

**The Catholic Community
Foundation**

Financial Statements
For the Years Ended
December 31, 2022 and 2021



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Catholic Community Foundation
San Jose, California

Opinion

We have audited the financial statements of The Catholic Community Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, 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 Catholic Community Foundation as of December 31, 2022 and 2021, 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. 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 The Catholic Community 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 Catholic Community Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

To the Board of Directors
The Catholic Community Foundation

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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Catholic Community 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 Catholic Community 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.

Delucchi Hawn, LLP

San Jose, California
July 26, 2023

THE CATHOLIC COMMUNITY FOUNDATION
STATEMENTS OF FINANCIAL POSITION

	<u>Assets</u>	
	December 31,	
	2022	2021
Cash and cash equivalents	\$ 530,368	\$ 629,039
Investments	122,685,752	130,645,373
Promises to give, net	7,648,556	16,647,445
Prepaid expenses	16,089	14,194
Other receivables	19,138	17,657
Deposit	4,100	4,100
Operating leases - right-of-use	118,047	-
Contributed real estate held for sale	-	3,600,000
	<u> </u>	<u> </u>
Total assets	\$ <u>131,022,050</u>	\$ <u>151,557,808</u>

Liabilities and Net Assets

Liabilities:		
Accounts payable	\$ 10,277	\$ 14,852
Accrued expenses	123,172	135,539
Agency funds	125,355	147,434
Operating lease obligations	126,477	-
Beneficial endowments	31,494,745	38,077,907
	<u> </u>	<u> </u>
Total liabilities	31,880,026	38,375,732
Net assets:		
Without donor restrictions:		
Undesignated	17,424,645	19,126,137
Board designated	23,601,017	28,662,299
	<u> </u>	<u> </u>
	41,025,662	47,788,436
With donor restrictions	58,116,362	65,393,640
	<u> </u>	<u> </u>
Total net assets	99,142,024	113,182,076
	<u> </u>	<u> </u>
Total liabilities and net assets	\$ <u>131,022,050</u>	\$ <u>151,557,808</u>

See Notes to Financial Statements

THE CATHOLIC COMMUNITY FOUNDATION
STATEMENTS OF ACTIVITIES

	For the Years Ended					
	December 31, 2022			December 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support						
Contributions	\$ 5,124,388	\$ 1,409,095	\$ 6,533,483	\$ 7,421,249	\$ 11,363,882	\$ 18,785,131
Less: amounts received for beneficial endowments	-	275,360	275,360	-	2,288,361	2,288,361
Net contributions	5,124,388	1,133,735	6,258,123	7,421,249	9,075,521	16,496,770
Grant	-	-	-	104,473	-	104,473
Interest and dividends, net	1,103,209	275,507	1,378,716	760,395	(16,408)	743,987
Realized and unrealized gains (losses) on investments, net	(6,721,811)	(6,936,700)	(13,658,511)	4,036,606	3,674,952	7,711,558
Other income	1,612	-	1,612	608	-	608
Special event, revenue	19,000	-	19,000	-	-	-
Special event, expense	(12,208)	-	(12,208)	-	-	-
Impairment of real estate held for sale	-	-	-	(720,000)	-	(720,000)
Loss on sale of real estate	(49,199)	-	(49,199)	-	-	-
Changes in donor restrictions	(119,726)	119,726	-	(342,387)	342,387	-
Net assets released from restrictions	1,869,546	(1,869,546)	-	1,592,565	(1,592,565)	-
	<u>1,214,811</u>	<u>(7,277,278)</u>	<u>(6,062,467)</u>	<u>12,853,509</u>	<u>11,483,887</u>	<u>24,337,396</u>
Grants and expenses						
Program	7,002,328	-	7,002,328	4,321,191	-	4,321,191
General and administrative	479,669	-	479,669	451,814	-	451,814
Development	495,588	-	495,588	482,005	-	482,005
Total expenses	<u>7,977,585</u>	<u>-</u>	<u>7,977,585</u>	<u>5,255,010</u>	<u>-</u>	<u>5,255,010</u>
Change in net assets	(6,762,774)	(7,277,278)	(14,040,052)	7,598,499	11,483,887	19,082,386
Net assets, beginning of year	<u>47,788,436</u>	<u>65,393,640</u>	<u>113,182,076</u>	<u>40,189,937</u>	<u>53,909,753</u>	<u>94,099,690</u>
Net assets, end of year	<u>\$ 41,025,662</u>	<u>\$ 58,116,362</u>	<u>\$ 99,142,024</u>	<u>\$ 47,788,436</u>	<u>\$ 65,393,640</u>	<u>\$ 113,182,076</u>

See Notes to Financial Statements

THE CATHOLIC COMMUNITY FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2022

	Program	Support Services			Total Expenses
		Management and General	Development	Total Support Services	
Grants	\$ 6,920,338	\$ -	\$ -	\$ -	\$ 6,920,338
Salaries	57,243	250,139	347,340	597,479	654,722
Employee benefits	5,979	32,494	35,150	67,644	73,623
Legal and professional	3,042	78,530	12,990	91,520	94,562
Marketing	64	224	17,214	17,438	17,502
Financial and administrative	274	43,795	1,661	45,456	45,730
Payroll taxes	3,975	17,369	24,117	41,486	45,461
Computer expenses	4,323	17,670	18,464	36,134	40,457
Rent	4,642	16,149	19,824	35,973	40,615
Miscellaneous	-	8,716	-	8,716	8,716
Insurance	1,410	5,013	6,238	11,251	12,661
Telephone	-	4,363	-	4,363	4,363
Office supplies	420	1,754	1,797	3,551	3,971
Travel	-	1,303	-	1,303	1,303
Printing and postage	618	2,150	10,793	12,943	13,561
	<u>\$ 7,002,328</u>	<u>\$ 479,669</u>	<u>\$ 495,588</u>	<u>\$ 975,257</u>	<u>\$ 7,977,585</u>

See Notes to Financial Statements

THE CATHOLIC COMMUNITY FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2021

	Support Services				Total Expenses
	Program	Management and General	Development	Total Support Services	
Grants	\$ 4,244,105	\$ -	\$ -	\$ -	\$ 4,244,105
Salaries	53,989	243,061	336,034	579,095	633,084
Employee benefits	5,292	27,657	31,896	59,553	64,845
Legal and professional	2,392	54,159	10,214	64,373	66,765
Marketing	400	1,391	29,954	31,345	31,745
Financial and administrative	311	40,279	1,939	42,218	42,529
Payroll taxes	3,540	15,936	22,031	37,967	41,507
Computer expenses	4,438	20,238	18,953	39,191	43,629
Rent	4,364	15,183	18,637	33,820	38,184
Miscellaneous	-	15,241	-	15,241	15,241
Insurance	1,543	5,677	7,180	12,857	14,400
Telephone	-	4,404	-	4,404	4,404
Office supplies	486	3,690	2,076	5,766	6,252
Travel	-	1,474	-	1,474	1,474
Printing and postage	331	2,910	3,091	6,001	6,332
Repairs and maintenance	-	514	-	514	514
	\$ 4,321,191	\$ 451,814	\$ 482,005	\$ 933,819	\$ 5,255,010

See Notes to Financial Statements

THE CATHOLIC COMMUNITY FOUNDATION
STATEMENTS OF CASH FLOWS

	December 31,	
	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (14,040,052)	\$ 19,082,386
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Non-cash operating lease expenses	(119)	-
Net realized and unrealized (gains) and losses on investments	13,658,511	(7,711,558)
Net unamortized discount on promises to give	(521,430)	(88,644)
Impairment of real estate held for sale	-	720,000
Loss on sale of real estate	49,199	-
Contributed real estate held for sale	-	(4,320,000)
Contributions restricted for long-term purposes	(9,993,574)	(18,677,648)
Changes in assets and liabilities:		
Promises to give, net	9,520,319	14,718,500
Prepaid expenses	(1,895)	1,335
Other receivable	(1,481)	(775)
Accounts payable and accrued liabilities	(4,575)	5,638
Accrued expenses	(12,367)	32,765
Grants payable	-	(54,999)
Agency funds	(22,079)	14,891
Beneficial endowments, net	(6,583,162)	5,453,125
Net cash provided (used) by operating activities	(7,952,705)	9,175,016
Cash flows from investing activities:		
Proceeds from sale of real estate	3,561,779	-
Proceeds from sale of investments	33,233,670	48,696,404
Purchase of investments	(38,934,989)	(76,613,172)
Net cash used by investing activities	(2,139,540)	(27,916,768)
Cash flows from financing activities:		
Contributions restricted for long-term purposes	9,993,574	18,677,648
Decrease in cash and cash equivalents	(98,671)	(64,104)
Cash and cash equivalents, beginning of year	629,039	693,143
Cash and cash equivalents, end of year	\$ 530,368	\$ 629,039

See Notes to Financial Statements

THE CATHOLIC COMMUNITY FOUNDATION
STATEMENTS OF CASH FLOWS (CONTINUED)

	December 31,	
	<u>2022</u>	<u>2021</u>
<u>Cash paid during the year for:</u>		
Unrelated business income tax	\$ <u> -</u>	\$ <u> 9,966</u>

See Notes to Financial Statements

THE CATHOLIC COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2022 and 2021

Note A - Organization

Nature of Activities

The Catholic Community Foundation (the “Foundation”) was incorporated in March 2004 as a non-profit public benefit corporation. The Foundation develops, acquires, manages, and grants from endowed funds. These funds are designed to provide permanent financial support to parish, educational, religious, charitable, and other organizations comprising the Catholic Community. In addition, we offer donor advised funds, tax advantaged vehicles allowing generous donors to execute their philanthropic strategy through the Foundation, granting to a broad range of non-profits whose work is in line with Catholic social teaching.

Note B - Summary of Significant Accounting Policies

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fund Accounting

The accounts of the Foundation are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded by fund group. However, for the financial statements, transactions are reported by the net asset categories described below under “Net Assets.”

Agency Funds

The Foundation manages and invests funds as an agent for a service organization within Santa Clara County Catholic Community. Deposits and withdrawals are made at the direction of the respective organization. Withdrawals are made no more than twice a year. Either party may cancel an agency agreement at any time with a 30-day written notice.

Functional Allocation of Expenses

Expenses are charged to program service and supporting activities based on periodic time and expense studies. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation. The expenses that are allocated primarily involve allocations based on estimate of time and effort.

THE CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2022 and 2021

Note B - Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statements of Financial Position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Investment Pools

The Foundation maintains master investment accounts for its donor-restricted endowments, board-designated endowments and donor advised funds. Realized and unrealized gains and losses from investments in the master investment accounts 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 master investment accounts, as adjusted for additions to or deductions from those accounts.

Some restricted funds are required to be maintained in separate accounts.

Promises to Give

Promises to give are either unconditional or conditional. Unconditional promises to give are promises that depend only on the passage of time or the demand by the promisee for performance, at which time the related revenue is recognized. A conditional promise to give is a promise that depends on the occurrence of a specified future and uncertain event to bind the promisee, at which time the revenue is recognized.

Promises to give include pledges and bequests and are recorded at fair value which requires management to reduce the contribution balance for amounts that are considered uncollectible at the time the contribution is recorded. In addition, if the promises to give will be satisfied in more than a year, the contributions have been discounted to present value.

Management establishes an allowance for uncollectible pledges that is based on management's analysis of the character of the pledges, current economic conditions and other such factors that deserve recognition in estimating losses. There was no allowance at December 31, 2022 and 2021.

One bequest comprised 100% of promises to give at December 31, 2022 and 99% at December 31, 2021.

THE CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2022 and 2021

Note B - Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are stated at cost or at their estimated fair value at date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Asset lives range from three to five years.

Additions and betterments are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred.

Property and equipment amounted to \$102,292 and was fully depreciated as of December 31, 2022 and 2021.

Net Assets

The net assets of the Foundation are reported in the following categories:

- *Net assets without donor restrictions* - Net assets available for use in general operations and not subject to donor restrictions. The board of directors has designated a portion of net assets without donor restrictions to board designated endowments and other board restrictions.

- *Net assets with donor restrictions* - Some donor-imposed restrictions are temporary in nature; those restrictions 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. Gifts of long-lived assets and cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. 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.

Revenue Recognition

Contributions, unconditional promises to give, and other assets are recognized at fair value and are recorded when received. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and nature of any donor-imposed restrictions. At the expiration of the restriction, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restriction.

The Foundation charges each fund an administrative fee based upon the percentage of the value of a fund. This administrative fee is assessed quarterly, and payable at the beginning of the following quarter.

THE CATHOLIC COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2022 and 2021

Note B - Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Grants received are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Fair Value Measurements

Generally accepted accounting principles require the Foundation to classify its financial assets and liabilities based on a valuation method using three levels. Level 1 value is based on quoted prices in active markets for identical securities. Level 2 values are based on significant observable market inputs, such as quoted prices for similar securities and quoted prices in inactive markets. Level 3 values are based on significant unobservable inputs that reflect the Foundation's determination of assumptions that market participants might reasonably use in valuing the securities. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying investments.

Fair Value of Financial Instruments

At December 31, 2022 and 2021, the carrying value of cash and cash equivalents approximate fair value due to the short term nature of these investments. The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Investments – Investments, other than cash and cash equivalents, are carried at fair value. Publicly traded investments are valued at fair value based on quoted market prices. A substantial portion of the fair value measurements included within investments is provided to the Foundation by third parties and is not calculated by the Foundation. These valuations are based on the fair value based on quoted market prices, financial models of hypothetical transactions, or net asset value as determined by the fund manager. Some valuations may also be determined and approved by the managers or valuation committees of the funds in which the Foundation invests. The fair value assigned to a particular security by the fund management does not necessarily reflect the amount that would be realized. In addition, in light of the judgment involved in fair value decisions, there can be no assurance that a fair value assigned to a particular security by the fund management is accurate.

Beneficial Endowments – Carrying value, which approximates fair value, of obligations for beneficial endowments is based on the related fair values of investments discussed above and the beneficiaries' shares of the related investment assets. (See Note J)

THE CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2022 and 2021

Note B - Summary of Significant Accounting Policies (Continued)

Income Taxes

The Foundation is a not-for-profit corporation exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3), except as to unrelated business income. Additionally, the Foundation is exempt from state income taxes under similar tax regulations. The Foundation generates unrelated business taxable income through some of the investments they hold. The Foundation recorded no unrelated business income tax expense for the year ending December 31, 2022 and \$9,966 for the year ending December 31, 2021.

Accounting Standard Adopted

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which requires leases to be recorded as an asset on the balance sheet for the right to use the leased asset and a liability for the corresponding lease obligation for leases with terms of more than twelve months.

The Foundation adopted these ASUs effective January 1, 2022 and utilized all of the available practical expedients.

As a result of adopting the new standards on January 1, 2022, the Company recorded additional lease assets and lease liabilities of approximately \$164,000. Adoption of the new standard did not have material impact on the Foundation's net income and had no impact on retained earnings and cash flows.

Concentrations

Cash, cash equivalents, and investments are exposed to interest rate, market, and credit risks. The Foundation maintains its cash and cash equivalents in various bank deposit accounts that, at times, exceeded amounts insured by the federally insured limits. To minimize risk, the Foundation's cash accounts are placed with high credit quality financial institutions and the Foundation's investment portfolio is diversified among a variety of asset categories, held by several investment managers.

The Foundation has approximately \$11,548,000 in uninsured balances at December 31, 2022.

During the year ending December 31, 2022, one donor comprised approximately 53% of contributions. In 2021, three donors comprised approximately 88% of contributions.

Management Review

The Foundation has evaluated subsequent events through, July 26, 2023, the date on which the financial statements were issued.

THE CATHOLIC COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2022 and 2021

Note C - Liquidity and Availability

The following reflects the Foundation's financial assets as of the statement of financial position date, reduced by amounts not available for general expenditure within one year at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 530,368	\$ 629,039
Investments	122,685,752	130,645,373
Promise to give, current	8,465,681	17,986,000
Contributed land held for sale	<u>-</u>	<u>3,600,000</u>
 Total financial assets	 <u>131,861,801</u>	 <u>152,860,412</u>
 Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Donor designated endowment funds	52,808,304	60,643,769
Beneficial endowment funds	31,494,745	38,077,907
Agency funds	125,355	147,434
Other donor designated funds	13,325,089	6,099,019
Board designations:		
Board designated endowments not appropriated for expenditures	14,788,110	18,388,872
Other board designated restrictions	<u>7,198,056</u>	<u>8,508,544</u>
 Total not available for general expenditures	 <u>119,739,659</u>	 <u>131,865,545</u>
 Financial assets available to meet general expenditures over the next twelve months	 <u>\$11,942,142</u>	 <u>\$20,994,867</u>

The Foundation includes assets from donor advised funds (DAF) in financial assets available to meet general expenditures over the next twelve months because these do not have donor restrictions and are available to meet the Foundation's general expenditures, which predominately consist of grants. Assets from DAFs totaled \$17,986,948 and \$19,589,022 as of December 31, 2022 and 2021, respectively.

Financial assets are considered unavailable when illiquid or not convertible to cash within one year, assets held for others, endowments, and accumulated earnings net of appropriation within one year and board designated endowments.

In addition to these funds available for general expenditures, the Foundation charges management fees to all funds based on quarterly market value to cover general expenditures required to operate the Foundation.

THE CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2022 and 2021

Note D - Promises to Give

Unconditional promises to give represent the remaining pledges due from the donors who have pledged funds to support the Foundation’s mission as well as bequests and are considered Level 2.

Unconditional promises to give at December 31, 2022 and 2021 consisted of the following:

	2022	2021
Receivable in less than one year	\$ 8,465,681	\$17,986,000
Receivable in one to five years	-	-
Total unconditional promises to give	8,465,681	17,986,000
Less: unamortized discount on pledges	(817,125)	(1,338,555)
	<u>\$ 7,648,556</u>	<u>\$16,647,445</u>

The unamortized discounts on pledges were determined by applying an imputed interest rate ranging between 2.5% and 3% on outstanding pledges.

The fair value of promises to give is determined using present value techniques that consider historical trends of collection, the type of donor, the type of underlying assets, general economic conditions, and market interest rate assumptions for individuals.

Note E - Retirement Plan

In 2019, the Foundation adopted a 403(b) retirement plan available to all eligible employees. Employees can make elective deferrals to the plan, up to the statutory limit. The Foundation makes safe harbor matching contributions up to 4% of total compensation, subject to the statutory limits. Total employer matching contributions to the plan were \$30,297 and \$24,281 for the years ended December 31, 2022 and 2021, respectively.

THE CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2022 and 2021

Note F - Investments and Fair Value

Investments, which are managed and held for safekeeping by others, are recorded at fair value. The majority of the investments are held in two investment pools, while the majority of the beneficial endowment funds are separately invested. Certain investments that are measured at fair value using the net asset value (“NAV”) per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair market value measured on recurring basis consisted of the following (see Note B):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2022</u>				
Corporate stock	\$ 47,905,186	\$ -	\$ -	\$ 47,905,186
Fixed income	5,156,470	21,684,549	-	26,841,019
Mutual funds	3,407,320	3,663,666	-	7,070,986
International mutual funds	3,918,855	1,223,789	-	5,142,644
Other commodities	<u>-</u>	<u>2,637,115</u>	<u>-</u>	<u>2,637,115</u>
Total investments subject to fair value hierarchy	<u>\$ 60,387,831</u>	<u>\$ 29,209,119</u>	<u>\$ -</u>	89,596,950
Cash and cash equivalents				14,049,817
Investments measured at NAV				<u>19,038,985</u>
Total investments				<u>\$122,685,752</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2021</u>				
Corporate stock	\$ 54,534,246	\$ -	\$ -	\$ 54,534,246
Fixed income	1,687,964	27,865,665	-	29,553,629
Mutual funds	4,075,694	4,761,186	-	8,836,880
International mutual funds	4,021,887	1,477,363	-	5,499,250
Other commodities	<u>-</u>	<u>1,590,067</u>	<u>-</u>	<u>1,590,067</u>
Total investments subject to fair value hierarchy	<u>\$ 64,319,791</u>	<u>\$ 35,694,281</u>	<u>\$ -</u>	100,014,072
Cash and cash equivalents				15,725,464
Investments measured at NAV				<u>14,905,837</u>
Total investments				<u>\$130,645,373</u>

THE CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2022 and 2021

Note F - Investments and Fair Value (Continued)

Investments as of December 31, are classified as follows:

	2022	2021
Investments-without donor restrictions	\$ 46,848,006	\$ 49,909,697
Investments-with donor restrictions	44,343,001	42,657,769
Investments-beneficial endowments	31,494,745	38,077,907
	\$ 122,685,752	\$ 130,645,373

Level 2 Assets by Major Category

The following table lists level 2 investment funds liquidity and redemption restrictions by major categories at December 31:

	Net Asset Value			Unfunded Commitments	Redemption Frequency	Redemption Notice Period
	2022	2021				
Fixed income	\$ 21,684,549	\$ 27,865,665	\$	-	Daily	1 to 10 days
Mutual funds	3,663,666	4,761,186		-	Daily	1 to 10 days
International mutual funds	1,223,789	1,477,363		-	Daily-Monthly	1 to 30 days
Other commodities	2,637,115	1,590,067		-	Daily-Monthly	1 to 30 days

THE CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2022 and 2021

Note F - Investments and Fair Value (Continued)

The Foundation invests in domestic and international common stocks, domestic and international mutual funds, exchange traded funds, cash and cash equivalents, limited partnerships, and non-U.S. corporations referred to collectively for this purpose as hedge funds. Hedge funds are presented in the financial statements at fair value as determined under FASB Accounting Standards Codification ASC 820, Fair Value Measurements and Disclosures. In situations where the hedge fund does not have a readily determinable fair value and meets other eligibility criteria, the Foundation measures fair value based on net asset value per share or its equivalent.

Investments Measured at Net Asset Value

The following table represents the liquidity and redemption restrictions on the investments that do not have a readily determinable fair value and utilize net asset value per share to determine the fair value at December 31, 2022:

	<u>Net Asset Value</u>	<u>Unfunded Commitments</u>	<u>Strategy</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
JPAS Emerging Markets	5,254,041	-	Global emerging market equity	(a)	(a)
JPAS Credit	3,823,612	-	High yield corporate fixed income	(a)	(a)
JPAS Strategic Equity Partners	2,792,895	-	Private equities	(b)	(b)
JPAS Real Assets	1,001,152	2,970,000	U.S. and global real estate	(c)	(c)
JPAS Private Equity	1,778,255	2,487,000	U.S. and global equities	(d)	(d)
JPAS Early Stage Opportunities	449,540	102,000	U.S. and global venture capital	(d)	(d)
JPAS Venture Capital	436,110	444,000	U.S. venture capital	(d)	(d)
JPAS Impact	<u>3,503,380</u>	<u>4,500,000</u>	U.S. and global venture capital	(d)	(d)
Total	<u>\$ 19,038,985</u>	<u>\$ 10,503,000</u>			

- (a) Subject to initial 1-year lock up, quarterly redemption with 90 days' notice, ability to withdraw subject to limitations/restrictions imposed by underlying investments. Partial withdrawal less than \$100,000 are subject to manager's approval.
- (b) Subject to initial 1-year lock up, quarterly redemption with 90 days' notice, ability to withdraw subject to limitations/restrictions imposed by underlying investments. Distribution may be in cash or in-kind of assets of the funds, and subject to the fund manager's approval.
- (c) Subject to initial 5-year lock up, annual redemption with 90 days' notice period, ability to withdraw subject to limitations/restrictions imposed by underlying investments.
- (d) This is a locked-up, drawn down structure vehicle and voluntary redemptions are not allowed. Return of capital and any profit generated by the fund will be distributed back to investors in accordance with the Fund's limited partnership agreement.

THE CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2022 and 2021

Note F - Investments and Fair Value (Continued)

The following table represents the liquidity and redemption restrictions on the investments that do not have a readily determinable fair value and utilize net asset value per share to determine the fair value at December 31, 2021:

	<u>Net Asset Value</u>	<u>Unfunded Commitments</u>	<u>Strategy</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
JPAS Emerging Markets	3,830,849	-	Global emerging market equity	(a)	(a)
JPAS Credit	3,557,471	-	High yield corporate fixed income	(a)	(a)
JPAS Strategic Equity Partners	2,375,564	-	Private equities	(b)	(b)
JPAS Real Assets	623,648	900,000	U.S. and global real estate	(c)	(c)
JPAS Private Equity	875,523	800,000	U.S. and global equities	(d)	(d)
JPAS Early Stage Opportunities	428,290	100,000	U.S. and global venture capital	(d)	(d)
JPAS Venture Capital	51,165	300,000	U.S. venture capital	(d)	(d)
JPAS Impact	1,659,866	1,200,000	U.S. and global venture capital	(d)	(d)
Owl Creek	<u>1,503,461</u>	-	Hedge funds	(e)	(e)
Total	<u>\$ 14,905,837</u>	<u>\$ 3,300,000</u>			

- (a) Subject to initial 1-year lock up, quarterly redemption with 90 days' notice, ability to withdraw subject to limitations/restrictions imposed by underlying investments. Partial withdrawal less than \$100,000 are subject to manager's approval.
- (b) Subject to initial 1-year lock up, quarterly redemption with 90 days' notice, ability to withdraw subject to limitations/restrictions imposed by underlying investments. Distribution may be in cash or in-kind of assets of the funds, and subject to the fund manager's approval.
- (c) Subject to initial 5-year lock up, annual redemption with 90 days' notice period, ability to withdraw subject to limitations/restrictions imposed by underlying investments.
- (d) This is a locked-up, drawn down structure vehicle and voluntary redemptions are not allowed. Return of capital and any profit generated by the fund will be distributed back to investors in accordance with the Fund's limited partnership agreement.
- (e) The Foundation has given notice of redemption and their partnership interest was fully liquidated in 2022.

Investment income (loss) for the years ended December 31, consisted of the following:

	<u>2022</u>	<u>2021</u>
Interest and dividend income	\$ 2,533,138	\$ 1,969,523
Realized gains (losses)	(1,252,520)	3,618,222
Unrealized gains (losses)	(18,335,259)	7,916,351
Investment expenses	<u>(633,920)</u>	<u>(721,058)</u>
	(17,688,561)	12,783,038
Less net investment income (loss) allocable to beneficial endowments, and agency funds	<u>(5,408,766)</u>	<u>4,327,493</u>
Net investment income (loss)	<u>\$(12,279,795)</u>	<u>\$ 8,455,545</u>

THE CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2022 and 2021

Note G - Leases

The Foundation leases office space under a long-term, non-cancelable agreement through May 2026. In addition, the Foundation leases office equipment.

The components of lease expense were as follows for the year ended December 31, 2022:

Operating lease cost	\$ <u>39,259</u>
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Supplemental information related to leases were as follows as of December 31, 2022:

<u>Weighted average remaining lease term</u>	
Operating leases	3 years

<u>Weighted average discount rate</u>	
Operating leases	0.86%

Supplemental cash flow information related to leases were as follows for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	\$ <u>39,378</u>
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Right-of-use assets obtained in exchange for lease obligations:

Operating leases	\$ <u>164,597</u>
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Maturities of operating lease liabilities as of December 31, 2022 were as follows:

Scheduled maturities:

2023	\$ 40,384
2024	35,584
2025	36,654
2026	<u>15,460</u>
Total lease payments	128,082
Less amount representing interest	<u>1,605</u>
Present value of lease liabilities	\$ <u>126,477</u>

THE CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2022 and 2021

Note H - Net Assets with Donor Restrictions

The composition of net assets with donor restrictions are restricted by donors for the purposes or period described below as of December 31:

	<u>2022</u>		<u>2021</u>	
	<u>Subject to Passage of Time</u>	<u>Subject to Specified Purpose</u>	<u>Subject to Passage of Time</u>	<u>Subject to Specified Purpose</u>
Education funds	\$ 699,250	\$ 7,218,273	\$ 2,259,019	\$ 7,119,988
Historical preservation	4,983,366	-	5,000,000	-
Ministry endowments and funds	(3,835,468)	40,389,094	1,093,079	39,605,597
New parish acquisition fund	132,660	-	149,467	-
Parish endowments	(44,199)	3,912,675	660,509	3,774,699
Vocation endowments	<u>(18,325)</u>	<u>4,679,036</u>	<u>1,055,913</u>	<u>4,675,369</u>
	<u>\$ 1,917,284</u>	<u>\$ 56,199,078</u>	<u>\$ 10,217,987</u>	<u>\$ 55,175,653</u>

Note I - Board Designated Net Assets Without Donor Restrictions

The Foundation's governing board has designated from net assets without donor restriction for the following purposes as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Board designated endowments	\$15,404,281	\$19,155,075
Other board restrictions	<u>8,196,736</u>	<u>9,507,224</u>
	<u>\$23,601,017</u>	<u>\$28,662,299</u>

THE CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2022 and 2021

Note J - Beneficial Endowments

The Foundation accepts contributions from donors and agrees to transfer those assets and the return on investment of those assets or both, to another entity that is specified by the donor. The Foundation has agreements in place with the beneficiaries to currently retain the corpus and transfer funds in accordance with the Foundation's spending policy. (See Note K.) The Foundation refers to such funds as beneficial endowments. The terms of the contributions require funds to be segregated for Catholic Charities, Cathedral Basilica and Cristo Rey SJ Jesuit High School. The following table summarizes the activity in such funds:

	<u>2022</u>	<u>2021</u>
Beginning balance	\$38,077,907	\$32,624,782
Contributions	275,360	2,288,361
Net investment income (loss)	(5,386,687)	4,312,601
Distributions	<u>(1,471,835)</u>	<u>(1,147,837)</u>
Ending balance	<u>\$31,494,745</u>	<u>\$38,077,907</u>

At December 31, 2022 and 2021, beneficial endowments consisted of the following:

	<u>2022</u>	<u>2021</u>
Catholic Charities	\$ 8,227,776	\$10,069,781
Cathedral Basilica	10,400,640	12,342,777
Cristo Rey SJ Jesuit High School	10,070,575	12,286,187
St. Christopher School	2,606,706	3,148,809
Catholic Extension	46,359	55,896
Notre Dame High School	97,614	118,765
Our Lady of Refuge	<u>45,075</u>	<u>55,692</u>
	<u>\$31,494,745</u>	<u>\$38,077,907</u>

THE CATHOLIC COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2022 and 2021

Note K - Endowments

The Foundation's endowments consist of approximately 110 individual funds established for a variety of purposes. Its endowments include both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of 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 gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions and retains in perpetuity (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. 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 the State of California in its enacted version of UPMIFA. In accordance with 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 appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

THE CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2022 and 2021

Note K - Endowments (Continued)

Investment Return Objectives, Risk Parameters and Strategies

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, which is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 3-5%, while growing the funds if possible. Therefore, the Foundation periodically reviews its investment strategy with the objective of earning a rate of return to cover grants and inflation. Actual returns in any one year may vary. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy

The Foundation has a policy of appropriating for distribution each year a sum not to exceed 5% and no less than 3% of the greater of the average market value of the endowment funds over the previous 16 quarters or 75% of the most recent quarter's balance. As needs arise, the amount drawn on an annual basis may deviate from this target range at the recommendation of the Finance Committee and with approval of the Board.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the amount required to be retained as a fund of perpetual duration. These deficiencies are reflected in net assets with donor restrictions.

The funds with deficiencies at December 31, 2022 and 2021 are listed below:

	2022	2021
The fair value of the endowment funds	\$42,475,331	\$ 3,121,558
Less original endowment gift amount	<u>(46,865,346)</u>	<u>(3,133,804)</u>
Total deficiencies	<u>\$ (4,390,015)</u>	<u>\$ (12,246)</u>

These deficiencies primarily resulted from unfavorable market fluctuations that occurred shortly after the investments of new contributions for donor-restricted funds.

THE CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2022 and 2021

Note K - Endowments (Continued)

Endowment net asset compositions by type of funds as of December 31, 2022 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Original donor restricted gift amount and amounts required to be maintained in perpetuity	\$ -	\$ 48,550,522	\$ 48,550,522
Accumulated investment loss	(1,163)	(4,206,358)	(4,207,521)
Board designated endowment funds	<u>15,404,281</u>	<u>-</u>	<u>15,404,281</u>
	<u>\$ 15,403,118</u>	<u>\$ 44,344,164</u>	<u>\$ 59,747,282</u>

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Beginning of year	\$ 19,158,722	\$ 42,657,769	\$ 61,816,491
Contributions	-	9,993,574	9,993,574
Changes in donor restrictions	(4,700)	840	(3,860)
Investment income, net	69,757	278,204	347,961
Net depreciation	(2,940,323)	(6,768,678)	(9,709,001)
Amounts appropriated for expenditure	<u>(880,338)</u>	<u>(1,817,545)</u>	<u>(2,697,883)</u>
	<u>\$ 15,403,118</u>	<u>\$ 44,344,164</u>	<u>\$ 59,747,282</u>

THE CATHOLIC COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2022 and 2021

Note K - Endowments (Continued)

Endowment net asset compositions by type of funds as of December 31, 2021 are as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Original donor restricted gift amount and amounts required to be maintained in perpetuity	\$ -	\$ 38,556,108	\$ 38,556,108
Accumulated investment gain	3,647	4,101,661	4,105,308
Board designated endowment funds	<u>19,155,075</u>	<u>-</u>	<u>19,155,075</u>
	<u>\$ 19,158,722</u>	<u>\$ 42,657,769</u>	<u>\$ 61,816,491</u>

Changes in endowment net assets for the year ended December 31, 2021 are as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Beginning of year	\$ 17,740,357	\$ 21,448,699	\$ 39,189,056
Contributions	-	18,677,648	18,677,648
Other revenue	171	-	171
Changes in donor restrictions	(5,000)	342,549	337,549
Investment income, net	(57,179)	(22,262)	(79,441)
Net appreciation	2,203,136	3,603,863	5,806,999
Amounts appropriated for expenditure	<u>(722,763)</u>	<u>(1,392,728)</u>	<u>(2,115,491)</u>
	<u>\$ 19,158,722</u>	<u>\$ 42,657,769</u>	<u>\$ 61,816,491</u>