation of endowment assets pursuant to spending-rate policy	-	(464,643)	(464,643)
Endowment net assets, end of year	\$ -	\$ 9,325,728	\$ 9,325,728

CATHOLIC FOUNDATION OF SOUTHERN MINNESOTA

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2020 AND 2019

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NOTE 13 - Endowment Funds - Continued

Changes in Endowment Net Assets for the Year Ended June 30, 2019:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ -	\$ 9,754,714	\$ 9,754,714
Investment return, net	-	257,133	257,133
Contributions	-	67,000	67,000
Appropriation of endowment assets pursuant to spending-rate policy	-	(410,414)	(410,414)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 9,668,433</u>	<u>\$ 9,668,433</u>

NOTE 14 - Economic Conditions

The Foundation receives a large portion of their revenue from investment returns and contributions and its ability to fund operations is significantly dependent on the receipt of these revenues. The Foundation's operations slowed in March 2020 when State Safer at Home orders were put in place. The continued decline and volatility of the equity, credit, and labor markets resulting from the pandemic will continue to have an impact on the Foundation's investment returns and contributions. These negative impacts are likely to continue into the next fiscal year. The Foundation is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact on the Foundation's financial position is not known.

NOTE 15 - Subsequent Event

Catholic Foundation of Southern Minnesota was named as a beneficiary in a Will to receive certain real property in Faribault County, Minnesota. Pursuant to the Will, two of the decedent's named beneficiaries held an option to purchase the real property. On December 21, 2019, one of the decedent's named beneficiaries expressed his intent to exercise his option to enter in to a contract for deed to purchase the property for \$223,000, and this transaction was approved by the Faribault County District Court on November 5, 2020. The Will requires that the gift be administered for the benefit of St. Peter and Paul Parish of Blue Earth, MN. Once the real estate is transferred from the decedent's estate, legal title to the real estate subject to the contract for deed will be owned by a single-member limited liability company, CFMSM Real Estate Holdings, LLC, which is wholly owned by CFMSM and disregarded for federal income tax purposes.