

Audited Financial Statements

Catholic Community Foundation of Mid-Michigan

*Year Ended December 31, 2022
with Report of Independent Auditors
and Summarized Comparative Financial Information
for the Year Ended December 31, 2021*

Catholic Community Foundation of Mid-Michigan

Audited Financial Statements

Year Ended December 31, 2022

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Report of Independent Auditors

Board of Trustees
Catholic Community Foundation of Mid-Michigan
Saginaw, Michigan

Opinion

We have audited the accompanying financial statements of Catholic Community Foundation of Mid-Michigan (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year 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 Catholic Community Foundation of Mid-Michigan as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis for Opinion

We conducted our audit in accordance with accounting standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Catholic Community Foundation of Mid-Michigan and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 U.S. GAAP, 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 Catholic Community Foundation of Mid-Michigan's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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 Catholic Community Foundation of Mid-Michigan'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 Catholic Community Foundation of Mid-Michigan'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.

Report on Summarized Comparative Information

The prior year summarized comparative information has been derived from Catholic Community Foundation of Mid-Michigan's December 31, 2021 financial statements and was audited by other auditors whose report dated May 9, 2022, expressed an unmodified opinion on those financial statements.

We were not engaged to audit, review, or apply any procedures to the December 31, 2021 financial statements and, accordingly, we do not express an opinion or any other form of assurance on the December 31, 2021 financial statements as a whole.

Andrews Hooper Pavlik PLC

Saginaw, Michigan
March 23, 2023

Catholic Community Foundation of Mid-Michigan

Statement of Financial Position

December 31, 2022

(With Summarized Comparative Information for 2021)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2022	2021
Assets				
Current assets:				
Cash and cash equivalents	\$ 75,053	\$ -	\$ 75,053	\$ 248,312
Promises to give, net of allowance for doubtful accounts	-	98,649	98,649	232,500
Prepaid expense	-	-	-	26,220
Due (to) from other funds	128,209	(128,209)	-	-
Total current assets	203,262	(29,560)	173,702	507,032
Long-term investments	-	33,486,312	33,486,312	38,830,663
Promises to give, net of current portion and discount	-	52,018	52,018	614,882
Total assets	\$ 203,262	\$ 33,508,770	\$ 33,712,032	\$ 39,952,577
Liabilities and net assets				
Current liabilities:				
Accounts payable, current portion	\$ 7,393	\$ 12,324	\$ 19,717	\$ 12,711
Payroll liabilities	19,752	-	19,752	19,869
Annuity obligations, current portion	-	7,200	7,200	7,200
Total current liabilities	27,145	19,524	46,669	39,780
Accounts payable, net of current portion	-	14,000	14,000	-
Annuity obligations, net of current portion	-	14,010	14,010	34,594
Total liabilities	27,145	47,534	74,679	74,374
Net assets:				
Without donor restrictions:				
Undesignated	176,117	-	176,117	237,546
With donor restrictions:				
Perpetual in nature	-	23,014,731	23,014,731	22,086,675
Purpose restrictions	-	10,295,838	10,295,838	16,706,600
Time-restricted for future periods	-	150,667	150,667	847,382
Total with donor restrictions	-	33,461,236	33,461,236	39,640,657
Total net assets	176,117	33,461,236	33,637,353	39,878,203
Total liabilities and net assets	\$ 203,262	\$ 33,508,770	\$ 33,712,032	\$ 39,952,577

See accompanying notes.

Catholic Community Foundation of Mid-Michigan

Statement of Activities

For the Year Ended December 31, 2022
(With Summarized Comparative Information for 2021)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2022	2021
Revenue, support, and gains				
Contributions	\$ 17,821	\$ 1,103,635	\$ 1,121,456	\$ 791,050
Net investment activity	(91,191)	(4,788,994)	(4,880,185)	4,855,677
Change in value of split-interest agreements	-	-	-	342,820
Net assets released from restrictions	2,580,666	(2,580,666)	-	-
Total revenue, support, and gains	2,507,296	(6,266,025)	(3,758,729)	5,989,547
Expenses				
Program services:				
Grants	1,329,881	-	1,329,881	2,021,949
Other program expenses	945,698	-	945,698	211,514
Supporting services:				
Management and general	99,703	-	99,703	95,503
Fundraising	106,839	-	106,839	102,342
Total expenses	2,482,121	-	2,482,121	2,431,308
Change in net assets	25,175	(6,266,025)	(6,240,850)	3,558,239
Other changes in net assets				
Transfers	(86,604)	86,604	-	-
Net assets - beginning of the year	237,546	39,640,657	39,878,203	36,319,964
Net assets - end of the year	\$ 176,117	\$ 33,461,236	\$ 33,637,353	\$ 39,878,203

See accompanying notes.

Catholic Community Foundation of Mid-Michigan

Statement of Functional Expenses

For the Year Ended December 31, 2022
(With Summarized Comparative Information for 2021)

	Program Services	Supporting Services		Total	
		Management and General	Fundraising	2022	2021
Grants	\$ 1,329,881	\$ -	\$ -	\$ 1,329,881	\$ 2,021,949
Payroll and related costs:					
Salaries and wages	107,131	48,371	51,834	207,336	175,206
Payroll taxes	7,775	3,510	3,762	15,047	12,716
Retirement	9,216	4,161	4,460	17,837	14,633
Employee benefits	15,545	7,019	7,521	30,085	23,341
Total payroll and related costs	139,667	63,061	67,577	270,305	225,896
Conferences and meetings	103	47	50	200	370
Contract services	15,250	6,886	7,379	29,515	49,393
Miscellaneous	2,967	1,340	1,435	5,742	5,859
Office expenses	52,213	23,575	25,262	101,050	91,787
Professional fees	8,057	3,638	3,898	15,593	31,655
Travel and transportation	894	404	433	1,731	1,058
Supplies	1,665	752	805	3,222	3,341
Bad debt expense	724,882	-	-	724,882	-
Total expenses	\$ 2,275,579	\$ 99,703	\$ 106,839	\$ 2,482,121	\$ 2,431,308

See accompanying notes.

Catholic Community Foundation of Mid-Michigan

Statement of Cash Flows

For the Year Ended December 31, 2022
(With Summarized Comparative Information for 2021)

	2022	2021
Operating activities		
Change in total net assets	\$ (6,240,850)	\$ 3,558,239
Adjustments to reconcile change in total net assets to net cash from operating activities:		
Unrealized loss (gain) on investments	5,488,882	(2,706,848)
Realized loss (gain) on investments	191,195	(1,645,151)
Change in value of split-interest agreements	-	(342,820)
Bad debts	724,882	-
Changes in assets and liabilities:		
Promises to give	(28,167)	(98,829)
Prepaid expenses	26,220	(26,126)
Accounts payable	21,006	(29,604)
Payroll liabilities	(117)	7,083
Annuity obligations	(13,384)	37,314
Net cash from operating activities	169,667	(1,246,742)
Investing activities		
Purchases of long-term investments, net	(335,726)	661,876
Net cash from investing activities	(335,726)	661,876
Financing activities		
Payments on annuity obligations	(7,200)	(37,065)
Net cash from financing activities	(7,200)	(37,065)
Net change in cash and cash equivalents	(173,259)	(621,931)
Cash and cash equivalents at beginning of year	248,312	870,243
Cash and cash equivalents at end of year	\$ 75,053	\$ 248,312

Catholic Community Foundation of Mid-Michigan

Notes to the Financial Statements

December 31, 2022

(With Summarized Comparative Information for 2021)

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Catholic Community Foundation of Mid-Michigan (Foundation) is a non-profit organization whose mission is to develop and manage funds to secure and further God's work in Mid-Michigan communities. The Foundation is guided by Gospel values and the teachings of the Catholic Church.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Cash and Cash Equivalents

The Foundation maintains cash at financial institutions, which are insured by the National Credit Union Association (NCUA) up to certain limits. As of December 31, 2022 and 2021, and occasionally at times during the year, the Foundation may have cash balances in excess of NCUA-insured limits.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Foundation initially records unconditional promises to give at fair value using the income approach and subsequently amortizes them using the original discount rate.

Management closely monitors outstanding balances and writes off receivables when the receivable is deemed uncollectible. Therefore, management has not established an allowance for doubtful promises to give as of December 31, 2022 and 2021.

Investments

Investments in debt securities with readily determinable fair values are carried at fair value based on quoted market prices. Donated investments are reflected as contributions at their fair values at date of receipt. Investment income is reported net of direct investment expenses.

Catholic Community Foundation of Mid-Michigan

Notes to the Financial Statements

December 31, 2022

(With Summarized Comparative Information for 2021)

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Annuity Obligations

Charitable gift annuities are recognized in the period the contract is executed. Assets are recorded at fair value and an annuity obligation is recorded at the fair value of the life expected future cash flows.

Classification of Net Assets

The Foundation's net assets, revenues, gains, and losses are classified 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 (or certain grantor) restrictions.

Net assets with donor restrictions – Net assets subject to donor- (or certain grantor) 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 those resources be maintained in perpetuity.

The Foundation reports contributions restricted by donors as increases in net assets with donor restrictions in the reporting period in which the revenue is recognized. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities, other assets, unconditional promises to give, or notifications of beneficial interest are received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Amounts have been distributed equitably based on payroll and related costs which are allocated based on an estimates of where efforts are made.

Catholic Community Foundation of Mid-Michigan

Notes to the Financial Statements

December 31, 2022
(With Summarized Comparative Information for 2021)

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Income Tax Status

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as an organization other than private foundation, as described in Section 509(a). The Foundation files information returns in the U.S. Federal and Michigan jurisdiction.

Generally, tax years from 2019 through the current year remain open to examination by the Internal Revenue Service. The Foundation does not believe that the results from any examination of these open years would have a material effect on the Foundation.

Fair Value

In accordance with authoritative guidance, the Foundation is required to report all financial instruments on a fair value basis. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Foundation performs a detailed analysis of the assets and liabilities subject to authoritative guidance and uses valuation techniques that maximize the use of observable, market corroborated inputs (Level 1) and minimizes the use of unobservable inputs (Level 3).

Financial assets and liabilities recorded at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 – Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Catholic Community Foundation of Mid-Michigan

Notes to the Financial Statements

December 31, 2022

(With Summarized Comparative Information for 2021)

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Variance Power

Federal regulations require that the governing body of a community foundation “must have the power...to modify any restriction or condition on the distribution of funds for any specific charitable purpose or to specified organization if the sole judgment of the governing body...such restriction or condition becomes, in effect, unnecessary, incapable of fulfilment, or inconsistent with the charitable needs of the community or area served.”

Risks and Uncertainties

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the account balances and the amounts reported in the financial statements.

Subsequent Events

Management has evaluated subsequent events for potential recognition and disclosure through March 23, 2023, which is the date the financial statements were available to be issued.

2. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 75,053	\$ 248,312
Promises to give, net	98,649	232,500
Long-term investments	33,486,312	38,830,663
Promises to give, net of current portion	52,018	614,882
Total financial assets – end of year	<u>33,712,032</u>	<u>39,926,357</u>
Less financial assets unavailable for general expenditures within one year, due to:		
Restricted by donor with time or purpose restrictions	<u>31,497,060</u>	<u>36,195,291</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,214,972</u>	<u>\$ 3,731,066</u>

Catholic Community Foundation of Mid-Michigan

Notes to the Financial Statements

December 31, 2022
(With Summarized Comparative Information for 2021)

2. Liquidity and Availability (continued)

The Foundation's endowment fund consists of donor-restricted endowments. Income from donor-restricted endowments is either restricted for specific purposes, or available for general use. Donor-restricted endowments are not available for general expenditure.

The Foundation's endowment fund is subject to an annual spending policy as described in Note 7. Although the Foundation does not intend to spend from this endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available, if necessary.

The Foundation's goal is generally to maintain financial assets to meet at least one month of expenditures. As part of its liquidity plan, excess cash is invested with the ability to liquidate within one month, if needed. Account balances are closely monitored to ensure sufficient funds are available to pay upcoming expenditures.

3. Promises to Give

Promises to give are scheduled to be collected as follows for December 31:

	2022	2021
Less than one year	\$ 98,649	\$232,500
One to five years	56,000	510,000
More than five years	-	200,000
	154,649	942,500
Less allowance for doubtful accounts	-	-
Less discount to net present value	3,982	95,118
	\$150,667	\$847,382

Management has elected the fair value options for promises to give in order to simplify the accounting for promises to give made in multiple years. The promises to give are discounted using a rate of 3%.

4. Investments

The Foundation's investments are in trust with the National Catholic Investment Pool (NCIP). The NCIP is a uniquely designed investment program for Catholic Dioceses and other 501(c)(3) Catholic entities listed in the Kennedy Directory. The NCIP offers investment diversification using eleven separately managed portfolios. In addition, all investments are screened using the socially responsible factors established by the United States Conference of Catholic Bishops (USCCB).

Catholic Community Foundation of Mid-Michigan

Notes to the Financial Statements

December 31, 2022

(With Summarized Comparative Information for 2021)

4. Investments (continued)

The Michigan Catholic Conference (MCC) has administered the NCIP for over 15 years. The NCIP provides a diversified array of high-quality active and passive managers. Cap Trust is the financial consultant and Northern Trust is the custodian. Each participant sets their own asset allocation and chooses which of the separately managed portfolios that they would like to use for their particular investment strategy.

Fair value of marketable debt securities held at December 31 consist of:

	2022	2021
Equities	\$19,719,991	\$25,500,592
Fixed income	11,026,601	9,813,419
Real estate	2,453,000	1,769,857
	<u>\$33,199,592</u>	<u>\$37,083,868</u>

Long-term investments on the statement of financial position also includes cash and cash equivalents of \$286,720 and \$1,746,795 as of December 31, 2022 and 2021, respectively.

Net investment activity is composed of the following at December 31:

	2022	2021
Dividends and interest	\$ 891,087	\$ 599,235
Realized gain (loss)	(191,195)	1,645,151
Unrealized gain (loss)	(5,488,882)	2,706,848
Less investment fees	(91,195)	(95,557)
	<u>\$ (4,880,185)</u>	<u>\$ 4,855,677</u>

Catholic Community Foundation of Mid-Michigan

Notes to the Financial Statements

December 31, 2022

(With Summarized Comparative Information for 2021)

5. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at December 31:

	2022	2021
Subject to the pass of time:		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	\$ 150,667	\$ 847,382
Endowments:		
Subject to endowment spending policy and appropriation:		
Annuity	\$ 1,588	\$ 1,588
Designated – Agency	22,186	45,799
Designated – DOS	1,428,398	3,445,291
Designated – Grants Committee	853,216	1,507,745
Designated – International	19,345	42,367
Designated – Miscellaneous	(33,330)	68,154
Designated – Parishes	315,103	788,155
Designated – Religious Ed	544,298	953,281
Designated – Schools	1,825,545	2,991,847
Designated – Endowed	2,234,999	3,387,267
Designated – Non-Endowed	1,643,003	1,337,974
Grants	185,701	275,629
Operations	134,509	50,569
Scholarship – College	241,103	556,814
Scholarship – College Donor Advised	269,038	317,702
Scholarship – High School Awards	257,495	477,478
Scholarship – High School Donor Advised	295,481	348,611
Scholarships – High School	58,160	110,329
Total subject to endowment spending policy and appropriation	10,295,838	16,706,600
Perpetual in nature:		
Subject to endowment spending policy and appropriation	22,962,934	22,034,878
Not subject to spending policy or appropriation:		
Charitable gift annuities	51,797	51,797
Total perpetual in nature	23,014,731	22,086,675
Total net assets with donor restrictions	\$33,461,236	\$39,640,657

Catholic Community Foundation of Mid-Michigan

Notes to the Financial Statements

December 31, 2022

(With Summarized Comparative Information for 2021)

6. Net Assets Released from Donor Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31:

	2022	2021
Restricted-purpose spending-rate distributions and appropriations:		
Annuity	\$ 1,453	\$ 1,694
Designated – Agency	4,940	5,003
Designated – DOS	1,047,051	1,318,367
Designated – Grants Committee	169,411	165,357
Designated – International	6,436	6,295
Designated – Miscellaneous	16,065	7,349
Designated – Parishes	133,122	133,925
Designated – Religious Ed	114,787	109,894
Designated – Schools	373,081	346,475
Designated – Endowed	244,929	248,759
Designated – Non-Endowed	213,132	43,261
Grants	41,277	44,012
Operations	2,622	7,223
Scholarship – College	95,568	74,555
Scholarship – College Donor Advised	37,626	19,392
Scholarship – High School Awards	59,134	57,427
Scholarship – High School Donor Advised	6,428	6,790
Scholarships – High School	13,604	14,473
Total net asset released from restriction	<u>\$2,580,666</u>	<u>\$2,610,251</u>

7. Endowments

The Foundation's endowment consists entirely of donor-restricted endowment funds and is classified based on those donor-imposed restrictions.

Interpretation of Relevant Law

The board of directors of 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 date of the donor restricted endowment funds unless there are explicit donor stipulations to the contrary. At December 31, 2022, there were no such donor stipulations.

Catholic Community Foundation of Mid-Michigan

Notes to the Financial Statements

December 31, 2022
(With Summarized Comparative Information for 2021)

7. Endowments (continued)

Interpretation of Relevant Law (continued)

As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of initial and subsequent gift donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund; (2) the purposes of the Foundation and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the Foundation; and (7) the investment policies of the Foundation.

The endowment net asset with donor restrictions composition by type of fund as of December 31 is as follows:

	2022	2021
Donor-restricted:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$23,014,731	\$22,086,675
Accumulated investment gains	10,446,505	17,553,982
	<u>\$33,461,236</u>	<u>\$39,640,657</u>

Changes in endowment net assets with donor restrictions for the year ended December are as follows:

	2022	2021
Endowment net assets, beginning of year	\$39,640,657	\$36,177,217
Contributions and transfers	1,190,239	779,637
Distributions	(2,580,666)	(2,610,251)
Net investment activity	(4,788,994)	5,294,054
Endowment net assets, end of year	<u>\$33,461,236</u>	<u>\$39,640,657</u>

Catholic Community Foundation of Mid-Michigan

Notes to the Financial Statements

December 31, 2022

(With Summarized Comparative Information for 2021)

7. Endowments (continued)

Return Objectives and Risk Parameters

The Foundation has adopted a policy to ensure a total return (yield plus capital appreciation) necessary to preserve and enhance (in real dollar terms) the principal of the funds, and at the same time, provide a dependable source of support for current projects of the Foundation.

Strategies Employed for Achieving Objectives

The Foundation's investments are diversified to minimize the risk of large losses and investment in securities that conflict with the official moral and social teachings of the Roman Catholic Church are prohibited. The return objectives of the investments are to meet or exceed cumulative annual total return over a five-year moving average of a balanced market index comprised of 55% S&P 1500, 10% MSCI EAGE, and 35% Lehman Brothers Intermediate Government Credit Bond Index. The Foundation allocates 60% of its funds to equity investments, 30% to fixed investments, and 10% to other investment vehicles.

Spending Policy and How the Investment Objectives Relate to Spending Policy

When it is possible to do so without invading investment principal, disbursements are on a semi-annual basis at the discretion of the Board of Trustees. The Foundation's policy is to make the semi-annual disbursements based on the most recent twelve quarters fair market value rolling average asset values.

8. Fair Value Measurements

Disclosures concerning assets and liabilities measured at fair value on a recurring basis are as follows as of December 31:

	Fair Value	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
2022			
Equities	\$19,719,991	\$19,719,991	\$ -
Fixed income	11,026,601	-	11,026,601
Real estate	2,453,000	-	2,453,000
	\$33,199,592	\$19,719,991	\$13,479,601

Catholic Community Foundation of Mid-Michigan

Notes to the Financial Statements

December 31, 2022
(With Summarized Comparative Information for 2021)

8. Fair Value Measurements (continued)

	Fair Value	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
2021			
Equities	\$25,500,592	\$25,500,592	\$ -
Fixed income	9,813,419	-	9,813,419
Real estate	1,769,857	-	1,769,857
	<u>\$37,083,868</u>	<u>\$25,500,592</u>	<u>\$11,583,276</u>

The following methods and assumptions were used to estimate the fair value of the assets in the table above:

Equities – Equity securities include common stock, valued using quoted market prices.

Fixed income – Fixed income securities include corporate bonds, government bonds, asset-backed securities, government agencies, municipal/provincial bonds, and government mortgage-backed securities, valued using pricing models which maximize the use of observable inputs for similar securities. This includes basing the value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar securities, those securities are valued under a discounted cash flow approach that maximizes observable inputs, such as current yields or similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

Real estate – Real estate securities are invested in commercial properties leased to high-credit quality tenants, valued using pricing models which maximize the use of observable inputs for similar securities.

For the year ended December 31, 2022, the application of valuation techniques applied to similar assets and liabilities has been consistent.