

CATHOLIC EDUCATION FOUNDATION, INC.

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

CPAs / ADVISORS



CATHOLIC EDUCATION FOUNDATION, INC.

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Catholic Education Foundation, Inc.
Louisville, Kentucky

Opinion

We have audited the accompanying financial statements of Catholic Education Foundation, Inc. (the Foundation) which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022 and 2021, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

Blue & Co., LLC

Louisville, Kentucky
October 26, 2022

CATHOLIC EDUCATION FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2022 AND 2021

	ASSETS	
	<u>2022</u>	<u>2021</u>
Current assets		
Cash and cash equivalents	\$ 1,919,182	\$ 1,839,662
Advanced pledge receipts	158,989	275,348
Investments	25,709,524	30,514,686
Interest receivable	95,509	43,672
Pledges receivable, current portion	2,121,009	1,913,427
Prepaid expenses	<u>35,823</u>	<u>67,947</u>
Total current assets	30,040,036	34,654,742
Pledges receivable, less current portion	4,772,783	2,934,053
Net property and equipment	<u>141,510</u>	<u>11,068</u>
Total assets	<u>\$ 34,954,329</u>	<u>\$ 37,599,863</u>
	LIABILITIES AND NET ASSETS	
Current liabilities		
Accounts payable	\$ 284,031	\$ 203,790
Other current liabilities	<u>66,091</u>	<u>0</u>
Total current liabilities	350,122	203,790
Net assets		
Without donor restrictions	2,063,125	6,233,644
With donor restrictions:		
Restricted for specified purposes	6,410,759	7,584,946
Restricted in perpetuity - endowment	<u>26,130,323</u>	<u>23,577,483</u>
Total net assets with donor restrictions	<u>32,541,082</u>	<u>31,162,429</u>
Total net assets	<u>34,604,207</u>	<u>37,396,073</u>
Total liabilities and net assets	<u>\$ 34,954,329</u>	<u>\$ 37,599,863</u>

See accompanying notes to financial statements.

CATHOLIC EDUCATION FOUNDATION, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

	2022		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues and support			
Contributions	\$ 1,352,118	\$ 5,084,759	\$ 6,436,877
Special event revenue-Salute Dinner	1,357,056	0	1,357,056
Special event revenue-The Game Luncheon	380,750	0	380,750
In-kind donations	<u>36,130</u>	<u>0</u>	<u>36,130</u>
Total revenues and support	3,126,054	5,084,759	8,210,813
Net assets released from restrictions	<u>2,126,169</u>	<u>(2,126,169)</u>	<u>0</u>
Total revenues and support and net assets released from restrictions	5,252,223	2,958,590	8,210,813
Expenses			
Program services	4,580,825	0	4,580,825
Management and general	400,591	0	400,591
Fundraising	<u>1,354,275</u>	<u>0</u>	<u>1,354,275</u>
Total expenses	<u>6,335,691</u>	<u>0</u>	<u>6,335,691</u>
Revenues and support in (deficit) excess of expenses	(1,083,468)	2,958,590	1,875,122
Other support (expense)			
Interest and dividend income, net of investment expenses	276,235	141,375	417,610
Realized / unrealized investment losses	<u>(3,363,286)</u>	<u>(1,721,312)</u>	<u>(5,084,598)</u>
Total other expenses	<u>(3,087,051)</u>	<u>(1,579,937)</u>	<u>(4,666,988)</u>
Change in net assets	(4,170,519)	1,378,653	(2,791,866)
Net assets, beginning of year	<u>6,233,644</u>	<u>31,162,429</u>	<u>37,396,073</u>
Net assets, end of year	<u>\$ 2,063,125</u>	<u>\$ 32,541,082</u>	<u>\$ 34,604,207</u>

See accompanying notes to financial statements.

CATHOLIC EDUCATION FOUNDATION, INC.

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2021

	2021		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues and support			
Contributions	\$ 1,591,805	\$ 6,844,501	\$ 8,436,306
Special event revenue-Salute Dinner	1,116,801	7,500	1,124,301
Special event revenue-The Game Luncheon	358,200	0	358,200
In-kind donations	<u>29,619</u>	<u>0</u>	<u>29,619</u>
Total revenues and support	3,096,425	6,852,001	9,948,426
Net assets released from restrictions	<u>1,512,680</u>	<u>(1,512,680)</u>	<u>0</u>
Total revenues and support and net assets released from restrictions	4,609,105	5,339,321	9,948,426
Expenses			
Program services	3,868,116	0	3,868,116
Management and general	336,076	0	336,076
Fundraising	<u>964,095</u>	<u>0</u>	<u>964,095</u>
Total expenses	<u>5,168,287</u>	<u>0</u>	<u>5,168,287</u>
Revenues and support in (deficit) excess of expenses	(559,182)	5,339,321	4,780,139
Other support (expense)			
Gain on extinguishment of debt	125,600	0	125,600
Interest and dividend income, net of investment expenses	146,928	52,109	199,037
Realized / unrealized investment gains	<u>5,613,921</u>	<u>1,991,001</u>	<u>7,604,922</u>
Total other support	<u>5,886,449</u>	<u>2,043,110</u>	<u>7,929,559</u>
Change in net assets	5,327,267	7,382,431	12,709,698
Net assets, beginning of year	<u>906,377</u>	<u>23,779,998</u>	<u>24,686,375</u>
Net assets, end of year	<u>\$ 6,233,644</u>	<u>\$ 31,162,429</u>	<u>\$ 37,396,073</u>

See accompanying notes to financial statements.

CATHOLIC EDUCATION FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	2022							
	Program Services							
	Tuition Assistance	Technology Enhancements	Religious Education	Professional Development	Total Program Services Expense	Management and General	Fundraising	Total Expenses
Salaries, benefits, and taxes	\$ 187,280	\$ 10,961	\$ 24,942	\$ 13,980	\$ 237,163	\$ 216,009	\$ 725,571	\$ 1,178,743
Grants	4,081,676	86,429	100,569	66,523	4,335,197	0	0	4,335,197
Salute Dinner	0	0	0	0	0	0	246,800	246,800
The Game Luncheon	0	0	0	0	0	0	92,453	92,453
Office	0	0	0	0	0	123,411	0	123,411
Professional services	8,465	0	0	0	8,465	18,065	104,481	131,011
Newsletter and annual report	0	0	0	0	0	0	103,023	103,023
Advertising	0	0	0	0	0	0	81,947	81,947
Miscellaneous	0	0	0	0	0	43,106	0	43,106
	<u>\$ 4,277,421</u>	<u>\$ 97,390</u>	<u>\$ 125,511</u>	<u>\$ 80,503</u>	<u>\$ 4,580,825</u>	<u>\$ 400,591</u>	<u>\$ 1,354,275</u>	<u>\$ 6,335,691</u>

See accompanying notes to financial statements.

CATHOLIC EDUCATION FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	2021							
	Program Services							
	Tuition Assistance	Technology Enhancements	Religious Education	Professional Development	Total Program Services Expense	Management and General	Fundraising	Total Expenses
Salaries, benefits, and taxes	\$ 154,992	\$ 8,357	\$ 18,796	\$ 10,439	\$ 192,584	\$ 189,117	\$ 644,450	\$ 1,026,151
Grants	3,412,077	100,919	87,710	66,069	3,666,775	0	0	3,666,775
Salute Dinner	0	0	0	0	0	0	61,228	61,228
The Game Luncheon	0	0	0	0	0	0	20,629	20,629
Office	0	0	0	0	0	101,143	0	101,143
Professional services	8,757	0	0	0	8,757	19,807	76,771	105,335
Newsletter and annual report	0	0	0	0	0	0	90,617	90,617
Advertising	0	0	0	0	0	0	70,400	70,400
Miscellaneous	0	0	0	0	0	26,009	0	26,009
	<u>\$ 3,575,826</u>	<u>\$ 109,276</u>	<u>\$ 106,506</u>	<u>\$ 76,508</u>	<u>\$ 3,868,116</u>	<u>\$ 336,076</u>	<u>\$ 964,095</u>	<u>\$ 5,168,287</u>

See accompanying notes to financial statements.

CATHOLIC EDUCATION FOUNDATION, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Operating activities		
Cash received from contributions	\$ 1,954,084	\$ 3,366,542
Cash received from special events	1,675,015	1,440,301
Interest and dividends received	492,030	340,831
Cash paid to suppliers, employees, and others	(1,828,543)	(1,596,735)
Grants paid	<u>(4,335,197)</u>	<u>(3,666,775)</u>
Net cash flows from operating activities	(2,042,611)	(115,836)
Investing activities		
Purchase of property and equipment	(151,273)	(1,475)
Purchase of investments	(1,465,902)	(2,804,193)
Proceeds from sales of investments	<u>1,186,466</u>	<u>1,192,341</u>
Net cash flows from investing activities	(430,709)	(1,613,327)
Financing activities		
Proceeds from contributions received for investment in permanent endowment	<u>2,552,840</u>	<u>2,277,017</u>
Net cash flows from financing activities	<u>2,552,840</u>	<u>2,277,017</u>
Net change in cash and cash equivalents	79,520	547,854
Cash and cash equivalents, beginning of year	<u>1,839,662</u>	<u>1,291,808</u>
Cash and cash equivalents, end of year	<u>\$ 1,919,182</u>	<u>\$ 1,839,662</u>

See accompanying notes to financial statements.

CATHOLIC EDUCATION FOUNDATION, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2022 AND 2021

Reconciliation of change in net assets to net

cash flows from operating activities

Change in net assets	\$ (2,791,866)	\$ 12,709,698
Adjustment to reconcile change in net assets to net cash flows from operating activities		
Bad debt expense	0	2,238
Contributions restricted for long-term purposes	(2,552,840)	(2,277,017)
Depreciation	20,831	11,086
Gain on extinguishment of debt	0	(125,600)
Realized / unrealized investment (gains) losses	5,084,598	(7,604,922)
Change in discount on pledges receivable	226,263	93,566
Changes in operating assets and liabilities		
Advanced pledge receipts	116,359	79,652
Interest receivable	(51,837)	2,159
Pledges receivable	(2,272,575)	(2,968,203)
Prepaid expenses	32,124	(47,173)
Accounts payable	80,241	8,680
Other current liabilities	<u>66,091</u>	<u>0</u>
Net cash flows from operating activities	<u>\$ (2,042,611)</u>	<u>\$ (115,836)</u>

See accompanying notes to financial statements.

CATHOLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Catholic Education Foundation, Inc. (the Foundation) in Louisville, Kentucky was formed to promote the growth and vitality of Catholic education in the Archdiocese of Louisville (the Archdiocese). The Foundation supports Catholic education by offering grants and financial assistance to Catholic schools and parishes in the Archdiocese for tuition assistance, educators' professional development, technology, and religious education.

General Accounting Principles

The Foundation records unconditional promises to give (pledges) as receivables and revenues, and distinguishes between contributions received for each net asset category in accordance with donor imposed restrictions, if any. The Foundation classifies resources for accounting purposes into net asset categories according to donor-imposed restrictions. Accordingly, the net assets of the Foundation are classified and reported as follows:

Net assets without donor restrictions – Net assets that are currently available for operating purposes under the direction of the board or designated by the board for specific use.

Net assets with donor restrictions – Net assets subject to donor stipulations for specific operating purposes or time restrictions. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term with investment return available for operations or specific purposes.

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations limiting the use of the donated assets. When a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Management's Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses. Actual results could vary from the estimates used.

Donated Professional Services and Goods

Donated materials, facilities, and services are shown as gifts, valued at their estimated value at the date of receipt with the offsetting expense reflected in administrative expenses. No amounts are recorded for donated services which are not objectively quantifiable.

CATHOLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

Allocation of Expenses

Operating expenses directly identifiable with a functional area are charged to that area and, where expenses affect more than one area, they are allocated on the basis of ratios determined by management. The expenses that are allocated include salaries and benefits which are allocated based on estimates of time and effort. While the methods of allocation are considered appropriate, other methods could produce different results.

Cash and Cash Equivalents

Cash equivalents primarily include highly liquid investment securities with maturities of three months or less at the time of purchase.

Advanced Pledge Receipts

When donors pre-fund multi-year pledges, they are recorded as advanced pledge receipts. The Foundation places these funds into a money market account. All advanced pledge receipts are available, if needed, to fund current operations. The Foundation regularly transfers scheduled amounts into operating cash.

Property and Equipment

Property and equipment is recorded at cost less accumulated depreciation. Depreciation is recorded using the straight-line method over the estimated useful lives of three to ten years.

Investments

Investments are carried at fair value, generally determined by quoted prices. Receipt of donated investments is recorded at the quoted value of the investment at the time of donation.

Date of Management's Review

The Foundation has evaluated all events or transactions occurring subsequent to the statement of financial position date for recognition and disclosure in the accompanying financial statements through the date the financial statements were available to be issued, which is October 26, 2022.

CATHOLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

2. INCOME TAXES

The Foundation is exempt from income taxes from related activities under Section 501(c)(3) of the United States Internal Revenue Code and corresponding state tax law. Accordingly, no provision has been made for federal or state income taxes. Additionally, the Foundation has been determined not to be a private foundation under Section 509(a) of the Internal Revenue Code.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Foundation, and has concluded that as of June 30, 2022 and 2021, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements.

Accordingly, the Foundation is generally exempt from income taxes. However, the Foundation is required to file an informational return on Federal Form 990 – Return of Organization Exempt from Income Tax. The Foundation is subject to routine audits by taxing jurisdictions. However, as of the date the financial statements were available to be issued, there were no audits for any tax periods in progress.

3. INVESTMENTS

Investments are summarized as follows:

	<u>2022</u>	<u>2021</u>
	<u>Fair Value</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 2,196,362	\$ 3,889,533
Fixed income mutual funds	0	590,783
Equities and mutual funds	22,106,136	8,059,734
Proprietary funds	1,407,026	3,307,961
Pooled unit trusts	<u>0</u>	<u>14,666,675</u>
Total	<u>\$ 25,709,524</u>	<u>\$ 30,514,686</u>

CATHOLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

Fees netted with interest and dividends were \$126,257 and \$139,635 for the years ended June 30, 2022 and 2021, respectively.

4. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2022 and 2021.

- *Equities*: Valued at the closing price reported on the active market on which the individual securities are traded.
- *Mutual funds*: Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds are deemed to be actively traded.
- *Proprietary funds and pooled unit trusts*: Valued at the NAV of the units of the funds, as provided by the investment managers. The NAV is based on the fair value of the underlying investments held by the funds less their liabilities.

CATHOLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

The following tables set forth by level, within the hierarchy, the Foundation's assets measured at fair value on a recurring basis as of the reporting date.

	Assets at Fair Value as of June 30, 2022			
	Level 1	Level 2	Level 3	Total
Foundation investments				
Mutual funds				
Foreign large blend	\$ 4,689,686	\$ 0	\$ 0	\$ 4,689,686
Large blend	12,016,008	0	0	12,016,008
Small blend	3,137,986	0	0	3,137,986
Total mutual funds	19,843,680	0	0	19,843,680
Equities				
Consumer discretionary	182,632	0	0	182,632
Consumer staples	286,407	0	0	286,407
Energy	92,657	0	0	92,657
Financials	334,894	0	0	334,894
Healthcare	264,984	0	0	264,984
Industrials	183,006	0	0	183,006
Information technology	439,148	0	0	439,148
Materials	64,689	0	0	64,689
Real estate	209,247	0	0	209,247
Telecommunication services	27,428	0	0	27,428
Utilities	177,364	0	0	177,364
Total equities	2,262,456	0	0	2,262,456
Total assets at fair value	\$ 22,106,136	\$ 0	\$ 0	22,106,136
Proprietary funds*				1,407,026
Cash and cash equivalents				2,196,362
Total investments				\$ 25,709,524

CATHOLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

	Assets at Fair Value as of June 30, 2021			
	Level 1	Level 2	Level 3	Total
Foundation investments				
Mutual funds				
Emerging markets	\$ 1,705,578	\$ 0	\$ 0	\$ 1,705,578
Fixed income	590,783	0	0	590,783
Foreign large blend	5,068,718	0	0	5,068,718
Total mutual funds	7,365,079	0	0	7,365,079
Equities				
Consumer discretionary	122,257	0	0	122,257
Consumer staples	110,507	0	0	110,507
Energy	37,151	0	0	37,151
Financials	216,979	0	0	216,979
Healthcare	131,915	0	0	131,915
Industrials	108,203	0	0	108,203
Information technology	274,220	0	0	274,220
Materials	39,412	0	0	39,412
Real estate	102,549			102,549
Telecommunication services	33,361	0	0	33,361
Utilities	108,884	0	0	108,884
Total equities	1,285,438	0	0	1,285,438
Total assets at fair value	\$ 8,650,517	\$ 0	\$ 0	8,650,517
Proprietary funds*				3,307,961
Pooled unit trusts*				14,666,675
Cash and cash equivalents				3,889,533
Total investments				\$ 30,514,686

* In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented at fair value in the statements of financial position.

CATHOLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

Fair Value of Investments in Entities that Use Net Asset Value

The following table summarizes investments measured at fair value based on net asset value (NAV) per share as of June 30, 2022 and 2021.

	2022	2021	Redemption Notice	Redemption Frequency
Proprietary funds				
Boston Commons International Catholic SRI Fund	\$ 1,407,026	\$ 1,901,716	10 days	Monthly
Boston Commons Catholic Emerging Markets Fund	0	1,406,245	10 days	Monthly
Pooled unit trusts				
CUIT Intermediate Diversified Bond Class B	0	1,746,097	7 days	Daily
CUIT Core Equity Index Fund Class B	0	9,946,474	7 days	Daily
CUIT Small Cap Equity Index Class B	0	2,974,104	7 days	Daily
	<u>\$ 1,407,026</u>	<u>\$ 17,974,636</u>		

Proprietary funds allow withdrawals from the entities upon ten to 30 business days' prior written notice to the Investment Manager.

Boston Common Asset Management

Boston Common Asset Management's primary objective is to combine rigorous analysis with research-driven conviction to build diversified portfolios of high-quality, sustainable companies and provide Catholic solutions, which adhere to the U.S. Conference of Bishops' guidelines.

Pooled unit trusts have no unfunded commitments, and are eligible for daily redemption with seven days notice required.

CATHOLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

Christian Brothers Investment Services, Inc.

Christian Brothers Investment Services, Inc.'s primary objective is to deliver highly competitive risk-adjusted investment returns in a manner consistent with the moral and social teachings of the Catholic Church.

Due to the nature of the investments held by the unit trusts and the proprietary funds, changes in market conditions and the economic environment may significantly impact the net asset value of the funds and, consequently, the fair value of the Foundation's interests in the funds. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value. It is therefore reasonably possible that if the Foundation were to sell these investments in the secondary market, a buyer may require a discount to the reported net asset value, and the discount could be significant.

The Foundation holds investments which are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

5. PLEDGES RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE PLEDGES

Unconditional promises to give and expected to be collected within one year are recorded at net realizable value. Unconditional promises to give and expected to be collected after one year are recorded at the present value of their estimated cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenues. Conditional promises to give are not included as support and revenues until the conditions are substantially met.

CATHOLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

At June 30, 2022 and 2021, the promises to give are expected to be received as follows:

	<u>2022</u>	<u>2021</u>
Amounts due in		
One year or less	\$ 2,121,009	\$ 1,913,427
One to five years	4,532,593	3,026,600
More than five years	<u>574,000</u>	<u>15,000</u>
Subtotal	7,227,602	4,955,027
Less present value discount	(331,310)	(105,047)
Less allowance for uncollectible pledges	<u>(2,500)</u>	<u>(2,500)</u>
 Total	 <u>\$ 6,893,792</u>	 <u>\$ 4,847,480</u>

The Foundation provides an allowance for uncollectible pledges based upon the collectability of each specific pledge. The Foundation does not charge interest on pledges receivable.

6. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Furniture and fixtures	\$ 94,504	\$ 21,547
Computer hardware and software	35,888	31,724
Leasehold improvements	<u>69,627</u>	<u>1,475</u>
	200,019	54,746
Less accumulated depreciation	<u>58,509</u>	<u>43,678</u>
Net property and equipment	<u>\$ 141,510</u>	<u>\$ 11,068</u>

Depreciation expense was \$20,831 and \$11,086 for the years ended June 30, 2022 and 2021, respectively.

CATHOLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

7. LINE OF CREDIT

The Company opened a line of credit with a local bank with availability of \$250,000 through maturity in June 2023. The line of credit bears interest at the prime rate (4.75% at June 30, 2022). There was no balance drawn on the line at June 30, 2022. This line of credit is secured by substantially all of the assets of the Foundation.

8. NET ASSETS WITH DONOR RESTRICTIONS AND NET ASSETS RELEASED FROM RESTRICTIONS

Net assets with donor restrictions restricted for specific purposes are available for the following purposes or programs at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Program services		
Tuition assistance	\$ 509,891	\$ 2,047,325
Time restricted	5,708,935	5,329,242
Religious education	147,726	176,937
Teacher and school awards	12,765	0
Evangelization	31,442	31,442
Total	<u>\$ 6,410,759</u>	<u>\$ 7,584,946</u>

Net assets with donor restrictions were released from restrictions due to satisfaction of purpose restrictions during the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Program services		
Tuition assistance	\$ 987,767	\$ 848,385
Time restricted	1,138,402	664,295
Total	<u>\$ 2,126,169</u>	<u>\$ 1,512,680</u>

9. ENDOWMENT

The majority of the Foundation's funds consist of donor-restricted endowment funds established for a variety of purposes. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

CATHOLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the historic gift value as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for granting purposes while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must use for a donor-specified purpose. The Foundation's investment policy, as approved by the Board of Directors, has a primary objective to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well diversified asset mix, including equity and debt securities, which are intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to fund annually the purposes of the Foundation.

Management continues to monitor the investments and endowment fund balances, including the consideration of additional fundraising and the necessity to adjust the annual grants distribution percentage.

The Foundation's spending policy has been to distribute income based upon a moving average of the market value for the prior three years ending December 31. The policy allows the Board of Directors to establish an annual distribution rate, not to exceed 7%.

Endowed funds are donor restricted funds classified as net assets with donor restrictions as of June 30, 2022 and 2021. Contributions received for the endowed funds during the years ended June 30, 2022 and 2021 totaled \$2,552,840 and \$2,277,017, respectively.

CATHOLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

10. LIQUIDITY AND AVAILABILITY

The following table reflects the Foundation's financial assets as of June 30, 2022 and 2021 reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual or other restrictions.

	2022	2021
Financial assets		
Cash and cash equivalents	\$ 1,919,182	\$ 1,839,662
Advanced pledge receipts	158,989	275,348
Pledges receivable	6,893,792	4,847,480
Investments	25,709,524	30,514,686
Interest receivable	<u>95,509</u>	<u>43,672</u>
Financial assets available	34,776,996	37,520,848
Donor restricted	<u>(32,541,082)</u>	<u>(31,162,429)</u>
Financial assets available to meet cash needs for general expenditures	<u>\$ 2,235,914</u>	<u>\$ 6,358,419</u>

The Foundation strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in money market funds and other short-term investments.

11. RETIREMENT PLAN

The Foundation participates in the Archdiocese of Louisville 401(k) plan, which covers the Foundation's eligible employees. The plan allows employee contributions, up to the statutory limit, and personal management of the employees' retirement accounts. The Foundation contributes 4% and matches up to 3% of the eligible employees' gross pay each pay period. The Foundation made contributions of \$65,257 and \$58,257 for the years ended June 30, 2022 and 2021, respectively.

CATHOLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

12. CONCENTRATIONS OF CREDIT RISK

The Foundation maintains its cash balances in bank deposit accounts which, at times, may exceed coverage provided by the Federal Deposit Insurance Corporation (FDIC). The Foundation has not experienced any losses in such accounts. At June 30, 2022, the Company's uninsured cash balances were approximately \$997,000.

Investments are maintained at investment firms. The balances exceed the Securities Investor Protection Corporation insured limits up to \$500,000.

13. IN-KIND CONTRIBUTIONS

In-kind contributions are donated goods and services. These goods and services consist of advertising, entertainment, formal wear, music and video production, postage services, and travel for the special events. In-kind contributions other than for the special events are rent expense, board meeting space, marketing support and information technology support. The in-kind contributions for the Salute Dinner and The Game Luncheon included in their respective revenues are:

	<u>2022</u>	<u>2021</u>
Salute Dinner	\$ 40,856	\$ 36,200
The Game Luncheon	21,935	6,000