

CATHOLIC EDUCATION FOUNDATION, INC.

FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

CATHOLIC EDUCATION FOUNDATION, INC.

TABLE OF CONTENTS
JUNE 30, 2023 AND 2022

| | Page |
|---|------|
| Report of Independent Auditors | 1 |
| Financial Statements | |
| Statements of Financial Position | 3 |
| Statements of Activities | 4 |
| Statements of Functional Expenses..... | 6 |
| Statements of Cash Flows | 8 |
| Notes to Financial Statements | 10 |



Blue & Co., LLC / 2650 Eastpoint Parkway, Suite 300 / Louisville, KY 40223
main 502.992.3500 fax 502.992.3509 email blue@blueandco.com
blueandco.com

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, 2023 and 2022, 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, 2023 and 2022, 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 25, 2023

CATHOLIC EDUCATION FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2023 AND 2022

| | ASSETS | |
|---|-----------------------------------|----------------------|
| | <u>2023</u> | <u>2022</u> |
| Current assets | | |
| Cash and cash equivalents | \$ 1,820,506 | \$ 1,919,182 |
| Advanced pledge receipts | 107,545 | 158,989 |
| Investments | 28,903,275 | 25,709,524 |
| Interest receivable | 49,160 | 95,509 |
| Pledges receivable, current portion | 2,547,193 | 2,121,009 |
| Prepaid expenses | <u>37,213</u> | <u>35,823</u> |
| Total current assets | 33,464,892 | 30,040,036 |
| Pledges receivable, less current portion | 6,696,769 | 4,772,783 |
| Net property and equipment | <u>132,820</u> | <u>141,510</u> |
| Total assets | <u>\$ 40,294,481</u> | <u>\$ 34,954,329</u> |
| | LIABILITIES AND NET ASSETS | |
| Current liabilities | | |
| Accounts payable | \$ 298,352 | \$ 284,031 |
| Other current liabilities | <u>0</u> | <u>66,091</u> |
| Total current liabilities | 298,352 | 350,122 |
| Net assets | | |
| Without donor restrictions | 3,418,772 | 2,063,125 |
| With donor restrictions: | | |
| Restricted for specified purposes | 8,795,706 | 6,410,759 |
| Restricted in perpetuity - endowment | <u>27,781,651</u> | <u>26,130,323</u> |
| Total net assets with donor restrictions | <u>36,577,357</u> | <u>32,541,082</u> |
| Total net assets | <u>39,996,129</u> | <u>34,604,207</u> |
| Total liabilities and net assets | <u>\$ 40,294,481</u> | <u>\$ 34,954,329</u> |

See accompanying notes to financial statements.

CATHOLIC EDUCATION FOUNDATION, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

| | 2023 | | |
|---|---|--|---------------|
| | Net Assets Without Donor Restrictions | Net Assets With Donor Restrictions | Total |
| Revenues and support | | | |
| Contributions | \$ 1,920,074 | \$ 4,833,293 | \$ 6,753,367 |
| Special event revenue-Salute Dinner | 1,140,520 | 0 | 1,140,520 |
| Special event revenue-The Game Luncheon | 269,168 | 0 | 269,168 |
| Special event revenue-Bourbon Raffle | 343,272 | 0 | 343,272 |
| In-kind donations | 28,903 | 0 | 28,903 |
| Total revenues and support | 3,701,937 | 4,833,293 | 8,535,230 |
| Net assets released from restrictions | 2,240,570 | (2,240,570) | 0 |
| Total revenues and support and net assets released from restrictions | 5,942,507 | 2,592,723 | 8,535,230 |
| Expenses | | | |
| Program services | 5,032,094 | 0 | 5,032,094 |
| Management and general | 339,404 | 0 | 339,404 |
| Fundraising | 1,615,751 | 0 | 1,615,751 |
| Total expenses | 6,987,249 | 0 | 6,987,249 |
| Revenues and support in (deficit) excess of expenses | (1,044,742) | 2,592,723 | 1,547,981 |
| Other support (expense) | | | |
| Interest and dividend income, net of investment expenses | 247,155 | 148,634 | 395,789 |
| Realized / unrealized investment gains | 2,153,234 | 1,294,918 | 3,448,152 |
| Total other support | 2,400,389 | 1,443,552 | 3,843,941 |
| Change in net assets | 1,355,647 | 4,036,275 | 5,391,922 |
| Net assets, beginning of year | 2,063,125 | 32,541,082 | 34,604,207 |
| Net assets, end of year | \$ 3,418,772 | \$ 36,577,357 | \$ 39,996,129 |

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 | 36,130 | 0 | 36,130 |
| Total revenues and support | 3,126,054 | 5,084,759 | 8,210,813 |
| Net assets released from restrictions | 2,126,169 | (2,126,169) | 0 |
| 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 | 1,354,275 | 0 | 1,354,275 |
| Total expenses | 6,335,691 | 0 | 6,335,691 |
| 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 | (3,363,286) | (1,721,312) | (5,084,598) |
| Total other expenses | (3,087,051) | (1,579,937) | (4,666,988) |
| Change in net assets | (4,170,519) | 1,378,653 | (2,791,866) |
| Net assets, beginning of year | 6,233,644 | 31,162,429 | 37,396,073 |
| Net assets, end of year | \$ 2,063,125 | \$ 32,541,082 | \$ 34,604,207 |

See accompanying notes to financial statements.

CATHOLIC EDUCATION FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

| | 2023 | | | | | | | |
|-------------------------------|---------------------|-------------------------|---------------------|--------------------------|--------------------------------|------------------------|---------------------|---------------------|
| | Program Services | | | | | | | |
| | Tuition Assistance | Technology Enhancements | Religious Education | Professional Development | Total Program Services Expense | Management and General | Fundraising | Total Expenses |
| Salaries, benefits, and taxes | \$ 147,383 | \$ 5,274 | \$ 13,184 | \$ 7,910 | \$ 173,751 | \$ 180,245 | \$ 782,636 | \$ 1,136,632 |
| Grants | 4,633,784 | 67,571 | 89,597 | 58,101 | 4,849,053 | 0 | 0 | 4,849,053 |
| Salute Dinner | 0 | 0 | 0 | 0 | 0 | 0 | 344,235 | 344,235 |
| The Game Luncheon | 0 | 0 | 0 | 0 | 0 | 0 | 98,357 | 98,357 |
| Bourbon Raffle | 0 | 0 | 0 | 0 | 0 | 0 | 39,415 | 39,415 |
| Office | 0 | 0 | 0 | 0 | 0 | 118,272 | 0 | 118,272 |
| Professional services | 9,290 | 0 | 0 | 0 | 9,290 | 19,421 | 68,178 | 96,889 |
| Newsletter and annual report | 0 | 0 | 0 | 0 | 0 | 0 | 116,293 | 116,293 |
| Advertising | 0 | 0 | 0 | 0 | 0 | 0 | 135,052 | 135,052 |
| Miscellaneous | 0 | 0 | 0 | 0 | 0 | 21,466 | 31,585 | 53,051 |
| | <u>\$ 4,790,457</u> | <u>\$ 72,845</u> | <u>\$ 102,781</u> | <u>\$ 66,011</u> | <u>\$ 5,032,094</u> | <u>\$ 339,404</u> | <u>\$ 1,615,751</u> | <u>\$ 6,987,249</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.

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2023 AND 2022

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|---------------------|
| Operating activities | | |
| Cash received from contributions | \$ 2,798,314 | \$ 1,954,084 |
| Cash received from special events | 1,651,408 | 1,675,015 |
| Interest and dividends received | 578,138 | 492,030 |
| Cash paid to suppliers, employees, and others | (2,175,012) | (1,828,543) |
| Grants paid | <u>(4,849,053)</u> | <u>(4,335,197)</u> |
| Net cash flows from operating activities | (1,996,205) | (2,042,611) |
| Investing activities | | |
| Purchase of property and equipment | (13,198) | (151,273) |
| Purchase of investments | (1,162,418) | (1,465,902) |
| Proceeds from sales of investments | <u>1,416,819</u> | <u>1,186,466</u> |
| Net cash flows from investing activities | 241,203 | (430,709) |
| Financing activities | | |
| Proceeds from contributions received for investment in permanent endowment | <u>1,656,327</u> | <u>2,552,840</u> |
| Net cash flows from financing activities | <u>1,656,327</u> | <u>2,552,840</u> |
| Net change in cash and cash equivalents | (98,675) | 79,520 |
| Cash and cash equivalents, beginning of year | <u>1,919,182</u> | <u>1,839,662</u> |
| Cash and cash equivalents, end of year | <u>\$ 1,820,507</u> | <u>\$ 1,919,182</u> |

See accompanying notes to financial statements.

CATHOLIC EDUCATION FOUNDATION, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2023 AND 2022

Reconciliation of change in net assets to net cash flows from operating activities

| | | |
|---|-----------------------|-----------------------|
| Change in net assets | \$ 5,391,922 | \$ (2,791,866) |
| Adjustment to reconcile change in net assets to net cash flows from operating activities | | |
| Contributions restricted for long-term purposes | (1,656,327) | (2,552,840) |
| Depreciation | 21,889 | 20,831 |
| Realized / unrealized investment (gains) losses | (3,448,152) | 5,084,598 |
| Change in discount on pledges receivable | 258,636 | 226,263 |
| Changes in operating assets and liabilities | | |
| Advanced pledge receipts | 51,444 | 116,359 |
| Interest receivable | 46,349 | (51,837) |
| Pledges receivable | (2,608,806) | (2,272,575) |
| Prepaid expenses | (1,390) | 32,124 |
| Accounts payable | 14,321 | 80,241 |
| Other current liabilities | (66,091) | 66,091 |
| Net cash flows from operating activities | <u>\$ (1,996,205)</u> | <u>\$ (2,042,611)</u> |

See accompanying notes to financial statements.

CATHOLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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, 2023 AND 2022

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 10 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 25, 2023.

CATHOLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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, 2023 and 2022, 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>2023</u> | <u>2022</u> |
|---------------------------|----------------------|----------------------|
| | Fair Value | Fair Value |
| Cash and cash equivalents | \$ 1,837,797 | \$ 2,196,362 |
| Equities and mutual funds | 23,183,339 | 22,106,136 |
| Proprietary funds | 1,604,107 | 1,407,026 |
| Corporate notes | <u>2,278,032</u> | <u>0</u> |
| Total | <u>\$ 28,903,275</u> | <u>\$ 25,709,524</u> |

Fees netted with interest and dividends were \$136,000 and \$126,257 for the years ended June 30, 2023 and 2022, respectively.

CATHOLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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, 2023 and 2022.

- *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.
- *Fixed income*: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.
- *Proprietary funds*: 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, 2023 AND 2022

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, 2023 | | | |
|----------------------------|--|---------------------|-------------|----------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Foundation investments | | | | |
| Mutual funds | | | | |
| Foreign large blend | \$ 5,366,081 | \$ 0 | \$ 0 | \$ 5,366,081 |
| Large blend | 11,015,478 | 0 | 0 | 11,015,478 |
| Small blend | <u>3,412,385</u> | <u>0</u> | <u>0</u> | <u>3,412,385</u> |
| Total mutual funds | 19,793,944 | 0 | 0 | 19,793,944 |
| Equities | | | | |
| Consumer discretionary | 417,904 | 0 | 0 | 417,904 |
| Consumer staples | 366,652 | 0 | 0 | 366,652 |
| Energy | 184,737 | 0 | 0 | 184,737 |
| Financials | 379,507 | 0 | 0 | 379,507 |
| Healthcare | 511,043 | 0 | 0 | 511,043 |
| Industrials | 535,154 | 0 | 0 | 535,154 |
| Information technology | 556,918 | 0 | 0 | 556,918 |
| Materials | 88,960 | 0 | 0 | 88,960 |
| Real estate | 157,679 | 0 | 0 | 157,679 |
| Telecommunication services | 17,991 | 0 | 0 | 17,991 |
| Utilities | <u>172,850</u> | <u>0</u> | <u>0</u> | <u>172,850</u> |
| Total equities | 3,389,395 | 0 | 0 | 3,389,395 |
| Fixed income | | | | |
| Corporate notes | <u>0</u> | <u>2,278,032</u> | <u>0</u> | <u>2,278,032</u> |
| Total assets at fair value | <u>\$ 23,183,339</u> | <u>\$ 2,278,032</u> | <u>\$ 0</u> | 25,461,371 |
| Proprietary funds* | | | | 1,604,107 |
| Cash and cash equivalents | | | | <u>1,837,797</u> |
| Total investments | | | | <u>\$ 28,903,275</u> |

CATHOLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

| | Assets at Fair Value as of June 30, 2022 | | | |
|----------------------------|--|---------|---------|---------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Foundation investments | | | | |
| Mutual funds | | | | |
| Foreign large value | \$ 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 |

* 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, 2023 AND 2022

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, 2023 and 2022.

| | <u>2023</u> | <u>2022</u> | <u>Redemption Notice</u> | <u>Redemption Frequency</u> |
|------------------------------|---------------------|---------------------|------------------------------|---------------------------------|
| Proprietary funds | | | | |
| Boston Commons International | | | | |
| Catholic SRI Fund | <u>\$ 1,604,107</u> | <u>\$ 1,407,026</u> | 10 days | Monthly |

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.

Due to the nature of the investments held by 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.

CATHOLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

Conditional promises to give are not included as support and revenues until the conditions are substantially met.

At June 30, 2023 and 2022, the promises to give are expected to be received as follows:

| | <u>2023</u> | <u>2022</u> |
|--|-------------------------|-------------------------|
| Amounts due in | | |
| One year or less | \$ 2,547,193 | \$ 2,121,009 |
| One to five years | 6,309,215 | 4,532,593 |
| More than five years | <u>980,000</u> | <u>574,000</u> |
| Subtotal | 9,836,408 | 7,227,602 |
| Less present value discount | (589,946) | (331,310) |
| Less allowance for uncollectible pledges | <u>(2,500)</u> | <u>(2,500)</u> |
| Total | <u>\$ 9,243,962</u> | <u>\$ 6,893,792</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, 2023 and 2022 consist of the following:

| | <u>2023</u> | <u>2022</u> |
|--------------------------------|-------------------|-------------------|
| Furniture and fixtures | \$ 96,178 | \$ 94,504 |
| Computer hardware and software | 47,412 | 35,888 |
| Leasehold improvements | <u>69,627</u> | <u>69,627</u> |
| | 213,217 | 200,019 |
| Less accumulated depreciation | <u>80,397</u> | <u>58,509</u> |
| Net property and equipment | <u>\$ 132,820</u> | <u>\$ 141,510</u> |

Depreciation expense was \$21,889 and \$20,831 for the years ended June 30, 2023 and 2022, respectively.

CATHOLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

7. LINE OF CREDIT

The Company opened a line of credit with a local bank with availability of \$250,000 through maturity in June 2024. The line of credit bears interest at the prime rate (8.25% at June 30, 2023). There was no balance drawn on the line at June 30, 2023. 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, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|---------------------------|---------------------|---------------------|
| Program services | | |
| Tuition assistance | \$ 3,755,043 | \$ 509,891 |
| Time restricted | 4,874,519 | 5,708,935 |
| Religious education | 134,701 | 147,726 |
| Teacher and school awards | 0 | 12,765 |
| Evangelization | 31,442 | 31,442 |
| Total | <u>\$ 8,795,705</u> | <u>\$ 6,410,759</u> |

Net assets with donor restrictions were released from restrictions due to satisfaction of purpose restrictions during the years ended June 30, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|--------------------|---------------------|---------------------|
| Program services | | |
| Tuition assistance | \$ 931,190 | \$ 987,767 |
| Time restricted | 1,309,380 | 1,138,402 |
| Total | <u>\$ 2,240,570</u> | <u>\$ 2,126,169</u> |

CATHOLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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.

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.

CATHOLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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, 2023 and 2022. Contributions received for the endowed funds during the years ended June 30, 2023 and 2022 totaled \$1,651,328 and \$2,552,840, respectively.

10. LIQUIDITY AND AVAILABILITY

The following table reflects the Foundation's financial assets as of June 30, 2023 and 2022 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.

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|---------------------|
| Financial assets | | |
| Cash and cash equivalents | \$ 1,820,506 | \$ 1,919,182 |
| Advanced pledge receipts | 107,545 | 158,989 |
| Pledges receivable | 9,243,962 | 6,893,792 |
| Investments | 28,903,275 | 25,709,524 |
| Interest receivable | <u>49,160</u> | <u>95,509</u> |
| Financial assets available | 40,124,448 | 34,776,996 |
| Donor restricted | <u>(36,577,357)</u> | <u>(32,541,082)</u> |
| Financial assets available to meet cash needs for general expenditures | <u>\$ 3,547,091</u> | <u>\$ 2,235,914</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 \$68,094 and \$65,257 for the years ended June 30, 2023 and 2022, respectively.

CATHOLIC EDUCATION FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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, 2023, the Company's uninsured cash balances were approximately \$196,000.

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 food, advertising, entertainment, music and video production, and travel for the special events. In-kind contributions other than for the special events are travel and entertainment expenses. The in-kind contributions are valued using estimated wholesale prices of identical or similar products if purchased in the region. The in-kind contributions for the Salute Dinner and The Game Luncheon included in their respective revenues are:

| | <u>2023</u> | <u>2022</u> |
|-------------------|-------------|-------------|
| Salute Dinner | \$ 83,059 | \$ 40,856 |
| The Game Luncheon | 18,493 | 21,935 |