

Audited Financial Statements

Catholic Community Foundation of Mid-Michigan

*Year Ended December 31, 2023
with Report of Independent Auditors
and Summarized Comparative Financial Information
for the Year Ended December 31, 2022*

Catholic Community Foundation of Mid-Michigan

Audited Financial Statements

Year Ended December 31, 2023

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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, 2023, 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, 2023, 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

We have previously audited Catholic Community Foundation of Mid-Michigan's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 23, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial information from which it has been derived.

Andrews Hooper Pavlik PLC

Saginaw, Michigan
May 6, 2024

Catholic Community Foundation of Mid-Michigan

Statement of Financial Position

December 31, 2023

(With Summarized Comparative Information for 2022)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2023	2022
Assets				
Current assets:				
Cash and cash equivalents	\$ 705,489	\$ -	\$ 705,489	\$ 75,053
Promises to give	-	5,384	5,384	98,649
Prepaid expense	3,100	-	3,100	-
Due (to) from other funds	(153,735)	153,735	-	-
Total current assets	554,854	159,119	713,973	173,702
Long-term investments	-	37,792,564	37,792,564	33,486,312
Promises to give, net of current portion and discount	-	1,803	1,803	52,018
Total assets	\$ 554,854	\$ 37,953,486	\$ 38,508,340	\$ 33,712,032
Liabilities and net assets				
Current liabilities:				
Accounts payable, current portion	\$ 7,653	\$ 16,599	\$ 24,252	\$ 19,717
Payroll liabilities	20,000	-	20,000	19,752
Annuity obligations, current portion	-	7,200	7,200	7,200
Total current liabilities	27,653	23,799	51,452	46,669
Accounts payable, net of current portion	-	17,550	17,550	14,000
Annuity obligations, net of current portion	-	16,394	16,394	14,010
Total liabilities	27,653	57,743	85,396	74,679
Net assets:				
Without donor restrictions:				
Undesignated	527,201	-	527,201	288,377
With donor restrictions:				
Perpetual in nature	-	24,360,104	24,360,104	23,014,731
Purpose restrictions	-	13,528,452	13,528,452	10,183,578
Time-restricted for future periods	-	7,187	7,187	150,667
Total with donor restrictions	-	37,895,743	37,895,743	33,348,976
Total net assets	527,201	37,895,743	38,422,944	33,637,353
Total liabilities and net assets	\$ 554,854	\$ 37,953,486	\$ 38,508,340	\$ 33,712,032

See accompanying notes.

Catholic Community Foundation of Mid-Michigan

Statement of Activities

December 31, 2023

(With Summarized Comparative Information for 2022)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2023	2022
Revenue, support, and gains				
Contributions	\$ 35,675	\$ 1,800,143	\$ 1,835,818	\$ 1,121,456
Net investment activity	20,731	4,826,377	4,847,108	(4,880,185)
Net assets released from restrictions	2,083,763	(2,083,763)	-	-
Total revenue, support, and gains	2,140,169	4,542,757	6,682,926	(3,758,729)
Expenses				
Program services:				
Grants	1,499,590	-	1,499,590	1,329,881
Other program expenses	192,230	-	192,230	945,698
Supporting services:				
Management and general	92,794	-	92,794	99,703
Fundraising	112,721	-	112,721	106,839
Total expenses	1,897,335	-	1,897,335	2,482,121
Change in net assets	242,834	4,542,757	4,785,591	(6,240,850)
Other changes in net assets				
Transfers	(4,010)	4,010	-	-
Net assets - beginning of the year	288,377	33,348,976	33,637,353	39,878,203
Net assets - end of the year	\$ 527,201	\$ 37,895,743	\$ 38,422,944	\$ 33,637,353

See accompanying notes.

Catholic Community Foundation of Mid-Michigan

Statement of Functional Expenses

December 31, 2023

(With Summarized Comparative Information for 2022)

	Program Services	Supporting Services		Total	
		Management and General	Fundraising	2023	2022
Grants	\$ 1,499,590	\$ -	\$ -	\$ 1,499,590	\$ 1,329,881
Payroll and related costs:					
Salaries and wages	79,558	38,404	46,652	164,614	207,336
Payroll taxes	5,896	2,846	3,457	12,199	15,047
Retirement	7,010	3,384	4,112	14,506	17,837
Employee benefits	8,562	4,133	5,020	17,715	30,085
Total payroll and related costs	101,026	48,767	59,241	209,034	270,305
Conferences and meetings	599	289	351	1,239	200
Contract services	14,664	7,079	8,599	30,342	29,515
Miscellaneous	904	437	530	1,871	5,742
Office expenses	60,596	29,251	35,532	125,379	101,050
Professional fees	7,427	3,585	4,355	15,367	15,593
Travel and transportation	568	274	333	1,175	1,731
Supplies	6,446	3,112	3,780	13,338	3,222
Bad debt expense	-	-	-	-	724,882
Total expenses	\$ 1,691,820	\$ 92,794	\$ 112,721	\$ 1,897,335	\$ 2,482,121

See accompanying notes.

Catholic Community Foundation of Mid-Michigan

Statement of Cash Flows

December 31, 2023

(With Summarized Comparative Information for 2022)

	2023	2022
Operating activities		
Change in total net assets	\$ 4,785,591	\$ (6,240,850)
Adjustments to reconcile change in total net assets to net cash from operating activities:		
Unrealized (gain) loss on investments	(3,279,427)	5,488,882
Realized (gain) loss on investments	(776,668)	191,195
Bad debt expense	-	724,882
Changes in assets and liabilities:		
Promises to give	143,480	(28,167)
Prepaid expenses	(3,100)	26,220
Accounts payable	8,085	21,006
Payroll liabilities	248	(117)
Annuity obligations	9,584	(13,384)
Net cash from operating activities	887,793	169,667
Investing activities		
Purchases of long-term investments, net	(250,157)	(335,726)
Net cash from investing activities	(250,157)	(335,726)
Financing activities		
Payments on annuity obligations	(7,200)	(7,200)
Net cash from financing activities	(7,200)	(7,200)
Net change in cash and cash equivalents	630,436	(173,259)
Cash and cash equivalents at beginning of year	75,053	248,312
Cash and cash equivalents at end of year	\$ 705,489	\$ 75,053

See accompanying notes.

Catholic Community Foundation of Mid-Michigan

Notes to the Financial Statements

December 31, 2023

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, 2023 and 2022, 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 present value of expected cash flows discounted at an appropriate 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, 2023 and 2022.

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, 2023

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, all costs, except for bad debt expense, 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, 2023

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 2020 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 Measurements

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.

Reclassification

Certain 2022 amounts have been reclassified to conform to the current presentation

Catholic Community Foundation of Mid-Michigan

Notes to the Financial Statements

December 31, 2023

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 fulfillment, 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 May 6, 2024, 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:

	2023	2022
Cash and cash equivalents	\$ 705,489	\$ 75,053
Promises to give, net	5,384	98,649
Long-term investments	37,792,564	33,486,312
Promises to give, net of current portion	1,803	52,018
Total financial assets – end of year	38,505,240	33,712,032
Less financial assets unavailable for general expenditures within one year, due to:		
Restricted by donor with time or purpose restrictions	37,922,577	31,384,800
Financial assets available to meet cash needs for general expenditures within one year	\$ 582,663	\$ 2,327,232

Catholic Community Foundation of Mid-Michigan

Notes to the Financial Statements

December 31, 2023

2. Liquidity and Availability (continued)

The Foundation's endowment funds consist 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 funds are 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 three months 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:

	2023	2022
Less than one year	\$ 5,384	\$ 98,649
One to five years	2,000	56,000
	<u>7,384</u>	<u>154,649</u>
Less allowance for doubtful accounts	-	-
Less discount to net present value	197	3,982
	<u>\$ 7,187</u>	<u>\$150,667</u>

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, 2023

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:

	<u>2023</u>	<u>2022</u>
Equities	\$ 22,758,686	\$ 19,719,991
Fixed income	11,667,769	11,026,601
Real estate	2,866,787	2,453,000
	<u>\$ 37,293,242</u>	<u>\$ 33,199,592</u>

Long-term investments on the statement of financial position also includes money market accounts of \$499,322 as of December 31, 2023 and \$286,720 as of December 31, 2022.

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

	<u>2023</u>	<u>2022</u>
Dividends and interest	\$ 878,556	\$ 891,087
Realized gain (loss)	776,668	(191,195)
Unrealized gain (loss)	3,279,427	(5,488,882)
Investment fees	(87,543)	(91,195)
	<u>\$ 4,847,108</u>	<u>\$ (4,880,185)</u>

Catholic Community Foundation of Mid-Michigan

Notes to the Financial Statements

December 31, 2023

5. Net Assets with Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
Subject to the passage of time:		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	\$ 7,187	\$ 150,667
Endowments:		
Subject to endowment spending policy and appropriation:		
Annuity	1,589	1,588
Designated – Agency	46,557	22,186
Designated – DOS	1,958,759	1,428,398
Designated – Grants Committee	-	853,216
Designated – International	29,007	19,345
Designated – Miscellaneous	42,804	(33,330)
Designated – Parishes	511,015	315,103
Designated – Religious Ed	717,030	544,298
Designated – Schools	2,153,759	1,825,545
Designated – Teacher Salaries	370,322	-
Designated – Endowed	2,585,931	2,234,999
Designated – Non-Endowed	2,061,247	1,643,003
Grants	1,466,789	185,701
Operations	43,839	22,249
Scholarship – College	404,653	241,103
Scholarship – College Donor Advised	331,448	269,038
Scholarship – High School Awards	205,931	257,495
Scholarship – High School Donor Advised	451,493	295,481
Scholarships – High School	146,279	58,160
Total subject to endowment spending policy and appropriation	13,528,452	10,183,578
Perpetual in nature:		
Subject to endowment spending policy and appropriation	24,308,307	22,962,934
Not subject to spending policy or appropriation:		
Charitable gift annuities	51,797	51,797
Total perpetual in nature	24,360,104	23,014,731
Total net assets with donor restrictions	<u>\$ 37,895,743</u>	<u>\$ 33,348,976</u>

Catholic Community Foundation of Mid-Michigan

Notes to the Financial Statements

December 31, 2023

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:

	2023	2022
Restricted-purpose spending-rate distributions and appropriations:		
Annuity	\$ 1,249	\$ 1,453
Designated – Agency	8,612	4,940
Designated – DOS	332,756	1,047,051
Designated – Grants Committee	-	169,411
Designated – International	6,308	6,436
Designated – Miscellaneous	9,982	16,065
Designated – Parishes	133,136	133,122
Designated – Religious Ed	113,910	114,787
Designated – Schools	375,833	373,081
Designated – Teacher Salaries	62,058	-
Designated – Endowed	270,717	244,929
Designated – Non-Endowed	369,682	213,132
Grants	246,474	41,277
Operations	6,841	2,622
Scholarship – College	57,639	95,568
Scholarship – College Donor Advised	17,741	37,626
Scholarship – High School Awards	32,579	59,134
Scholarship – High School Donor Advised	11,931	6,428
Scholarships – High School	26,315	13,604
Total net asset released from restriction	<u>\$ 2,083,763</u>	<u>\$ 2,580,666</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, 2023 and 2022, there were no such donor stipulations.

Catholic Community Foundation of Mid-Michigan

Notes to the Financial Statements

December 31, 2023

7. Endowments (continued)

Interpretation of Relevant Law (continued)

As a result of this interpretation, the Foundation retains in perpetuity the original value of initial and subsequent gift donated to the Endowment and 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:

	<u>2023</u>	<u>2022</u>
Donor-restricted:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 24,360,104	\$ 23,014,731
Accumulated investment gains	13,535,639	10,334,245
	<u>\$ 37,895,743</u>	<u>\$ 33,348,976</u>

Changes in endowment net assets with donor restrictions for the year ended December 31 are as follows:

	<u>2023</u>	<u>2022</u>
Endowment net assets, beginning of year	\$ 33,348,976	\$ 39,623,590
Contributions and transfers	1,804,153	1,084,684
Distributions	(2,083,763)	(2,580,666)
Net investment activity	4,826,377	(4,778,632)
Endowment net assets, end of year	<u>\$ 37,895,743</u>	<u>\$ 33,348,976</u>

Catholic Community Foundation of Mid-Michigan

Notes to the Financial Statements

December 31, 2023

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 an annual basis at the discretion of the Board of Trustees. The Foundation is obligated to follow the disbursement instructions written in the fund document and where the instructions provide for the Board's discretion, the Board considers the factors described in the Interpretation of Relevant Law section of this Note when approving a disbursement.

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)
2023			
Equities	\$ 22,758,686	\$ 22,758,686	\$ -
Fixed income	11,667,769	-	11,667,769
Real estate	2,866,787	-	2,866,787
	<u>\$ 37,293,242</u>	<u>\$ 22,758,686</u>	<u>\$ 14,534,556</u>

Catholic Community Foundation of Mid-Michigan

Notes to the Financial Statements

December 31, 2023

8. Fair Value Measurements (continued)

	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
	<u>\$ 33,199,592</u>	<u>\$ 19,719,991</u>	<u>\$ 13,479,601</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 years ended December 31, 2023 and 2022, the application of valuation techniques applied to similar assets and liabilities has been consistent.