

**CATHOLIC COMMUNITY FOUNDATION**  
**CONSOLIDATED FINANCIAL REPORT**  
**DECEMBER 31, 2023 and 2022**



CATHOLIC COMMUNITY FOUNDATION

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## Independent Auditors' Report

To the Board of Directors  
Catholic Community Foundation

### **Opinion**

We have audited the consolidated financial statements of Catholic Community Foundation (the "Foundation") (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 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 ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audits 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 consolidated financial statements are available to be issued.

## **Auditors' Responsibilities for the Audits of the Financial Statements**

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.
- Conclude whether, in our judgment, 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 audits, significant audit findings, and certain internal control related matters that we identified during the audits.

*Meloney + Novotny LLC*

Cleveland, Ohio  
May 7, 2024

CATHOLIC COMMUNITY FOUNDATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 18,472,473	\$ 14,358,794
Custodial cash and cash equivalents	379,042	211,719
Investments	136,155,578	123,547,675
Custodial investments	61,728,172	59,714,460
Contributions and accounts receivable:		
Heart of a Shepherd campaign pledges (Note 5)	4,839,035	11,775,432
Grants and pledges (Note 5)	946,359	589,834
The Catholic Charities Corporation of Cleveland (Note 9)	4,300	8,150
Furniture and equipment, net	7,007	10,048
Assets held for charitable gift annuity agreements	983,282	1,206,847
Other	<u>289,231</u>	<u>197,933</u>
Total assets	<u>\$ 223,804,479</u>	<u>\$ 211,620,892</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable:		
Trade	\$ 538,438	\$ 369,136
Heart of a Shepherd campaign distributions	1,110,237	1,962,819
Beneficiaries of charitable gift annuity agreements	345,985	459,887
Accrued expenses	139,094	92,174
Funds held for others	<u>62,107,214</u>	<u>59,926,179</u>
Total liabilities	64,240,968	62,810,195
 <u>NET ASSETS</u>		
Without donor restrictions (Note 7)	11,208,446	9,502,071
With donor restrictions (Note 8)	<u>148,355,065</u>	<u>139,308,626</u>
Total net assets	<u>159,563,511</u>	<u>148,810,697</u>
Total liabilities and net assets	<u>\$ 223,804,479</u>	<u>\$ 211,620,892</u>

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

CATHOLIC COMMUNITY FOUNDATION  
CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Fundraising, support and grants	\$ 18,230,321	\$ 12,891,178	\$ 31,121,499
Less funds raised for others (Note 9):			
Annual appeal	(15,307,701)		(15,307,701)
Bequests and gifts	(1,048,298)		(1,048,298)
Net fundraising, support and grants	1,874,322	12,891,178	14,765,500
Interest and dividend income	263,746	3,356,399	3,620,145
Net realized (loss) gain on investments	(106,306)	3,315,384	3,209,078
Net unrealized gain on investments	791,775	10,763,654	11,555,429
Fundraising support (Note 9)	2,267,496		2,267,496
Other support (Note 9)	1,103,334		1,103,334
Net change in value of annuity agreements	818	144,149	144,967
Reclassification and transfers of net assets	(117,638)	117,638	-
Net assets released from restrictions pursuant to endowment spending-rate distribution formula	2,389,420	(2,389,420)	-
Net assets released from restrictions - other	12,780,478	(12,780,478)	-
Total revenue and support	21,247,445	15,418,504	36,665,949
<b>DISTRIBUTIONS AND EXPENSES</b>			
Distributions	16,125,944		16,125,944
Operating expenses:			
Fundraising	2,239,085		2,239,085
Other operating	840,055		840,055
Administrative expenses	335,986		335,986
Total distributions and expenses	19,541,070		19,541,070
<b>CHANGE IN NET ASSETS BEFORE CAMPAIGN ACTIVITY AND TRANSFERS</b>			
	1,706,375	15,418,504	17,124,879
<b>CAMPAIGN ACTIVITY (Note 3) AND TRANSFERS</b>			
Heart of a Shepherd - support		477,193	477,193
Heart of a Shepherd - expenses	(47,842)		(47,842)
Heart of a Shepherd - distributions	(6,812,056)		(6,812,056)
Net assets released from restrictions - Heart of a Shephard	6,859,898	(6,859,898)	-
Transfers from Diocesan entities		10,640	10,640
Total campaign activity and transfers	-	(6,372,065)	(6,372,065)
<b>CHANGE IN NET ASSETS</b>	1,706,375	9,046,439	10,752,814
<b>NET ASSETS – BEGINNING OF YEAR</b>	9,502,071	139,308,626	148,810,697
<b>NET ASSETS – END OF YEAR</b>	<u>\$ 11,208,446</u>	<u>\$ 148,355,065</u>	<u>\$ 159,563,511</u>

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

CATHOLIC COMMUNITY FOUNDATION  
CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Fundraising, support and grants	\$ 26,198,784	\$ 11,662,073	\$ 37,860,857
Less funds raised for others (Note 9):			
Annual appeal	(13,870,269)		(13,870,269)
Bequests and gifts	<u>(11,624,522)</u>		<u>(11,624,522)</u>
Net fundraising, support and grants	703,993	11,662,073	12,366,066
Interest and dividend income	182,737	2,347,386	2,530,123
Net realized loss on investments	(495,341)	(1,343,106)	(1,838,447)
Net unrealized loss on investments	(1,453,046)	(18,962,537)	(20,415,583)
Fundraising support (Note 9)	2,267,496		2,267,496
Other support (Note 9)	786,280		786,280
Net change in value of annuity agreements	(5,193)	(218,063)	(223,256)
Reclassification and transfers of net assets	(261,132)	243,132	(18,000)
Net assets released from restrictions pursuant to endowment spending-rate distribution formula	2,486,767	(2,486,767)	-
Net assets released from restrictions - other	<u>9,119,329</u>	<u>(9,119,329)</u>	<u>-</u>
Total revenue and support	13,331,890	(17,877,211)	(4,545,321)
<b>DISTRIBUTIONS AND EXPENSES</b>			
Distributions	12,115,223		12,115,223
Operating expenses:			
Fundraising	2,046,559		2,046,559
Other operating	818,672		818,672
Administrative expenses	<u>309,228</u>		<u>309,228</u>
Total distributions and expenses	<u>15,289,682</u>		<u>15,289,682</u>
<b>CHANGE IN NET ASSETS BEFORE CAMPAIGN ACTIVITY AND TRANSFERS</b>			
	(1,957,792)	(17,877,211)	(19,835,003)
<b>CAMPAIGN ACTIVITY (Note 3) AND TRANSFERS</b>			
Heart of a Shepherd - support		2,799,900	2,799,900
Heart of a Shepherd - expenses	(125,861)		(125,861)
Heart of a Shepherd - distributions	(14,754,481)		(14,754,481)
Net assets released from restrictions - Heart of a Shepherd	14,880,342	(14,880,342)	-
Reclassification to Heart of a Shepherd		18,000	18,000
Transfers to Diocesan entities		<u>(5,226)</u>	<u>(5,226)</u>
Total campaign activity and transfers	<u>-</u>	<u>(12,067,668)</u>	<u>(12,067,668)</u>
<b>CHANGE IN NET ASSETS</b>	(1,957,792)	(29,944,879)	(31,902,671)
<b>NET ASSETS – BEGINNING OF YEAR</b>	<u>11,459,863</u>	<u>169,253,505</u>	<u>180,713,368</u>
<b>NET ASSETS – END OF YEAR</b>	<u>\$ 9,502,071</u>	<u>\$ 139,308,626</u>	<u>\$ 148,810,697</u>

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

CATHOLIC COMMUNITY FOUNDATION  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2023

	Program Services	Administrative	Fundraising	Total
Distributions	\$ 22,938,000			\$ 22,938,000
Salaries and wages	529,393	\$ 197,836	\$ 1,025,194	1,752,423
Taxes and benefits	173,489	41,340	283,542	498,371
Postage			287,801	287,801
Bank fees	861	1,599	217,152	219,612
Professional fees	22,930	29,783	63,682	116,395
Printing			235,130	235,130
Information technology	74,740	875	41,937	117,552
Travel	566	1,052	7,069	8,687
Occupancy	26,709	49,239	288	76,236
Advertising and promotion	2,548	4,733	42,264	49,545
Office expenses	7,013	6,175	17,522	30,710
Creative services			59,079	59,079
Conferences, conventions, and meetings	742	1,377	6,267	8,386
Depreciation	1,064	1,977		3,041
Total expenses	23,778,055	335,986	2,286,927	26,400,968
Less: Heart of a Shephard expenses and distributions	(6,812,056)		(47,842)	(6,859,898)
 Total expenses included in the distributions and expenses section of the consolidated statement of activities	 \$ 16,965,999	\$ 335,986	\$ 2,239,085	\$ 19,541,070

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



CATHOLIC COMMUNITY FOUNDATION  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2022

	<u>Program Services</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Distributions	\$ 26,869,704			\$ 26,869,704
Salaries and wages	500,970	\$ 177,200	\$ 941,162	1,619,332
Taxes and benefits	153,620	33,633	250,720	437,973
Postage			214,068	214,068
Bank fees	949	1,763	148,400	151,112
Professional fees	22,909	29,783	112,221	164,913
Printing	115	214	280,667	280,996
Information technology	97,399	691	52,002	150,092
Travel	1,058	1,965	21,669	24,692
Occupancy	26,598	49,158		75,756
Advertising and promotion	1,310	2,432	76,656	80,398
Office expenses	12,305	9,714	12,999	35,018
Creative services			54,887	54,887
Conferences, conventions, and meetings	257	478	6,969	7,704
Depreciation	<u>1,182</u>	<u>2,197</u>		<u>3,379</u>
 Total expenses	 27,688,376	 309,228	 2,172,420	 30,170,024
 Less: Heart of a Shephard expenses and distributions	 <u>(14,754,481)</u>		 <u>(125,861)</u>	 <u>(14,880,342)</u>
 Total expenses included in the distributions and expenses section of the consolidated statement of activities	 <u>\$ 12,933,895</u>	 <u>\$ 309,228</u>	 <u>\$ 2,046,559</u>	 <u>\$ 15,289,682</u>

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

CATHOLIC COMMUNITY FOUNDATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 10,752,814	\$ (31,902,671)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized (gain) loss on investments	(3,209,078)	1,838,447
Net unrealized (gain) loss on investments	(11,555,429)	20,415,583
Change in value of annuity agreements	475,762	344,147
Depreciation	3,041	3,379
Contributions permanently restricted	(111,107)	(810,229)
Changes in operating assets and liabilities:		
Custodial investments	(2,013,712)	(676,949)
Pledges and accounts receivable	6,583,722	8,704,635
Other assets	(91,298)	56,125
Accounts payable	(683,280)	(2,268,056)
Accrued expenses	46,920	15,496
Funds held for others	2,181,035	585,929
Unearned revenue	-	(200,000)
Total adjustments	<u>(8,373,424)</u>	<u>28,008,507</u>
Net cash provided by (used in) operating activities	2,379,390	(3,894,164)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	77,195,628	91,654,377
Purchase of investments	<u>(75,039,024)</u>	<u>(87,965,466)</u>
Net cash provided by investing activities	2,156,604	3,688,911
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments to beneficiaries of charitable gift annuities	(366,099)	(112,852)
Contributions permanently restricted	<u>111,107</u>	<u>810,229</u>
Net cash (used in) provided by financing activities	<u>(254,992)</u>	<u>697,377</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	4,281,002	492,124
<b>CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR</b>	<u>14,570,513</u>	<u>14,078,389</u>
<b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>	<u>\$ 18,851,515</u>	<u>\$ 14,570,513</u>

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

# CATHOLIC COMMUNITY FOUNDATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Note 1. Summary of Significant Accounting Policies

- A. Organization – The Catholic Community Foundation (the "Foundation") is tax exempt under Section 501(c)(3) of the Internal Revenue Code and was created and incorporated on January 1, 2000 to centralize and enhance fundraising and fund management for the Catholic Diocese of Cleveland (the "Diocese"). The Foundation receives unrestricted contributions, certain restricted contributions, bequests, and special gifts and it allocates funds to the various operating secretariats of the Diocese. The financial statements of the Foundation also include those of its wholly owned subsidiary, the Scholarship Granting Organization of the Catholic Community Foundation, operating under the trade name Angel Scholarship Fund.

The Angel Scholarship Fund, an Ohio non-profit corporation, was created as a subsidiary of the Foundation on November 19, 2021, with the Foundation as its sole member. The Angel Scholarship Fund is tax exempt under Section 501(c)(3) of the Internal Revenue Code and was created to accept donations and award scholarships to primary and secondary school students, prioritizing scholarships to low-income students. The Angel Scholarship Fund is a recognized scholarship granting organization by the State of Ohio, and donations to the Angel Scholarship Fund may be eligible for special tax treatment for donors by the State of Ohio. Operations of the Angel Scholarship Fund commenced during 2022. Contributions received in 2023 and 2022 were approximately \$5.1 million and \$4.6 million, respectively.

- B. Accounting Method – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. All significant intercompany activities are eliminated in consolidation. Net assets, revenues, gains, and losses are classified 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 without donor restrictions, certain net assets for a board-designated endowment.

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.

- C. Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## CATHOLIC COMMUNITY FOUNDATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### **Note 1. Summary of Significant Accounting Policies (Continued)**

- D. Cash and Cash Equivalents – The Foundation considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to endowments that are perpetual in nature, or other long-term purposes, are excluded from this balance and are included in investments.
- E. Investments – Marketable securities are carried at fair value based on quoted market prices with realized and unrealized gains and losses reported in the consolidated statements of activities. Realized gains or losses on the sale of investments are determined on the specific identification method and are recorded net of investment fees. Investment income or loss on net assets with donor restrictions, including unrealized and realized gains or losses net of investment expenses, is reported in changes in net assets.
- F. Charitable Annuity Agreements – The Foundation, as trustee, holds assets from donors under charitable remainder trust agreements that designate the Foundation as a significant charitable beneficiary. The terms of the agreements require that the trust pay from the assets of the trust an annuity to the annuitant, the donor, or another specified beneficiary for the remainder of the designated individual's life or specified term. Upon the death of the individual or the expiration of the term, the Foundation may use the remaining assets as specified in the trust agreement. The Foundation reports the assets held by these trusts at fair value in the consolidated statements of financial position as assets held for charitable gift annuity agreements. The Foundation also records a liability for the actuarial present value of the future annuity payments. The discount rates used to compute the liability range from 4.1% to 8.1%.
- G. Unearned Revenue – The Foundation conducts fundraising events. Any unearned revenue amount represents sponsorships received in advance.
- H. Funds Held for Others – The Foundation's custodial cash and investments are funds that are held for various entities that are affiliated with the Diocese. The Foundation pools the balances for these entities with its investments so it can receive a higher rate of return. Income and losses attributable to the funds held for others are not included in the accompanying consolidated statements of activities but are recorded as adjustments to the liability.
- I. Fair Value of Financial Instruments – The carrying values of cash and equivalents, accounts receivable, and accounts payable are reasonable estimates of fair value due to the short-term nature of these financial instruments.

CATHOLIC COMMUNITY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**Note 1. Summary of Significant Accounting Policies (Continued)**

I. Fair Value of Financial Instruments (Continued)

The Foundation estimates the fair value of financial instruments using available market information and other generally accepted valuation methodologies. Fair value is defined as the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction in accordance with accounting principles generally accepted in the United States of America. These standards establish a three level hierarchy that prioritizes the inputs and defines valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described below:

Level 1 – Uses quoted market prices in active markets for identical assets and liabilities.

Level 2 – Uses observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3 – Uses unobservable inputs in which little or no market data exists.

The following tables set forth by level the Foundation's assets that are accounted for at fair value on a recurring basis, as of December 31, 2023 and 2022. Certain investments that are measured at fair value using the net asset value ("NAV") per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

<u>2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Cash and cash equivalents	\$ 16,890,901	\$ -	\$ 16,890,901
Common stocks	119,240,846	-	119,240,846
Corporate and international bonds	26,305,185	-	26,305,185
Government and muni bonds	21,063,472	-	21,063,472
Asset backed and agency bonds	-	10,260,028	10,260,028
Total investments subject to fair value leveling	183,500,404	10,260,028	193,760,432
Investments in real estate investment trust using the NAV practical expedient	-	-	4,123,318
Subtotal	183,500,404	10,260,028	197,883,750
Funds held in trust by others			
Cash and cash equivalents	29,390	-	29,390
Government and corporate bonds	291,743	-	291,743
Common stocks	665,523	-	665,523
Total	<u>\$ 184,487,060</u>	<u>\$ 10,260,028</u>	<u>\$ 198,870,406</u>

CATHOLIC COMMUNITY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**Note 1. Summary of Significant Accounting Policies (Continued)**

I. Fair Value of Financial Instruments (Continued)

<u>2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Cash and cash equivalents	\$ 15,899,664	\$ -	\$ 15,899,664
Common stocks	99,710,968	-	99,710,968
Corporate and international bonds	28,458,884	-	28,458,884
Government and muni bonds	22,542,180	-	22,542,180
Asset backed and agency bonds	-	12,276,496	12,276,496
Total investments subject to fair value leveling	166,611,696	12,276,496	178,888,192
Investments in real estate investment trust using the NAV practical expedient	-	-	4,373,943
Subtotal	166,611,696	12,276,496	183,262,135
Funds held in trust by others			
Cash and cash equivalents	34,037	-	34,037
Government and corporate bonds	365,044	-	365,044
Common stocks	811,034	-	811,034
Total	<u>\$ 167,821,811</u>	<u>\$ 12,276,496</u>	<u>\$ 184,472,250</u>

*Common stocks* – Common stocks consist of marketable equity securities of domestic and international corporations in a variety of industries that are valued based on quoted prices in active markets and are classified as Level 1.

*Corporate and international bonds* – These bonds consist of investments in U.S. and foreign corporations and are valued based on quoted prices in active markets. These are classified as Level 1.

*Government and muni bonds* – Government and muni bonds consist of investments in U.S. Treasuries and government related securities that are valued based on quoted prices in active markets. These are classified as Level 1.

*Asset backed securities and agency bonds* – These securities are valued based on the market value of the underlying investments and related interest rates; values that, while observable in the market, are subject to adjustment due to pricing considerations for the specific instruments and are classified as Level 2.

These methods described above may produce a fair value that may not reflect net realizable value or future fair values. There have been no changes in the methodologies used from 2022 to 2023. Although the Organization believes its valuation methods are appropriate and consistent with other market participants, different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value at the reporting date.

CATHOLIC COMMUNITY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**Note 1. Summary of Significant Accounting Policies (Continued)**

I. Fair Value of Financial Instruments (Continued)

The Foundation is required to disclose the nature and risks of the investments recorded at the NAV. The following tables summarizes the nature and risk of these investments as of December 31, 2023 and 2022:

	Fair Value at December 31, 2023	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Real estate investment trust	\$ 4,123,318	\$ -	Quarterly	60 days

	Fair Value at December 31, 2022	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Real estate investment trust	\$ 4,373,943	\$ 5,000,000	Quarterly	60 days

- J. Contributions – Contributions received, including unconditional promises to give, are recognized as revenues in the period received at their fair values. All contributions are considered to be available without donor restrictions unless specifically restricted by the donor. Funds set aside by the Board of the Foundation or by the Bishop of Cleveland, to be used at their discretion, and funds that are donor advised are included in net assets without donor restrictions.
- K. Distributions – Payments are disbursed to the various operating secretariats of the Diocese for allocation to agencies and institutions. Periodically, additional special allocations are approved and disbursed to other agencies and institutions.
- L. Depreciation – Depreciation expense is recognized on a straight-line method over the estimated useful lives of ten years for furniture and equipment and five years for computer and office equipment. The Foundation had accumulated depreciation of \$70,905 and \$67,865 as of December 31, 2023 and 2022, respectively.
- M. Income Taxes – The Foundation and the Angel Scholarship Fund are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code. The Foundation believes that there is appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the consolidated financial statements.
- N. Functional Allocation of Expenses – The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Expenses are allocated based on estimates of time and effort.

CATHOLIC COMMUNITY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**Note 1. Summary of Significant Accounting Policies (Continued)**

O. Concentration of Credit Risk – The Foundation deposits its cash and cash equivalents with financial institutions. Deposits with financial institutions may exceed Federal Depository Insurance Corporation insurance limits of \$250,000 per financial institution.

The Foundation holds investment securities which are exposed to various risks including interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Foundation's investment account balances and the amounts reported in the consolidated statements of financial position.

P. Subsequent Events – The Foundation has evaluated subsequent events through May 7, 2024, which is the date the consolidated financial statements were available to be issued.

**Note 2. Liquidity and Availability**

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. In addition, the Foundation receives support without donor restrictions; such support has historically supported annual program funding needs, with the remainder funded by investment income without donor restrictions and appropriated earnings from gifts with donor restrictions.

General expenditures include administrative and general expenses and fundraising expenses. Annual operations are defined as activities occurring during the Foundation's calendar year. The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within the fundraising agreement between The Catholic Charities Corporation of Cleveland, the Diocese, and the Foundation,
- Maintaining adequate liquid assets, and
- Adhering to the distribution policies as set forth for the various funds managed by the Foundation.

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

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 18,472,473	\$ 14,358,794
Investments	136,155,578	123,547,675
Less:		
Donor restricted cash and cash equivalents	(17,667,544)	(13,489,926)
Donor restricted investments	<u>(135,573,086)</u>	<u>(122,984,515)</u>
	<u>\$ 1,387,421</u>	<u>\$ 1,432,028</u>



## CATHOLIC COMMUNITY FOUNDATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### **Note 2. Liquidity and Availability (Continued)**

The Foundation's endowment funds consist of donor-restricted endowments and funds designated by the Board as endowments. Income from donor-restricted endowments is restricted and is not available for general expenditure. The Foundation's board-designated endowment of \$1,933,604 is subject to an annual spending rate of 5% as described in Note 4. The Foundation considers investment income and contributions without donor restrictions to be available to meet cash needs for general expenditures. In 2023 and prior years, the Foundation made these funds fully available for philanthropic purposes. Beginning in 2024, an annual fee equal to approximately 0.50% on most portfolio funds and appeals (excluding the annual Catholic Charities Corporation Appeal) will be charged to support the annual operating budget of the Foundation.

The Foundation annually receives a commitment of fundraising support from both The Catholic Charities Corporation of Cleveland and the Diocese as further described in Note 9. This cash support totaled \$3,078,274 and \$2,838,266 for 2023 and 2022, respectively, and such support is expected to continue in 2024.

#### **Note 3. Heart of a Shepherd Campaign**

The Foundation initiated the Heart of a Shepherd Campaign (the "Campaign") in 2019 to fund the urgent need for capital renovations of Borromeo Seminary and St. Mary Seminary, to add to the priests' retirement fund, and to create an endowment to provide student loan relief to newly ordained priests. In 2020, the Campaign was modified to also address local parish needs. Total Campaign funds raised as of December 31, 2023 were \$47,734,688.

Campaign pledges receivable were \$4,839,035 and \$11,775,432 at December 31, 2023 and 2022, respectively (see Note 5). Cash received from this Campaign initially is allocated to parish needs under an agreed-upon formula with each parish and to fund seminary renovations, and the remainder will be prorated between the priests' retirement fund and a new endowment to provide student loan relief to newly ordained priests. The Foundation has received \$41,425,365 for the Campaign's objectives through December 31, 2023. Distributions to parishes for their local needs and distributions for seminary renovations totaled \$16,858,526 and \$21,526,125, respectively, through December 31, 2023. Campaign distributions payable were \$1,110,237 and \$1,962,819 at December 31, 2023 and 2022, respectively. Campaign costs totaled \$2,390,084 through December 31, 2023. The active Campaign fundraising concluded in December 2021.

#### **Note 4. Endowment Funds**

The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

## CATHOLIC COMMUNITY FOUNDATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### **Note 4. Endowment Funds (Continued)**

The Foundation places great importance on risk reduction through asset allocation and style diversification. Investment results are measured using a rolling three to five year period or a market cycle. The following are the investment performance objectives, in order of importance, for the portfolio:

- To generate a real annual compound rate of return, inclusive of interest income, dividends, and net capital appreciation over the measurement period, at least equal to the sum of the annual payout percentage provided for in the distribution policy plus inflation (for example 5% distribution policy + inflation + investment management cost).
- To obtain a total return on the portfolio, net of all investment related fees, that exceeds the total return of the policy benchmark.
- Performance will be evaluated versus achievement of distribution policy and comparisons to a similar set of investments.

The goals of the strategic asset allocation policy are to establish a long-term asset allocation plan for the Foundation's portfolio that is consistent with objectives and guidelines contained in this policy and carried out in an efficient manner. To that end, this policy establishes an acceptable range, defined to be any percentage above a minimum and below a maximum percentage of the portfolio allocated to a particular asset class, and a target percentage, defined to be the percentage goal for the investment of the portfolio in that asset class.

Market value fluctuations and operational needs may cause variations from the strategic asset allocation policy ranges stated in this policy. To ensure allocations are consistent with the allocation policy, rebalancing the portfolio is done quarterly using the quarter end portfolio values. The Foundation does not deem it acceptable to time the market with tactical allocation shifts. The intention of this policy is to avoid short-term judgments that introduce significant unplanned risk.

Distributions from endowment funds are spent in compliance with the donor's restrictions applicable to the funds being distributed. Annual distributions from endowment funds are limited to not more than 5% of the average weighted market value of investable assets of the past three years in the permanently restricted fund.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. The Foundation's spending policy does not permit spending from underwater endowments. At December 31, 2023 and 2022, the Foundation had no underwater endowment funds.

CATHOLIC COMMUNITY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**Note 4. Endowment Funds (Continued)**

Endowment net asset composition by type of fund as of December 31, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment fund	\$ 1,933,604	\$ -	\$ 1,933,604
Donor-restricted endowment funds:			
Corpus	-	33,424,658	33,424,658
Accumulated endowment earnings	-	19,310,614	19,310,614
	<u>\$ 1,933,604</u>	<u>\$ 52,735,272</u>	<u>\$ 54,668,876</u>

Changes in endowment net assets for the year ended December 31, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment investments, beginning of year	\$ 1,763,960	\$ 47,162,045	\$ 48,926,005
Investment return:			
Investment income	45,338	1,355,810	1,401,148
Net appreciation (realized and unrealized)	214,037	6,495,730	6,709,767
Total investment return	259,375	7,851,540	8,110,915
Contributions	2,562	111,107	113,669
Appropriation of endowment assets for distribution	(92,293)	(2,389,420)	(2,481,713)
Endowment investments, end of year	<u>\$ 1,933,604</u>	<u>\$ 52,735,272</u>	<u>\$ 54,668,876</u>

Endowment net asset composition by type of fund as of December 31, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment fund	\$ 1,763,960	\$ -	\$ 1,763,960
Donor-restricted endowment funds:			
Corpus	-	33,313,551	33,313,551
Accumulated endowment earnings	-	13,848,494	13,848,494
	<u>\$ 1,763,960</u>	<u>\$ 47,162,045</u>	<u>\$ 48,926,005</u>

CATHOLIC COMMUNITY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**Note 4. Endowment Funds (Continued)**

Changes in endowment net assets for the year ended December 31, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment investments, beginning of year	\$ 2,038,498	\$ 57,548,074	\$ 59,586,572
Investment return:			
Investment income	35,323	1,092,730	1,128,053
Net depreciation (realized and unrealized)	<u>(312,513)</u>	<u>(9,802,221)</u>	<u>(10,114,734)</u>
Total investment return	(277,190)	(8,709,491)	(8,986,681)
Contributions	2,652	810,229	812,881
Appropriation of endowment assets for distribution	<u>-</u>	<u>(2,486,767)</u>	<u>(2,486,767)</u>
Endowment investments, end of year	<u>\$ 1,763,960</u>	<u>\$ 47,162,045</u>	<u>\$ 48,926,005</u>

**Note 5. Contributions Receivable**

Contributions receivable are unconditional promises to give to the Foundation under multi-year commitments. An allowance for uncollectible receivables has been established based upon historical results and the amounts pledged have been discounted to their present value based on the expected timing of the cash receipts. Contributions receivable are comprised of the following at December 31:

	<u>Heart of a Shepherd</u>	<u>Other</u>	<u>Total 2023</u>	<u>Total 2022</u>
Amounts due in:				
Less than one year	\$ 5,102,285	\$ 610,868	\$ 5,713,153	\$ 9,486,325
One to five years	1,188,479	465,000	1,653,479	4,805,029
Less: allowance for uncollectible receivables	<u>(1,397,523)</u>	<u>(21,800)</u>	<u>(1,419,323)</u>	<u>(1,731,871)</u>
Total	4,893,241	1,054,068	5,947,309	12,559,483
Less: discount to present value at 3%	<u>(54,206)</u>	<u>(107,709)</u>	<u>(161,915)</u>	<u>(194,217)</u>
Present value of estimated future cash flows	<u>\$ 4,839,035</u>	<u>\$ 946,359</u>	<u>\$ 5,785,394</u>	<u>\$ 12,365,266</u>

CATHOLIC COMMUNITY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**Note 6. Retirement Plan**

The Foundation participates in a defined contribution plan which covers substantially all non-hourly employees. The Foundation participates in a defined benefit pension plan sponsored by the Diocese of Cleveland. The defined benefit plan is a multiple employer plan and actuarial information for covered employers was not available. Retirement expense was \$103,015 in 2023 and \$91,367 in 2022.

**Note 7. Net Assets Without Donor Restrictions**

Net assets without donor restrictions are designated as follows:

	<u>2023</u>	<u>2022</u>
Donor advised funds	\$ 7,948,060	\$ 6,410,114
Board-designated funds	1,933,604	1,763,960
Other donor funds	902,744	862,475
Operating	417,031	455,474
Furniture and equipment	<u>7,007</u>	<u>10,048</u>
	<u>\$ 11,208,446</u>	<u>\$ 9,502,071</u>

Donor advised funds are donations or bequests received by the Foundation over which the donor has reserved the right to periodically submit recommendations regarding distribution.

Board-designated funds are distributed only upon specific Board approval and are typically invested for the long term.

**Note 8. Net Assets With Donor Restrictions**

Net assets with donor restrictions are designated for the following purposes:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Education	\$ 63,111,939	\$ 55,757,816
Health and Human Services	26,196,352	22,894,395
Heart of a Shepherd	6,772,808	13,106,127
Catholic Community Foundation	9,545,908	6,787,524
Angel Scholarship Fund	5,991,475	4,445,400
Parish Life and Development	2,351,222	2,057,357
Clergy and Religious	937,558	932,046
Rooted in Faith	<u>23,145</u>	<u>14,410</u>
	114,930,407	105,995,075
Subject to endowment spending policy and appropriation:		
Education	15,842,481	15,837,481
Health and Human Services	10,658,553	10,658,553
Catholic Community Foundation	5,410,424	5,304,317
Parish Life and Development	1,417,500	1,417,500
Clergy and Religious	<u>95,700</u>	<u>95,700</u>
	<u>33,424,658</u>	<u>33,313,551</u>
Total net assets with donor restrictions	<u>\$ 148,355,065</u>	<u>\$ 139,308,626</u>

CATHOLIC COMMUNITY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**Note 9. Related Party Transactions**

The Foundation has an agreement with The Catholic Charities Corporation of Cleveland to provide operational support for The Catholic Charities Corporation of Cleveland's annual appeal and other fundraising efforts pursuant to which the Foundation received fundraising fee revenues of \$2,267,496 in each of 2023 and 2022. A total of \$16,355,999 and \$25,494,791 was raised in 2023 and 2022, respectively, for The Catholic Charities Corporation of Cleveland. These amounts have been presented as funds raised for others in the accompanying consolidated statements of activities.

As of December 31, 2023 and 2022, The Catholic Charities Corporation of Cleveland owed the Foundation \$4,300 and \$8,150, respectively.

The Diocese paid administrative support to the Foundation of \$810,778 and \$570,770 for the years ended December 31, 2023 and 2022, respectively. These amounts are included in other support in the accompanying consolidated statements of activities.

The Foundation recognized personnel-related expenses under its Shared Services Agreement with the Diocese that totaled \$180,644 and \$165,392 in 2023 and 2022, respectively. The value of the services provided by the Diocese is based on the employee cost and the time spent by Diocesan personnel on Foundation matters and is presented in other support, salaries and wages, and other employee benefits in the accompanying consolidated statements of functional expenses.