

CATHOLIC COMMUNITY FOUNDATION
CONSOLIDATED FINANCIAL REPORT
DECEMBER 31, 2024 and 2023



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, 2024 and 2023, 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, 2024 and 2023, 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
April 29, 2025

CATHOLIC COMMUNITY FOUNDATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 18,391,910	\$ 18,472,473
Custodial cash and cash equivalents	447,756	379,042
Investments	143,924,154	136,155,578
Custodial investments	63,536,837	61,728,172
Contributions and accounts receivable:		
Heart of a Shepherd campaign pledges (Note 5)	1,171,249	4,839,035
Grants and pledges (Note 5)	591,191	946,359
The Catholic Charities Corporation of Cleveland (Note 9)	301,200	4,300
Furniture and equipment, net	4,186	7,007
Assets held for charitable gift annuity agreements	1,723,546	983,282
Other	<u>346,052</u>	<u>289,231</u>
Total assets	<u>\$ 230,438,081</u>	<u>\$ 223,804,479</u>
 <u>LIABILITIES AND NET ASSETS</u>		
 LIABILITIES		
Accounts payable:		
Trade	\$ 158,742	\$ 538,438
Heart of a Shepherd campaign distributions	383,969	1,110,237
Beneficiaries of charitable gift annuity agreements	661,844	345,985
Accrued expenses	147,860	139,094
Loan payable - related party (Note 9)	500,000	-
Funds held for others	<u>63,984,593</u>	<u>62,107,214</u>
Total liabilities	65,837,008	64,240,968
 NET ASSETS		
Without donor restrictions (Note 7)	12,292,325	11,208,446
With donor restrictions (Note 8)	<u>152,308,748</u>	<u>148,355,065</u>
Total net assets	<u>164,601,073</u>	<u>159,563,511</u>
 Total liabilities and net assets	<u>\$ 230,438,081</u>	<u>\$ 223,804,479</u>

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

CATHOLIC COMMUNITY FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Fundraising, support and grants	\$ 22,686,725	\$ 16,552,947	\$ 39,239,672
Less funds raised for others (Note 9):			
Annual appeal	(15,225,119)		(15,225,119)
Bequests and gifts	(5,974,736)		(5,974,736)
Net fundraising, support and grants	1,486,870	16,552,947	18,039,817
Interest and dividend income	319,452	3,680,023	3,999,475
Net realized gain on investments	309,976	10,485,357	10,795,333
Net unrealized gain on investments	105,168	1,135,492	1,240,660
Fundraising support (Note 9)	1,903,862		1,903,862
Other support (Notes 2 and 9)	1,716,105		1,716,105
Net change in value of annuity agreements	596	62,224	62,820
Reclassification and transfers of net assets	(158,363)	1,037,363	879,000
Net assets released from restrictions pursuant to endowment spending-rate distribution formula	2,668,242	(2,668,242)	-
Net assets released from restrictions - other	20,778,466	(20,778,466)	-
Total revenue and support	29,130,374	9,506,698	38,637,072
DISTRIBUTIONS AND EXPENSES			
Distributions	24,424,497		24,424,497
Operating expenses:			
Fundraising	2,404,014		2,404,014
Other operating	903,548		903,548
Administrative expenses	314,436		314,436
Total distributions and expenses	28,046,495		28,046,495
CHANGE IN NET ASSETS BEFORE CAMPAIGN ACTIVITY AND TRANSFERS	1,083,879	9,506,698	10,590,577
CAMPAIGN ACTIVITY (Note 3) AND TRANSFERS			
Heart of a Shepherd - support		724,486	724,486
Loss on Heart of a Shepherd campaign pledges		(995,976)	(995,976)
Heart of a Shepherd - expenses	(40,106)		(40,106)
Heart of a Shepherd - distributions	(4,377,208)		(4,377,208)
Net assets released from restrictions - Heart of a Shepherd	4,417,314	(4,417,314)	-
Reclassification from Heart of a Shepherd		(879,000)	(879,000)
Transfers to Diocesan entities		14,789	14,789
Total campaign activity and transfers	-	(5,553,015)	(5,553,015)
CHANGE IN NET ASSETS	1,083,879	3,953,683	5,037,562
NET ASSETS – BEGINNING OF YEAR	11,208,446	148,355,065	159,563,511
NET ASSETS – END OF YEAR	\$ 12,292,325	\$ 152,308,748	\$ 164,601,073

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
REVENUE AND SUPPORT			
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 (Notes 2 and 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
DISTRIBUTIONS AND EXPENSES			
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
CHANGE IN NET ASSETS BEFORE CAMPAIGN ACTIVITY AND TRANSFERS	1,706,375	15,418,504	17,124,879
CAMPAIGN ACTIVITY (Note 3) AND TRANSFERS			
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 to Diocesan entities		10,640	10,640
Total campaign activity and transfers	-	(6,372,065)	(6,372,065)
CHANGE IN NET ASSETS	1,706,375	9,046,439	10,752,814
NET ASSETS – BEGINNING OF YEAR	9,502,071	139,308,626	148,810,697
NET ASSETS – END OF YEAR	\$ 11,208,446	\$ 148,355,065	\$ 159,563,511

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

CATHOLIC COMMUNITY FOUNDATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2024

	Program Services	Administrative	Fundraising	Total
Distributions	\$ 28,801,705			\$ 28,801,705
Salaries and wages	534,466	\$ 170,333	\$ 1,112,518	1,817,317
Taxes and benefits	179,440	41,301	304,040	524,781
Postage			266,013	266,013
Bank fees	1,007	1,870	184,284	187,161
Professional fees	55,618	32,565	168,050	256,233
Printing			245,160	245,160
Information technology	96,077	1,338	45,183	142,598
Travel	595	1,106	11,343	13,044
Occupancy	26,898	49,428	760	77,086
Advertising and promotion	2,519	4,678	51,630	58,827
Office expenses	4,959	8,160	4,958	18,077
Creative services			45,172	45,172
Conferences, conventions, and meetings	982	1,823	5,009	7,814
Depreciation	987	1,834		2,821
Total expenses	29,705,253	314,436	2,444,120	32,463,809
Less: Heart of a Shephard expenses and distributions	(4,377,208)		(40,106)	(4,417,314)
Total expenses included in the distributions and expenses section of the consolidated statement of activities	<u>\$ 25,328,045</u>	<u>\$ 314,436</u>	<u>\$ 2,404,014</u>	<u>\$ 28,046,495</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	<u>\$ 16,965,999</u>	<u>\$ 335,986</u>	<u>\$ 2,239,085</u>	<u>\$ 19,541,070</u>

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

CATHOLIC COMMUNITY FOUNDATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 5,037,562	\$ 10,752,814
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Net realized gain on investments	(10,795,333)	(3,209,078)
Net unrealized gain on investments	(1,240,660)	(11,555,429)
Change in value of annuity agreements	(1,034,494)	475,762
Depreciation	2,821	3,041
Contributions permanently restricted	(870,594)	(111,107)
Changes in operating assets and liabilities:		
Custodial investments	(1,808,665)	(2,013,712)
Pledges and accounts receivable	3,726,054	6,583,722
Other assets	(56,821)	(91,298)
Accounts payable	(1,105,964)	(683,280)
Accrued expenses	8,766	46,920
Funds held for others	1,877,379	2,181,035
Total adjustments	<u>(11,297,511)</u>	<u>(8,373,424)</u>
Net cash (used in) provided by operating activities	(6,259,949)	2,379,390
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	110,173,686	77,195,628
Purchase of investments	<u>(105,906,269)</u>	<u>(75,039,024)</u>
Net cash provided by investing activities	4,267,417	2,156,604
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments to beneficiaries of charitable gift annuities	(94,940)	(366,099)
Proceeds from beneficiaries of charitable gift annuities	705,029	-
Loan proceeds from note payable - related party	500,000	-
Contributions permanently restricted	870,594	111,107
Net cash provided by (used in) financing activities	<u>1,980,683</u>	<u>(254,992)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(11,849)	4,281,002
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	<u>18,851,515</u>	<u>14,570,513</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 18,839,666</u>	<u>\$ 18,851,515</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 2024 and 2023 were approximately \$6.3 million and \$5.1 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 9.3%.
- G. 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.
- H. 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.

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:

CATHOLIC COMMUNITY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fair Value of Financial Instruments (Continued)

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, 2024 and 2023. 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 reconcile the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

<u>2024</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Cash and cash equivalents	\$ 21,095,503	\$ -	\$ 21,095,503
Common stocks	118,523,698	-	118,523,698
Corporate and international bonds	26,082,487	-	26,082,487
Government and muni bonds	25,745,779	-	25,745,779
Asset backed and agency bonds	-	12,305,411	12,305,411
Total investments subject to fair value leveling	191,447,467	12,305,411	203,752,878
Investments in real estate investment trust using the NAV practical expedient	-	-	3,708,113
Subtotal	191,447,467	12,305,411	207,460,991
Assets held for annuities:			
Cash and cash equivalents	80,580	-	80,580
Government and corporate bonds	523,040	-	523,040
Common stocks	1,119,926	-	1,119,926
Subtotal	1,723,546	-	1,723,546
Total	<u>\$ 193,171,013</u>	<u>\$ 12,305,411</u>	<u>\$ 209,184,537</u>

CATHOLIC COMMUNITY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fair Value of Financial Instruments (Continued)

<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
Assets held for annuities:			
Cash and cash equivalents	29,390	-	29,390
Government and corporate bonds	291,743	-	291,743
Common stocks	662,149	-	662,149
Subtotal	983,282	-	983,282
Total	<u>\$ 184,483,686</u>	<u>\$ 10,260,028</u>	<u>\$ 198,867,032</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 2023 to 2024. Although the Foundation 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)

H. Fair Value of Financial Instruments (Continued)

The Foundation is required to disclose the nature and risks of the investments recorded at the NAV. The Foundation is eligible to enter the queue on a quarterly basis. Eligibility for redemption becomes available when liquidity in the fund is available. The following tables summarize the nature and risk of these investments as of December 31, 2024 and 2023:

	Fair Value at December 31, 2024	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Real estate investment trust	\$ 3,708,113	\$ -	Quarterly, subject to limitations	60 days
	Fair Value at December 31, 2023	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Real estate investment trust	\$ 4,123,318	\$ -	Quarterly	60 days

- I. 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.
- J. 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.
- K. 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 \$73,726 and \$70,905 as of December 31, 2024 and 2023, respectively.
- L. 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.
- M. 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)

- N. 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.

- O. Subsequent Events – The Foundation has evaluated subsequent events through April 29, 2025, 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 ("Catholic Charities"), 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>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 18,391,910	\$ 18,472,473
Investments	143,924,154	136,155,578
Less:		
Donor restricted cash and cash equivalents	(17,770,994)	(17,667,544)
Donor restricted investments	<u>(143,631,711)</u>	<u>(135,573,086)</u>
	<u>\$ 913,359</u>	<u>\$ 1,387,421</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 \$2,140,105 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. Beginning in 2024, an annual fee equal to approximately 0.50% on most portfolio funds and appeals (excluding the annual Catholic Charities Corporation Appeal) was charged to support the annual operating expenses. These fees totaled \$950,283 in 2024 and are presented in other support in the accompanying consolidated statement of activities.

The Foundation annually receives a commitment of administrative and fundraising support from Catholic Charities and the Diocese as further described in Note 9. This cash support totaled \$2,411,062 and \$3,078,274 for 2024 and 2023, respectively, and such support is expected to continue in 2025.

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, 2024 were \$47,502,485.

Campaign pledges receivable were \$1,171,249 and \$4,839,035 at December 31, 2024 and 2023, 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 is prorated between the priests' retirement fund and a new endowment to provide student loan relief to newly ordained priests. The Foundation has received \$44,712,066 for the Campaign's objectives through December 31, 2024. Distributions to parishes for their local needs and distributions for seminary renovations totaled \$18,786,285 and \$21,928,574, respectively, through December 31, 2024. Distributions to the Priests' Retirement Trust and distributions to the Seminarian Student Debt Relief Fund totaled \$2,051,000 and \$879,000 through December 31, 2024, respectively. Campaign distributions payable were \$383,969 and \$1,110,237 at December 31, 2024 and 2023, respectively. Campaign costs totaled \$2,430,190 through December 31, 2024. 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, 2024 and 2023, 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, 2024:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment fund	\$ 2,140,105	\$ -	\$ 2,140,105
Donor-restricted endowment funds:			
Corpus	-	34,295,252	34,295,252
Accumulated endowment earnings	<u>-</u>	<u>23,392,301</u>	<u>23,392,301</u>
	<u>\$ 2,140,105</u>	<u>\$ 57,687,553</u>	<u>\$ 59,827,658</u>

Changes in endowment net assets for the year ended December 31, 2024:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment investments, beginning of year	\$ 1,933,604	\$ 52,735,272	\$ 54,668,876
Investment return:			
Investment income	47,290	1,434,139	1,481,429
Net appreciation (realized and unrealized)	<u>175,224</u>	<u>5,315,790</u>	<u>5,491,014</u>
Total investment return	222,514	6,749,929	6,972,443
Contributions	1,987	870,594	872,581
Appropriation of endowment assets for distribution	<u>(18,000)</u>	<u>(2,668,242)</u>	<u>(2,686,242)</u>
Endowment investments, end of year	<u>\$ 2,140,105</u>	<u>\$ 57,687,553</u>	<u>\$ 59,827,658</u>

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	<u>-</u>	<u>19,310,614</u>	<u>19,310,614</u>
	<u>\$ 1,933,604</u>	<u>\$ 52,735,272</u>	<u>\$ 54,668,876</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, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
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)	<u>214,037</u>	<u>6,495,730</u>	<u>6,709,767</u>
Total investment return	259,375	7,851,540	8,110,915
Contributions	2,562	111,107	113,669
Appropriation of endowment assets for distribution	<u>(92,293)</u>	<u>(2,389,420)</u>	<u>(2,481,713)</u>
Endowment investments, end of year	<u>\$ 1,933,604</u>	<u>\$ 52,735,272</u>	<u>\$ 54,668,876</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. During the years ended December 31, 2024 and 2023, the Foundation wrote off \$995,976 and \$-0-, respectively, of Heart of a Shepherd campaign pledges that were deemed uncollectible. Contributions receivable are comprised of the following at December 31:

	Heart of a Shepherd	Other	Total 2024	Total 2023
Amounts due in:				
Less than one year	\$ 1,468,571	\$ 259,957	\$ 1,728,528	\$ 5,713,153
One to five years	262,522	385,000	647,522	1,653,479
Less: allowance for uncollectible receivables	<u>(549,152)</u>	<u>(21,000)</u>	<u>(570,152)</u>	<u>(1,419,323)</u>
Total	1,181,941	623,957	1,805,898	5,947,309
Less: discount to present value at 3-5%	<u>(10,692)</u>	<u>(32,766)</u>	<u>(43,458)</u>	<u>(161,915)</u>
Present value of estimated future cash flows	<u>\$ 1,171,249</u>	<u>\$ 591,191</u>	<u>\$ 1,762,440</u>	<u>\$ 5,785,394</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 \$104,396 in 2024 and \$103,015 in 2023.

Note 7. Net Assets Without Donor Restrictions

Net assets without donor restrictions are designated as follows:

	<u>2024</u>	<u>2023</u>
Donor advised funds	\$ 8,866,046	\$ 7,948,060
Board-designated funds	2,140,105	1,933,604
Other donor funds	1,002,907	902,744
Operating	279,081	417,031
Furniture and equipment	<u>4,186</u>	<u>7,007</u>
	<u>\$ 12,292,325</u>	<u>\$ 11,208,446</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>2024</u>	<u>2023</u>
Subject to expenditure for specified purpose:		
Education	\$ 68,163,282	\$ 63,111,939
Health and Human Services	28,455,138	26,196,352
Heart of a Shepherd	1,179,940	6,772,808
Catholic Community Foundation	9,690,875	9,545,908
Angel Scholarship Fund	6,798,112	5,991,475
Parish Life and Development	2,680,840	2,351,222
Clergy and Religious	1,020,248	937,558
Rooted in Faith	<u>25,061</u>	<u>23,145</u>
	118,013,496	114,930,407
Subject to endowment spending policy and appropriation:		
Education	16,003,388	15,842,481
Health and Human Services	10,658,553	10,658,553
Catholic Community Foundation	6,120,111	5,410,424
Parish Life and Development	1,417,500	1,417,500
Clergy and Religious	<u>95,700</u>	<u>95,700</u>
	<u>34,295,252</u>	<u>33,424,658</u>
Total net assets with donor restrictions	<u>\$ 152,308,748</u>	<u>\$ 148,355,065</u>

CATHOLIC COMMUNITY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 9. Related Party Transactions

The Foundation has an agreement with Catholic Charities to provide operational support for Catholic Charities' annual appeal and other fundraising efforts pursuant to which the Foundation received fundraising fee revenues of \$1,903,862 and \$2,267,496 in 2024 and 2023, respectively. A total of \$21,199,855 and \$16,355,999 was raised in 2024 and 2023, respectively, for Catholic Charities. These amounts have been presented as funds raised for others in the accompanying consolidated statements of activities.

As of December 31, 2024 and 2023, Catholic Charities owed the Foundation \$301,200 and \$4,300, respectively.

The Diocese paid administrative support to the Foundation of \$507,200 and \$810,778 for the years ended December 31, 2024 and 2023, 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 \$184,222 and \$180,644 in 2024 and 2023, 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 both other support revenue and operating expenses in the accompanying consolidated statements of functional expenses.

In 2024, the Diocese provided a \$500,000 short-term, interest-free loan to the Foundation to create an initial earnings base for the Seminarian Student Debt Relief Fund. The Foundation will repay the loan with a portion of the future proceeds from the Heart of a Shepherd campaign and other subsequent funding.