

CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022



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YEARS ENDED JUNE 30, 2023 AND 2022**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Catholic Community Foundation of Minnesota
St. Paul, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Catholic Community Foundation of Minnesota (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 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 (GAAS). Our responsibilities under those standards are further described in the Auditors' 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 for one year after the date the financial statements are available to be issued.

Auditors' 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 auditors' 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 GAAS 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 a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the 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 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 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 audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the statements of financial position and statements of activities but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

Board of Directors
Catholic Community Foundation of Minnesota

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 9, 2023

CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
Cash and Cash Equivalents	\$ 37,558,339	\$ 20,274,681
Pledges and Bequest Receivable	1,373,020	3,179,379
Interest and Fees Receivable	910,749	802,806
Prepays and Other Assets	310,945	261,898
Investments	542,859,316	471,164,671
Cash Surrender Value of Life Insurance	3,474,416	3,385,150
Beneficial Interest in Trusts	8,411,421	8,251,063
Right of Use Assets - Leases	132,323	-
Property and Equipment, Net	78,563	70,942
Total Assets	\$ 595,109,092	\$ 507,390,590
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 984,480	\$ 908,203
Lease Liability	132,350	-
Grants Payable	728,500	665,500
Agency Funds	231,182,309	186,646,997
Beneficiary Endowments	81,117,539	71,048,034
Split-Interest Agreement Obligations	3,715,746	3,938,128
Total Liabilities	317,860,924	263,206,862
NET ASSETS		
Without Donor Restrictions	93,809,975	75,975,320
With Donor Restrictions	183,438,193	168,208,408
Total Net Assets	277,248,168	244,183,728
Total Liabilities and Net Assets	\$ 595,109,092	\$ 507,390,590

See accompanying Notes to Financial Statements.

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE GAINS (LOSSES) AND OTHER SUPPORT			
Total Contributions	\$ 28,933,357	\$ 12,249,064	\$ 41,182,421
Less: Amounts Received for Beneficial Endowments	-	6,066,738	6,066,738
Net Contributions	28,933,357	6,182,326	35,115,683
Investment Income, Net of Investment Expenses	6,494,122	15,393,825	21,887,947
Management Fee Income	1,507,551	-	1,507,551
Change in Value of Split-Interest Agreements, Net	(26,404)	(66,553)	(92,957)
Released from Restrictions	6,586,760	(6,586,760)	-
Net Revenue Gains (Losses) and Other Support	43,495,386	14,922,838	58,418,224
PROGRAM GRANTS			
Education	9,056,392	-	9,056,392
Parishes	5,286,278	-	5,286,278
Social Services	5,111,793	-	5,111,793
Other Religious and Seminaries	4,563,048	-	4,563,048
Total Grants	24,017,511	-	24,017,511
Less: Grants Made on Beneficial Endowments	2,601,661	-	2,601,661
Net Grants	21,415,850	-	21,415,850
OPERATING EXPENSES			
Donor Engagement	2,256,288	-	2,256,288
Management and General	1,211,900	-	1,211,900
Grant Services	469,746	-	469,746
Total Operating Expenses	3,937,934	-	3,937,934
DONOR RECLASSIFICATIONS AND INTERFUND TRANSFERS	(306,947)	306,947	-
CHANGE IN NET ASSETS	17,834,655	15,229,785	33,064,440
Net Assets - Beginning of Year	75,975,320	168,208,408	244,183,728
NET ASSETS - END OF YEAR	\$ 93,809,975	\$ 183,438,193	\$ 277,248,168

See accompanying Notes to Financial Statements.

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE GAINS (LOSSES) AND OTHER SUPPORT			
Total Contributions	\$ 26,389,816	\$ 31,656,632	\$ 58,046,448
Less: Amounts Received for Beneficial Endowments	-	13,424,310	13,424,310
Net Contributions	26,389,816	18,232,322	44,622,138
Investment Loss, Net of Investment Expenses	(5,407,728)	(15,824,443)	(21,232,171)
Management Fee Income	1,493,609	-	1,493,609
Change in Value of Split-Interest Agreements, Net	(390,548)	(489,201)	(879,749)
Released from Restrictions	6,176,331	(6,176,331)	-
Net Revenue Gains (Losses) and Other Support	28,261,480	(4,257,653)	24,003,827
PROGRAM GRANTS			
Education	5,793,904	-	5,793,904
Parishes	3,905,153	-	3,905,153
Social Services	5,360,922	-	5,360,922
Other Religious and Seminaries	3,537,133	-	3,537,133
Total Grants	18,597,112	-	18,597,112
Less: Grants Made on Beneficial Endowments	1,706,205	-	1,706,205
Net Grants	16,890,907	-	16,890,907
OPERATING EXPENSES			
Donor Engagement	1,705,157	-	1,705,157
Management and General	1,099,288	-	1,099,288
Grant Services	423,815	-	423,815
Total Operating Expenses	3,228,260	-	3,228,260
DONOR RECLASSIFICATIONS AND INTERFUND TRANSFERS	283,475	(283,475)	-
CHANGE IN NET ASSETS	8,425,788	(4,541,128)	3,884,660
Net Assets - Beginning of Year	67,549,532	172,749,536	240,299,068
NET ASSETS - END OF YEAR	\$ 75,975,320	\$ 168,208,408	\$ 244,183,728

See accompanying Notes to Financial Statements.

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2023 AND 2022**

	2023				2022			
	Donor Engagement	Management and General	Grant Services	Total	Donor Engagement	Management and General	Grant Services	Total
PROGRAM GRANTS, NET	\$ -	\$ -	\$ 21,415,850	\$ 21,415,850	\$ -	\$ -	\$16,890,907	\$ 16,890,907
OPERATING EXPENSES								
Salaries and Benefits	1,421,088	956,523	388,280	2,765,891	1,201,051	865,662	349,325	2,416,038
Professional Fees	34,975	76,690	7,834	119,499	35,778	73,124	9,184	118,086
Publications and Marketing	528,063	-	-	528,063	239,870	-	-	239,870
Depreciation	20,103	13,088	5,493	38,684	16,770	11,686	4,878	33,334
Office Supplies and Services	150,441	97,952	41,105	289,498	111,548	77,734	32,444	221,726
Occupancy	62,896	40,952	17,185	121,033	61,071	42,558	17,763	121,392
Miscellaneous	38,722	26,695	9,849	75,266	39,069	28,524	10,221	77,814
Total Operating Expenses	<u>2,256,288</u>	<u>1,211,900</u>	<u>469,746</u>	<u>3,937,934</u>	<u>1,705,157</u>	<u>1,099,288</u>	<u>423,815</u>	<u>3,228,260</u>
Total Expenses	<u>\$ 2,256,288</u>	<u>\$ 1,211,900</u>	<u>\$ 21,885,596</u>	<u>\$ 25,353,784</u>	<u>\$ 1,705,157</u>	<u>\$ 1,099,288</u>	<u>\$ 17,314,722</u>	<u>\$ 20,119,167</u>

See accompanying Notes to Financial Statements.

CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 33,064,440	\$ 3,884,660
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	38,684	33,334
Change in Cash Surrender Value of Insurance Policies	(89,266)	228,666
Realized and Unrealized (Gain) Loss on Investments	(40,632,922)	50,497,331
Discount on Program-Related Investments	(10,435)	(7,182)
Change in Value of Split Interest Agreements	92,957	879,749
Lease Transition Adjustment	27	-
Contributions Restricted for Long-Term Investment	(6,028,860)	(10,041,825)
Change in Assets and Liabilities:		
Pledges Receivable	1,806,359	2,879,805
Interest and Fees Receivable	(107,943)	(86,484)
Prepays and Other Assets	(49,047)	15,057
Beneficial Interest in Trusts	(160,358)	(7,720,475)
Accounts Payable and Accrued Expenses	76,277	(347,434)
Grants Payable	63,000	28,500
Net Agency Activity	44,535,312	(9,565,404)
Net Beneficiary Endowed Activity	10,069,505	4,428,381
Net Cash Provided by Operating Activities	42,667,730	35,106,679
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale and Maturities of Investments	110,990,297	82,818,589
Purchase of Investments	(142,134,542)	(120,985,608)
Purchase of Fixed Assets	(46,305)	(31,335)
Net Cash Used by Investing Activities	(31,190,550)	(38,198,354)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in Annuity and Trust Agreement Obligations	(110,603)	(281,616)
Payments on Annuities and Trust Obligations	(111,779)	(757,936)
Contributions Restricted for Long-Term Investment	6,028,860	10,041,825
Net Cash Provided by Financing Activities	5,806,478	9,002,273
 NET INCREASE IN CASH AND CASH EQUIVALENTS	17,283,658	5,910,598
Cash and Cash Equivalents - Beginning of Year	20,274,681	14,364,083
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 37,558,339	\$ 20,274,681
 SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITY		
Agency and Beneficiary Endowment Unrealized/Realized Gains (Losses), Net of Fees	\$ 21,032,946	\$ (26,502,488)

See accompanying Notes to Financial Statements.

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 ORGANIZATION

Mission

Catholic Community Foundation of Minnesota (the Foundation) supports financially the spiritual, educational, and social needs of our Catholic community.

Nature of Organization

The Foundation inspires Catholic philanthropy and invests, manages, and distributes charitable assets as guided by our donors and our Catholic identity. The Foundation facilitates planned and current gifts to endowments and donor advised funds which financially support needs in our Catholic community. The Foundation fulfills its mission by:

1. Seeking endowment funds that support its mission.
2. Helping donors achieve their charitable and financial goals.
3. Helping parishes, schools, and Catholic organizations meet their long-term financial needs.
4. Providing responsible and effective financial management of charitable assets.
5. Distributing grants according to donor intent and needs in the community.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Foundation's financial statements are presented in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

Net assets and revenues, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets of the Foundation 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 (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, 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.

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash equivalents include all highly liquid securities purchased with a maturity of three months or less, excluding those managed as a part of the Foundation's long-term and intermediate term investment pools which are reported in investments on the statements of financial position.

The Foundation maintains its cash accounts primarily at one financial institution. At times throughout the year, the Foundation's cash and cash equivalents balance may exceed amounts insured by the Federal Deposit Insurance Corporation and the Securities Investor Protection Corporation.

Pledges and Bequests Receivables

Pledges and bequests receivable are recorded at the present value of the amount expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the pledge and bequest is received. An allowance for uncollectible pledge and bequest receivables had been deemed unwarranted. Total pledges and bequest receivable is due from six donors for the years ended June 30, 2023 and 2022. Pledges and bequest receivable are as follows at June 30:

	<u>2023</u>	<u>2022</u>
Amounts Due within 1 Year	\$ 1,373,020	\$ 3,058,020
Amounts Due in 1 to 5 Years	-	125,000
Less: Unamortized Discount	-	(3,641)
Net Pledge Receivable	<u>\$ 1,373,020</u>	<u>\$ 3,179,379</u>

Investments

Investments are carried at either deposit value or fair value. Donated investments are initially recorded at estimated fair value at the date of donation. Realized and unrealized gains and losses are recognized in the period in which they occur. Realized and unrealized gains and losses for investments, other than agency obligations and beneficiary endowments, are recorded in the statements of activities. Investment income and gains and losses on agency obligations and beneficiary endowment investments are reported as a direct increase or decrease to the obligations on the statements of financial position. Investment income and gains and losses for charitable remainder trusts are recorded within the trust activity.

The Foundation invests most of the endowments and agency funds in four investment pools managed by various investment managers exclusively for the Foundation. Investment income and realized and unrealized gains and losses from investments within the investment pools as well as investment costs are allocated monthly to the individual funds based on the relationship of the market value of each fund to the total market value of the pool as adjusted for additions to or distributions from those funds.

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative Financial Instruments

The Foundation invests in various stock indexes, fixed income, and equity options. The Foundation uses derivatives with the objectives of reducing portfolio risk and/or lowering investment costs. Derivative instruments are measured at fair value and reported as assets or liabilities in the statement of financial position. Changes in the fair value of derivatives during the year are reported in the statements of activities.

As of June 30, 2023, the Foundation had 52 contracts outstanding and contract exposure amounts of \$22,847,000 of equity and fixed income call and put options. As of June 30, 2022, the Foundation had 32 contracts outstanding and contract exposure amounts of \$11,867,000 of equity and fixed income call and put options.

Net realized and unrealized gains and losses are recognized in the statement of activities. Net gains of approximately \$763,680 and \$327,851 were recognized for the years ended June 30, 2023 and 2022, respectively.

Beneficial Interest in Trusts

Donors established and funded charitable remainder trusts under which specified distributions are made to designated beneficiaries over the terms of their lives. Upon termination of the trusts, the Foundation receives the remaining assets. Beneficial interests in charitable remainder trusts are recorded at the fair value of the trusts' assets net of the present value of the estimated future payments to be made under the specific terms of the trust. Changes in net assets of the trusts are recorded as gains or losses in the statements of activities. Beneficial interest in trusts that are recorded at fair value total \$471,503 and \$455,239 as of June 30, 2023 and 2022, respectively, as disclosed in Note 5. Net assets and changes in the net assets are recorded within net assets with donor restrictions.

The Foundation has one trust that was received during the year ended June 30, 2022, which is valued using discount rates as of the date received. The value of the expected cash flows from this trust is \$7,939,918 and \$7,795,824 as of June 30, 2023 and 2022, respectively. Expected cash flows are as follows:

	<u>2023</u>	<u>2022</u>
Less Than One Year	\$ 168,803	\$ 100,614
One to Five Years	1,507,395	1,256,162
Thereafter	<u>8,933,368</u>	<u>9,353,404</u>
Total	10,609,566	10,710,180
Less: Discount at 3.18%	<u>2,669,648</u>	<u>2,914,356</u>
Total	<u>\$ 7,939,918</u>	<u>\$ 7,795,824</u>

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants Payable

Grant commitments are accrued and recognized as expense when approved by the board. All grants payable are expected to be paid within the year.

The Foundation, whose mission is to support the needs of the Catholic community, shares a minority of common directors or committee members with other Catholic schools, parishes, seminaries, and other organizations. It is the Foundation's policy to have each board or committee member disclose any conflict of interest. In those instances, the board or committee members are prohibited from voting on grants to these organizations.

Agency Funds

The Foundation manages and invests funds as an agent for parishes, schools, and service organizations within our Minnesota Catholic community. Deposits and withdrawals are made at the direction of the respective organization. Either party may cancel an agency agreement at any time.

Beneficiary Endowments

Beneficiary endowments are donor-restricted funds that are perpetual in nature for which the contributing Catholic organization is also the sole beneficiary. Unlike other agency funds, the Foundation retains legal ownership of Beneficiary endowments. In accordance with accounting principles generally accepted in the United States of America, the Foundation must account for the fair market value of these funds as both assets and liabilities on the statements of financial position.

Split Interest Agreements

Charitable gift annuities and charitable remainder trusts are offered to donors wishing to make a deferred gift to the Family of Faith endowments, parish and school endowments, operating funds, or other charitable causes. Donors receive life income payments and the gift remainder is restricted for Foundation endowments or other charitable causes. Net earnings on charitable remainder trust investments in excess of the payments made to donors are also restricted for Foundation endowment programs or other charitable causes selected by the donor in the original gift instrument. Assets received are recorded at fair value on the date the agreement or trust is recognized. Liabilities on charitable gift annuities and charitable remainder trusts are established based on the present value of payments to be made. These liabilities are recalculated annually, based on life expectancy assumptions, and the resulting revaluation amount is included in the change in value of split-interest agreements in the statements of activities.

Contributions

Contributions, unconditional promises to give, and other assets are recognized at fair values and are recorded as made. All contributions are available for general use unless specifically restricted by the donor. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When these restrictions expire, net assets are reclassified to net assets without restrictions and reported in the statements of activities as Released from Restrictions.

CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions (Continued)

The Foundation accepts gifts of life insurance whereby a donor designates the Foundation as a full or partial beneficiary of a life insurance policy or transfers all incidence of ownership in a policy to the Foundation. The majority of these gifts represent donor-restricted contributions for the Family of Faith Endowment.

Members of the board contributed to the Foundation approximately \$1,653,840 and \$776,083 for the years ended June 30, 2023 and 2022, respectively.

Total contributions at June 30, 2023 and 2022, consists of 22% and 31% from one and two donors, respectively.

Investment Income

The Foundation accounts for investment income recorded in the statements of activities, including gains and losses on investments, as with or without donor restrictions within revenue depending on the existence and/or nature of any donor restrictions related to the original contribution. When the donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets are reclassified to net assets without restrictions and reported in the statements of activities as Released from Restrictions.

Functional Allocation of Expenses

The cost of various Foundation operations has been summarized on a functional basis in the statements of activities. Accordingly, certain expenses have been allocated among benefitting departments. Salaries are allocated based on employee job descriptions and time and effort. All other costs are allocated based on management's best estimate of usage. Donor Engagement costs as shown in the accompanying statements of activities represent the Foundation's cost of donor relations and fundraising activities.

Income Taxes

The Foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and only unrelated business income is subject to federal and state income tax. The Foundation is a nonprivate foundation and contributions to the Foundation qualify as a charitable tax deduction by the contributor.

The Foundation follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the Foundation due to the implementation of this standard. The Foundation's tax returns are subject to review and examination by federal and state authorities.

CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting 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 revenues and expenses. Actual results could vary from the estimates that were used.

Fair Value Measurements

The Foundation follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the Foundation has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

Level 2 – Financial assets and liabilities are valued using inputs of quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the assets, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset.

Investment Risk

The Foundation holds its investments in a variety of investment funds. In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the Foundation's investment holdings and the amounts reported on the statements of financial position.

**CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standard

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. The adoption of this standard had no material impact on the Foundation's financial statements.

Subsequent Events

The Foundation has evaluated events and transactions for potential recognition or disclosure in these financial statements through November 9, 2023, the date the financial statements were available to be issued and believe no additional disclosures are required.

NOTE 3 LIQUIDITY AND AVAILABILITY

Financial assets available for grants and general expenditures within one year of the statements of financial position date are comprised of the following at June 30:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 22,501,584	\$ 18,513,376
Pledges and Bequest Receivable	125,000	125,000
Interest and Fees Receivable	910,749	802,806
Investments	52,450,646	46,521,595
Total	<u>\$ 75,987,979</u>	<u>\$ 65,962,777</u>

The Foundation's core operations are funded primarily through asset-based management fees on the charitable funds under management, calculated as a percentage of market value. The board of directors has established operating reserve targets designed to support operations during periods of market volatility, when management fees collected may fall short of budgeted expectations.

The assets above include donor funds subject to donor restrictions and recommendations as of June 30, 2023 and 2022. Donor funds are generally either permanent (endowed) or nonpermanent. Nonpermanent funds may be granted out at any time, subject to the terms of the fund agreement and in special cases approval by the board of directors. The spendable amount (see spending policy in Note 10) from endowed assets, whether donor-restricted or board-designated will be made available for grant-making from these endowments within the next 12 months. Board-designated endowment, while generally not available to use in one year, could be made available upon board approval.

The financial assets of the Foundation are managed to become available as its awarded grants, general expenditures, liabilities, and other obligations become due. Cash in excess of daily requirements may be invested in money markets, sweep accounts and other short-term investments.

CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 4 INVESTMENTS

Investment securities, which are managed and held in safekeeping by others, are recorded at fair market value. The majority of the investments are held in four investment pools. Agency funds are invested in all four pools while beneficiary endowments, and other endowments are invested in two of the investment pools. Charitable gift annuities, charitable remainder trusts, certain agency funds, and certain donor advised funds are separately invested.

Investments consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
U.S. Government Securities	\$ 41,207,989	\$ 35,452,034
Fixed Income Securities	47,439,755	38,929,270
Domestic and International Equities	289,789,168	228,944,563
Hedge Funds and Private Capital	116,274,535	121,330,581
Real Assets	17,590,303	16,543,673
Equity and Fixed Income Collective Funds	2,246,273	2,411,116
Cash and Cash Equivalents	27,241,910	26,468,249
Program Related Investment, Net	977,916	967,481
Stock in Privately Held Company	91,467	117,704
Total Investments	<u>\$ 542,859,316</u>	<u>\$ 471,164,671</u>

Investment income is as follows as of June 30:

	<u>2023</u>	<u>2022</u>
Interest and Dividend Income	\$ 8,341,689	\$ 5,478,675
Realized Gains	7,631,616	21,433,593
Unrealized Gains (Losses)	33,001,306	(71,930,924)
Investment Expenses	<u>(1,485,359)</u>	<u>(1,579,041)</u>
Total Investment Income (Loss), Net of Investment Expenses	47,489,252	(46,597,697)
Less: Net Investment Income from Agency and Beneficial Endowments	<u>(25,601,305)</u>	<u>25,365,526</u>
Total	<u>\$ 21,887,947</u>	<u>\$ (21,232,171)</u>

NOTE 5 FAIR VALUE MEASUREMENTS

The Foundation uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Foundation values all other assets and liabilities refer to Note 2 – Summary of Significant Accounting Policies.

CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

Assets measured at fair value on a recurring basis as of June 30:

	2023			
	Level 1	Level 2	Level 3	Total
Investments and Assets at Fair Value:				
Beneficial Interest in Trusts	\$ -	\$ -	\$ 471,503	\$ 471,503
U.S. Government Securities	\$ -	\$ 22,919,189	\$ -	\$ 22,919,189
Fixed Income Securities	24,433,478	3,600,276	-	28,033,754
Domestic and International Equities	289,789,168	-	-	289,789,168
Real Assets	241,068	-	-	241,068
Total Fair Value Investments	<u>\$ 314,463,714</u>	<u>\$ 26,519,465</u>	<u>\$ -</u>	<u>340,983,179</u>
Investments Measured at Net Asset Value or its Equivalent				173,564,844
Stock in Privately Held Company				91,467
Cash and Equivalents				27,241,910
Program Related Investment, Net				977,916
Total Investments				<u>\$ 542,859,316</u>
	2022			
	Level 1	Level 2	Level 3	Total
Investments and Assets at Fair Value:				
Beneficial Interest in Trusts	\$ -	\$ -	\$ 455,239	\$ 455,239
U.S. Government Securities	\$ -	\$22,738,985	\$ -	\$ 22,738,985
Fixed Income Securities	18,286,554	6,622,583	-	24,909,137
Domestic and International Equities	228,944,563	-	-	228,944,563
Real Assets	269,417	-	-	269,417
Total Fair Value Investments	<u>\$ 247,500,534</u>	<u>\$ 29,361,568</u>	<u>\$ -</u>	<u>276,862,102</u>
Investments Measured at Net Asset Value or its Equivalent				166,749,135
Stock in Privately Held Company				117,704
Cash and Equivalents				26,468,249
Program Related Investment, Net				967,481
Total Investments				<u>\$ 471,164,671</u>

Level 3 Assets

The following table provides a summary of changes in fair value of the Foundation's Level 3 financial assets for the years ended June 30:

	2023	2022	Principal Valuation Technique	Unobservable Inputs
Beneficial Interest in Trusts:				
Balances as of July 1	\$ 455,239	\$ 530,588	Discounted Cash Flows	Discount Rates Duration
Change in Value	16,264	(75,349)		
Balances as of June 30	<u>\$ 471,503</u>	<u>\$ 455,239</u>		

CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3 Assets (Continued)

The Foundation invests primarily in investment funds, limited partnerships, or non-U.S. corporations referred to collectively for this purpose as investment funds. Investment funds are presented in the accompanying financial statements at fair value as determined under FASB Accounting Standards Codification ASC 820, *Fair Value Measurements and Disclosures*. In situations where the investment fund does not have a readily determinable fair value and meets other eligibility criteria, the Foundation measures fair value based on net asset value (NAV) per share or its equivalent.

Investments Measured at Net Asset Value by Major Category

The following table lists investment funds by major category:

	Net Asset Value 2023	Unfunded Commitments at June 30, 2023	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
U.S. Government Securities	\$ 18,288,800	\$ -	Monthly	30 Days
Fixed Income Securities	19,406,001	-	Daily - Weekly	1 Day to 10 Days
Hedge Funds	53,548,308	-	Monthly - Annually	5 Days to 90 Days
Private Capital	62,726,227	20,574,508	N/A**	N/A
Real Assets	17,349,235	16,497,700	N/A**	N/A
Equity and Fixed Income Collective Funds	<u>2,246,273</u>	-	Daily	1 Day to 5 Days
Total	<u>\$ 173,564,844</u>	<u>\$ 37,072,208</u>		
	Net Asset Value 2022	Unfunded Commitments at June 30, 2022	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
U.S. Government Securities	\$ 12,713,049	\$ -	Monthly	30 Days
Fixed Income Securities	14,020,133	-	Daily - Weekly	1 Day to 10 Days
Hedge Funds	60,135,269	-	Monthly - Annually	5 Days to 90 Days
Private Capital	61,195,312	22,894,038	N/A**	N/A
Real Assets	16,274,256	11,152,455	N/A**	N/A
Equity and Fixed Income Collective Funds	<u>3,203,141</u>	-	Daily	1 Day to 5 Days
Total	<u>\$ 167,541,160</u>	<u>\$ 34,046,493</u>		

** Funds have a lock-up period of 8 to 12 years and are returned to investors during that time at the discretion of the investment manager.

U.S. Government Securities

U.S. government securities include investments in U.S. Agency mortgage securities and collateralized mortgage obligations. This fund is structured as an institutional mutual fund and liquidity is provided only through the investment manager. Investing in U.S. government securities provides diversification, interest income, low risk, and stability to the overall portfolio.

CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

Investments Measured at Net Asset Value by Major Category (Continued)

Fixed Income Securities

Fixed income securities include but are not limited to global bonds, foreign currency, emerging market debt, convertibles, and securitized debt and bank loans. The fair value calculation of these funds is based primarily on readily available quoted or comparable market prices.

Hedge Funds

Hedge fund objectives are to achieve consistent positive returns with reduced risk. These funds utilize a combination of diversified strategies including global equity, long/short equity and credit, and quantitative and relative value/arbitrage that may include an event driven focus, bottom-up and top-down orientations and exposure to emerging markets, equity indices and equity index put and call options. The unobservable inputs used to determine fair value in this category has been estimated using the NAV per share of the investments.

Private Capital

Private capital investments are structured as limited partnerships allowing for a variety of investment strategies including investments in illiquid debt and equity assets across multiple sectors and global markets. The unobservable inputs used to determine fair value has been estimated based on the capital account balances reported by underlying partnerships subject to the private capital fund of funds management review and judgment.

Real Assets

These funds consist of a diversified portfolio of commercial property and energy investments. The unobservable inputs used to determine fair value may include but are not limited to discounted cash flows, comparable asset analyses, third-party pricing services, and appraisals and bona fide offers.

Equity and Fixed Income Collective Funds

These funds consist of domestic and international equities which are proprietary, institutional index funds comprised of publicly traded corporate stock. These funds also consist of fixed income securities such as U.S. government securities and corporate bonds. Investing in collective funds provides diversification, dividend income, and growth potential to the overall portfolio. The fair value calculation of these funds is based on readily available quoted or comparable market prices.

Subsequent to year-end, the Foundation signed one commitment with a fund manager totaling \$4,000,000.

CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 6 LINE OF CREDIT

The Foundation has available for operating needs, a line of credit with US Bank, secured by investments held in its custodial account, which allows it to borrow up to \$500,000 with interest accruing at daily Simple Secured Overnight Financing Rate (SOFR) plus 2.15%. The line was not drawn upon for operating needs during the course of the fiscal year, and there was no balance outstanding at either June 30, 2023 or 2022.

NOTE 7 LIFE INSURANCE

At June 30, 2023, the Foundation is owner and beneficiary of 23 life insurance policies with a total face value of approximately \$14,119,000 and cash surrender value of \$3,474,416. At June 30, 2022, the Foundation is owner and beneficiary of 27 life insurance policies with a total face value of approximately \$14,400,000 and cash surrender value of \$3,385,150.

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

Net assets are classified based on donor-imposed purpose restrictions. Endowment funds are recorded as net assets on the statements of financial position. Several endowments combine to provide grants to Catholic schools for Tuition Assistance and Capacity Building, to Parishes for religious education, ministerial enrichment, and to various nonprofits for social service programs within our community. Parish and school endowments provide tuition aid and program support for parishes and schools within our Minnesota Catholic community.

CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets with donor restrictions consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Subject to the Passage of Time:		
Legacy Fund Pledge	\$ 8,064,918	\$ 8,042,183
Charitable Gift Annuities and Trusts	159,018	249,852
Total	<u>8,223,936</u>	<u>8,292,035</u>
Endowments:		
Growing in Faith Capital Campaign	12,111,635	11,605,437
Parish, School, and Community Service	86,213,596	79,534,316
Family of Faith Program	26,813,426	25,596,008
Endowed Donor Advised	36,610,961	31,689,583
Seminary Program	9,417,472	8,973,735
Underwater Endowments	(1,260,735)	(2,751,791)
Total	<u>169,906,355</u>	<u>154,647,288</u>
Subject to Appropriation and Expenditure Upon Donor's Death:		
Charitable Gift Annuities and Trusts - Restricted to Endowment	2,617,841	2,645,495
Cash Surrender Value of Life Insurance Policies and Insurance Annuity - Restricted to Endowment	2,690,061	2,623,590
Total	<u>5,307,902</u>	<u>5,269,085</u>
Total Net Assets with Donor Restrictions	<u>\$ 183,438,193</u>	<u>\$ 168,208,408</u>

Reclassifications were made to June 30, 2023 net assets to properly reflect donor intent. The reclassification decreased net assets without donor restrictions by \$306,947 and increased net assets with donor restrictions by \$306,947.

Reclassifications were made to June 30, 2022 net assets to properly reflect donor intent. The reclassification increased net assets without donor restrictions by \$283,475 and decreased net assets with donor restrictions by \$283,475.

NOTE 9 ENDOWMENTS

The Foundation's endowment funds consist of various individual funds established for a variety of purposes. Its endowments include both donor-restricted endowment funds and funds designated by the board to function as endowments. 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 to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 9 ENDOWMENTS (CONTINUED)

Endowment asset activity for the years ended June 30:

	2023		
	Without Donor Restriction	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 6,519,705	\$ 154,647,288	\$ 161,166,993
Investment Return, Net	546,017	13,557,386	14,103,403
Contributions	41,299	6,028,860	6,070,159
Interfund Transfers	(82,130)	691,353	609,223
Appropriation of Endowment Assets Pursuant to Spending-Rate Policy	-	(5,018,532)	(5,018,532)
Endowment Net Assets - End of Year	<u>\$ 7,024,891</u>	<u>\$ 169,906,355</u>	<u>\$ 176,931,246</u>
	2022		
	Without Donor Restriction	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 7,162,547	\$ 165,776,648	\$ 172,939,195
Investment Return, Net	(632,090)	(17,363,485)	(17,995,575)
Contributions	21,998	10,041,825	10,063,823
Interfund Transfers	(32,460)	743,515	711,055
Appropriation of Endowment Assets Pursuant to Spending-Rate Policy	(290)	(4,551,215)	(4,551,505)
Endowment Net Assets - End of Year	<u>\$ 6,519,705</u>	<u>\$ 154,647,288</u>	<u>\$ 161,166,993</u>

Endowment funds by type are as follows:

	2023		
	Without Donor Restriction	With Donor Restrictions	Total
Board-Designated Endowment Funds	\$ 7,024,891	\$ -	\$ 7,024,891
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	128,101,498	128,101,498
Accumulated Investment Gains	-	41,804,857	41,804,857
Total	<u>\$ 7,024,891</u>	<u>\$ 169,906,355</u>	<u>\$ 176,931,246</u>
	2022		
	Without Donor Restriction	With Donor Restrictions	Total
Board-Designated Endowment Funds	\$ 6,519,705	\$ -	\$ 6,519,705
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	120,918,846	120,918,846
Accumulated Investment Gains	-	33,728,442	33,728,442
Total	<u>\$ 6,519,705</u>	<u>\$ 154,647,288</u>	<u>\$ 161,166,993</u>

CATHOLIC COMMUNITY FOUNDATION OF MINNESOTA
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JUNE 30, 2023 AND 2022

NOTE 9 ENDOWMENTS (CONTINUED)

Spending Policy

The Foundation has adopted investment and spending policies for endowments that are designed to ensure sustainability of the assets in perpetuity while providing reasonable stability and predictability of distributions for beneficiaries. Annually, the board of directors, considers the duration and preservation of the endowment, general economic conditions, effects of inflation/deflation, expected long-term investment return from income and appreciation as well as administrative costs associated with managing endowments, and the Foundation's investment policy as it determines a spending rate to be applied to a rolling 20-quarter average balance of each endowment fund. The currently approved spending rate of 4% balances the need to preserve assets with the ability to support the mission of the nonprofits receiving the annual distribution.

Funds with Deficiencies

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. In accordance with accounting principles generally accepted in the United States of America, there were 15 and 27 funds with deficiencies of this nature that are reported in net assets with donor restrictions with total deficiencies of \$1,260,735 and \$2,751,791 as of June 30, 2023 and 2022, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new restricted contributions and continued appropriation for certain programs that was deemed prudent by the board.

Board-Designated Endowment Funds

Board-designated endowment funds consist of the Legacy Fund which is a fund that allows CCF to respond strategically and with flexibility to the most important needs in our Catholic community. The amount available annually is based on the spending policy as noted above.



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