

THE CATHOLIC SCHOOLS
FOUNDATION



We Change Lives.

FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

THE CATHOLIC SCHOOLS FOUNDATION, INC.

Contents
June 30, 2023 and 2022

	<u>Pages</u>
Independent Auditor's Report	1 - 1A
Financial Statements:	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statements of Cash Flows	4
Statements of Functional Expenses	5 - 6
Notes to Financial Statements	7 - 20

Independent Auditor's Report

To the Board of Trustees of
The Catholic Schools Foundation, Inc.:

Opinion

We have audited the financial statements of The Catholic Schools Foundation, Inc. (a Massachusetts nonprofit corporation) (the Foundation), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Catholic Schools Foundation, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about the Foundation'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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

AAFCPA, Inc.

Westborough, Massachusetts
January 11, 2024

THE CATHOLIC SCHOOLS FOUNDATION, INC.Statements of Financial Position
June 30, 2023 and 2022

Assets	2023	2022
Assets:		
Cash and cash equivalents	\$ 3,302,013	\$ 2,530,835
Investments	120,614,932	103,965,646
Contributions receivable, net of discount	2,378,033	585,539
Interest in related party	3,169,704	3,023,740
Prepaid expenses and other	56,264	51,504
Right-of-use asset - operating	250,219	-
Property and equipment, net	8,728	13,975
Total assets	<u>\$ 129,779,893</u>	<u>\$ 110,171,239</u>
Liabilities and Net Assets		
Liabilities:		
Operating lease liability	\$ 276,967	\$ -
Accounts payable and accrued expenses	72,953	136,265
Grants payable	16,064,159	14,010,603
Total liabilities	<u>16,414,079</u>	<u>14,146,868</u>
Net Assets:		
Without donor restrictions:		
Operating	38,519,120	36,708,415
Board designated	998,569	998,569
Total without donor restrictions	<u>39,517,689</u>	<u>37,706,984</u>
With donor restrictions:		
Purpose and time	2,016,840	682,018
Accumulated appreciation	13,337,810	10,595,381
Perpetually restricted endowment	58,493,475	47,039,988
Total with donor restrictions	<u>73,848,125</u>	<u>58,317,387</u>
Total net assets	<u>113,365,814</u>	<u>96,024,371</u>
Total liabilities and net assets	<u>\$ 129,779,893</u>	<u>\$ 110,171,239</u>

THE CATHOLIC SCHOOLS FOUNDATION, INC.

Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues:						
Contributions	\$ 6,801,835	\$ 8,317,489	\$ 15,119,324	\$ 7,257,723	\$ 4,317,650	\$ 11,575,373
Investment return designated for operations	2,848,593	-	2,848,593	2,533,263	-	2,533,263
Distribution of funds - interest in related party	121,606	-	121,606	149,671	-	149,671
Interest income	87,698	-	87,698	-	-	-
Net assets released from time restrictions	4,243,468	(4,243,468)	-	3,507,551	(3,507,551)	-
Net assets released from purpose restrictions	2,696,693	(2,696,693)	-	951,008	(951,008)	-
Total operating revenues	<u>16,799,893</u>	<u>1,377,328</u>	<u>18,177,221</u>	<u>14,399,216</u>	<u>(140,909)</u>	<u>14,258,307</u>
Operating Expenses:						
Program services:						
Financial aid grants	14,723,111	-	14,723,111	12,604,380	-	12,604,380
Special projects	3,290,343	-	3,290,343	2,095,043	-	2,095,043
Total program services	<u>18,013,454</u>	<u>-</u>	<u>18,013,454</u>	<u>14,699,423</u>	<u>-</u>	<u>14,699,423</u>
Supporting services:						
General and administrative	372,993	-	372,993	295,810	-	295,810
Fundraising	1,356,654	-	1,356,654	1,062,511	-	1,062,511
Total supporting services	<u>1,729,647</u>	<u>-</u>	<u>1,729,647</u>	<u>1,358,321</u>	<u>-</u>	<u>1,358,321</u>
Total operating expenses	<u>19,743,101</u>	<u>-</u>	<u>19,743,101</u>	<u>16,057,744</u>	<u>-</u>	<u>16,057,744</u>
Changes in net assets from operations	<u>(2,943,208)</u>	<u>1,377,328</u>	<u>(1,565,880)</u>	<u>(1,658,528)</u>	<u>(140,909)</u>	<u>(1,799,437)</u>
Other Revenues:						
Endowment contributions	-	11,453,487	11,453,487	-	3,111,000	3,111,000
Investment income, net	4,753,913	5,445,058	10,198,971	(6,266,971)	(7,205,611)	(13,472,582)
Net change in value of interest in related party	-	267,570	267,570	-	(696,895)	(696,895)
Change in discount on contributions receivable	-	(42,506)	(42,506)	-	12,680	12,680
Distribution of funds - interest in related party	-	(121,606)	(121,606)	-	(149,671)	(149,671)
Investment return designated for operations	-	(2,848,593)	(2,848,593)	-	(2,533,263)	(2,533,263)
Total other revenues	<u>4,753,913</u>	<u>14,153,410</u>	<u>18,907,323</u>	<u>(6,266,971)</u>	<u>(7,461,760)</u>	<u>(13,728,731)</u>
Changes in net assets	<u>1,810,705</u>	<u>15,530,738</u>	<u>17,341,443</u>	<u>(7,925,499)</u>	<u>(7,602,669)</u>	<u>(15,528,168)</u>
Net Assets:						
Beginning of year	<u>37,706,984</u>	<u>58,317,387</u>	<u>96,024,371</u>	<u>45,632,483</u>	<u>65,920,056</u>	<u>111,552,539</u>
End of year	<u>\$ 39,517,689</u>	<u>\$ 73,848,125</u>	<u>\$ 113,365,814</u>	<u>\$ 37,706,984</u>	<u>\$ 58,317,387</u>	<u>\$ 96,024,371</u>

The accompanying notes are an integral part of these statements.

THE CATHOLIC SCHOOLS FOUNDATION, INC.

Statements of Cash Flows
For the Year Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 17,341,443	\$ (15,528,168)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Change in discount on contributions receivable	42,506	(12,680)
Depreciation	5,247	5,654
Endowment contributions	(11,453,487)	(3,111,000)
Net realized and unrealized losses (gains) on investments	(8,236,062)	14,823,946
Net change in value of interest in related party	(267,570)	696,895
Non cash lease expense	26,748	-
Changes in operating assets and liabilities:		
Contributions receivable	(1,010,000)	2,719,772
Prepaid expenses and other	(4,760)	(323)
Accounts payable and accrued expenses	(63,312)	51,422
Grants payable	2,053,556	608,762
	<u>(1,565,691)</u>	<u>254,280</u>
Cash Flows from Investing Activities:		
Purchase of investments	(41,669,789)	(38,477,100)
Proceeds from sales of investments	33,256,565	36,056,207
Distribution of funds - interest in related party	121,606	149,671
	<u>(8,291,618)</u>	<u>(2,271,222)</u>
Cash Flows from Financing Activities:		
Conditional advance	-	(2,000,000)
Endowment contributions	10,628,487	3,111,000
	<u>10,628,487</u>	<u>1,111,000</u>
Net Change in Cash and Cash Equivalents	771,178	(905,942)
Cash and Cash Equivalents:		
Beginning of year	<u>2,530,835</u>	<u>3,436,777</u>
End of year	<u>\$ 3,302,013</u>	<u>\$ 2,530,835</u>
Supplemental Disclosure of Non-Cash Transactions:		
Unrealized gain (loss) on investments	<u>\$ 6,298,604</u>	<u>\$ (26,399,369)</u>

THE CATHOLIC SCHOOLS FOUNDATION, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2023

(With Summarized Comparative Totals for the Year Ended June 30, 2022)

	2023						2022	
	Program Services			Supporting Services			Total	Total
	Financial Aid Grants	Special Projects	Total Program Services	General and Administrative	Fundraising	Total Supporting Services		
Personnel and Related:								
Salaries	\$ 409,885	\$ 9,936	\$ 419,821	\$ 114,860	\$ 458,941	\$ 573,801	\$ 993,622	\$ 774,459
Payroll taxes and fringe benefits	75,959	1,914	77,873	28,434	85,173	113,607	191,480	145,840
Contracted services	-	-	-	-	15,000	15,000	15,000	96,352
Total personnel and related	<u>485,844</u>	<u>11,850</u>	<u>497,694</u>	<u>143,294</u>	<u>559,114</u>	<u>702,408</u>	<u>1,200,102</u>	<u>1,016,651</u>
Other:								
Scholarship and grant expense	14,158,286	3,257,851	17,416,137	-	-	-	17,416,137	14,182,581
Event expenses	-	-	-	-	544,383	544,383	544,383	325,079
Occupancy	60,371	1,511	61,882	12,440	80,333	92,773	154,655	151,831
Printing and reproduction	-	5,444	5,444	334	109,254	109,588	115,032	95,802
Professional fees	-	-	-	114,701	-	114,701	114,701	107,920
Supplies and equipment	7,702	-	7,702	37,134	7,790	44,924	52,626	34,276
Miscellaneous	328	250	578	46,554	5,358	51,912	52,490	42,854
Advertising and recruiting	-	9,885	9,885	1,499	24,440	25,939	35,824	43,175
Communication expenses	10,041	-	10,041	9,288	10,812	20,100	30,141	41,348
Travel and transportation	539	3,302	3,841	2,380	6,001	8,381	12,222	5,654
Dues and subscriptions	-	250	250	122	9,169	9,291	9,541	4,949
Depreciation	-	-	-	5,247	-	5,247	5,247	5,624
Total other	<u>14,237,267</u>	<u>3,278,493</u>	<u>17,515,760</u>	<u>229,699</u>	<u>797,540</u>	<u>1,027,239</u>	<u>18,542,999</u>	<u>15,041,093</u>
Total expenses	<u>\$ 14,723,111</u>	<u>\$ 3,290,343</u>	<u>\$ 18,013,454</u>	<u>\$ 372,993</u>	<u>\$ 1,356,654</u>	<u>\$ 1,729,647</u>	<u>\$ 19,743,101</u>	<u>\$ 16,057,744</u>

THE CATHOLIC SCHOOLS FOUNDATION, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2022

	Program Services			Supporting Services			Total
	Financial Aid Grants	Special Projects	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	
Personnel and Related:							
Salaries	\$ 345,301	\$ 8,708	\$ 354,009	\$ 85,170	\$ 335,280	\$ 420,450	\$ 774,459
Payroll taxes and fringe benefits	62,561	1,461	64,022	22,278	59,540	81,818	145,840
Contracted services	-	-	-	-	96,352	96,352	96,352
Total personnel and related	407,862	10,169	418,031	107,448	491,172	598,620	1,016,651
Other:							
Scholarship and grant expense	12,119,201	2,063,380	14,182,581	-	-	-	14,182,581
Event expenses	-	-	-	-	325,079	325,079	325,079
Occupancy	59,269	1,484	60,753	12,212	78,866	91,078	151,831
Printing and reproduction	-	8,600	8,600	-	87,202	87,202	95,802
Professional fees	-	260	260	107,660	-	107,660	107,920
Supplies and equipment	7,150	-	7,150	16,493	10,633	27,126	34,276
Miscellaneous	399	-	399	37,354	5,101	42,455	42,854
Advertising and recruiting	-	10,365	10,365	782	30,201	30,983	41,348
Communication expenses	10,014	27	10,041	7,750	25,384	33,134	43,175
Travel and transportation	485	758	1,243	457	3,924	4,381	5,624
Dues and subscriptions	-	-	-	-	4,949	4,949	4,949
Depreciation	-	-	-	5,654	-	5,654	5,654
Total other	12,196,518	2,084,874	14,281,392	188,362	571,339	759,701	15,041,093
Total expenses	\$ 12,604,380	\$ 2,095,043	\$ 14,699,423	\$ 295,810	\$ 1,062,511	\$ 1,358,321	\$ 16,057,744

THE CATHOLIC SCHOOLS FOUNDATION, INC.

Notes to Financial Statements
June 30, 2023 and 2022

1. OPERATIONS AND NONPROFIT STATUS

The Catholic Schools Foundation, Inc. (the Foundation) was formed on September 12, 1983, for the purpose of raising funds from individuals, corporations and foundations to support the educational mission of the Roman Catholic Church by providing families with demonstrated financial need an opportunity for a quality education focused on Christian values and character formation at Roman Catholic Schools located throughout the Archdiocese of Boston, regardless of race, religion, ethnicity, or gender.

The Foundation is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Foundation is also exempt from state income taxes. Donors may deduct contributions made to the Foundation within the requirements of the IRC.

2. SIGNIFICANT ACCOUNTING POLICIES

The Foundation prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Recently Adopted Accounting Pronouncement

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The most significant change in the new lease guidance is the requirement to recognize right-of-use (ROU) assets and lease liabilities for operating leases on the statement of financial position. The Foundation elected to adopt Topic 842 on July 1, 2022, using the optional transition approach provided in ASU 2018-11. Under this transition method, financial information related to years prior to adoption was as originally reported under Topic 840. The adoption did not impact net assets as of July 1, 2022. The Foundation elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Foundation to carry forward the historical lease classification as operating or finance leases. The Foundation also elected to combine lease and non-lease components and to exclude short-term leases from the statement of financial position. The Foundation did not elect the hindsight practical expedient in determining the lease term for the existing leases as of July 1, 2022.

The most significant impact of adoption was the recognition of an operating lease asset and an operating lease liability of \$359,634 and \$393,797, respectively, as of July 1, 2022, with differences in amounts being primarily comprised of deferred rent. The impact of adoption was immaterial to the accompanying statements of activities and changes in net assets and cash flows. As part of the adoption, the Foundation also modified its control procedures and processes, none of which materially affected the internal control over financial reporting.

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

THE CATHOLIC SCHOOLS FOUNDATION, INC.

Notes to Financial Statements
June 30, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Foundation accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The Foundation has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at June 30, 2023 and 2022. The Foundation's information returns are subject to examination by the Federal and state jurisdictions.

Fair Value Measurements

The Foundation follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Foundation would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Foundation uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Foundation. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Investments

Investments are recorded in the financial statements at fair value. If an investment is directly held by the Foundation and an active market with quoted prices exists, the market price of an identical security is used to report fair value. Reported fair values of shares in mutual funds and exchange traded funds are based on share prices reported by the funds as of the last business day of the fiscal year. Reported fair values of money market funds are based on market values reported by the market as of the last business day of the year.

A summary of inputs used in valuing the Foundation's investments as of June 30, 2023 and 2022, is included in Note 3.

THE CATHOLIC SCHOOLS FOUNDATION, INC.

Notes to Financial Statements
June 30, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Interest in Related Party

Interest in related party (see Note 6) represents the Foundation's unit holdings in the Catholic Community Fund, Roman Catholic Archbishop of Boston (Catholic Community Fund), a separate related organization established to provide a common investment pool in which the Foundation and other related organizations may participate. The underlying investments of which are primarily equity and fixed-income securities (U.S. Government and agency securities, asset-backed securities and corporate bonds) owned either directly or indirectly through mutual funds and private investment entities.

All Other Assets and Liabilities

The carrying value of all other assets and liabilities does not differ materially from its estimated fair value and are considered Level 1 in the fair value hierarchy.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments purchased with a maturity of three months or less to be cash and cash equivalents.

Contributions Receivable, Allowance for Doubtful Accounts and Discounts

Contributions receivable consist of contributions committed to the Foundation. Contributions are recorded at their net present value when unconditionally committed. An allowance for doubtful accounts is based on management's evaluations of the collectability of individual accounts. Account balances are charged off against the allowance when it is probable the receivable will not be recovered. There was no allowance deemed necessary as of June 30, 2023 and 2022. The Foundation discounts long-term pledges to present value using the risk-free rate of return (see Note 4).

Interest in Related Party

The Foundation recognizes as an asset its interest in net assets of another related organization that holds funds which were donated for the benefit of the Foundation. The asset amount is adjusted for the Foundation's share of the change in the related organization's net assets as an increase or decrease to the Foundation's statements of activities and changes in net assets. Transfer of funds from the holding organization to the Foundation are recorded as reductions in its interest (see Note 6).

Property, Equipment and Depreciation

Purchased property and equipment (see Note 5) are recorded at cost. Donated property and equipment are recorded at fair market value at the time of donation. Renewals and betterments are capitalized, while repairs and maintenance are expensed as they are incurred.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Leasehold improvements	Lessor of 10 years or remaining life of the lease
Furniture	10 years
Computer equipment and software	3 years

THE CATHOLIC SCHOOLS FOUNDATION, INC.

Notes to Financial Statements
June 30, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants Payable

A liability is recorded, and an expense is recognized in the period in which the Foundation's Board of Trustees approves the amount of the financial aid for tuition and grants estimated for future distributions to Roman Catholic Schools throughout the Archdiocese of Boston. All commitments are reflected in the Foundation's statements of financial position. All grants payable recognized are expected to be paid in the following year of commitment.

Lease Accounting

The Foundation assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. Leases with an initial term of twelve months or less are not recorded on the statement of financial position. Lease expense is recognized by the Foundation on a straight-line basis over the lease term.

ROU assets represent the Foundation's right to use an underlying asset for the lease term and lease liabilities represent the Foundation's obligation to make lease payments arising from the lease. Operating ROU lease assets and operating lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Foundation uses the implicit rate when it is readily determinable. Since the Foundation's operating lease does not provide an implicit rate to determine the present value of lease payments, management uses the risk-free rate at lease commencement (July 1, 2022, the adoption date). The operating lease ROU assets also include any lease payments made and exclude lease incentives. The Foundation's lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. The Foundation's lease terms do not include the option to extend the lease.

For leases where it is the lessee, the Foundation accounts for lease payments (lease component) and common area expense reimbursements (non-lease component) as one lease component under Topic 842. The Foundation also includes the non-components of its leases, such as the reimbursement of utilities, insurance, and real estate taxes, within this lease component. These amounts are included in occupancy in the accompanying statements of functional expenses (see Note 8).

Revenue Recognition

The Foundation's main sources of revenue are various forms of philanthropic support and investment return and income. Philanthropic support is included in contributions and has been recorded in accordance with FASB's ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. Investment return and income are recorded as earned and not subject to Topic 958.

THE CATHOLIC SCHOOLS FOUNDATION, INC.

Notes to Financial Statements
June 30, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Contributions

In accordance with ASC Subtopic 958-605, *Revenue Recognition*, the Foundation must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier such as qualifying expenses that must be overcome and either a right of return of assets or a right to release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Foundation should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as contingent advance liabilities until such conditions are met. There were no conditional liabilities as of June 30, 2023 and 2022.

Contributions are recorded as revenue when received or unconditionally pledged. The Foundation reports gifts of cash and other assets as net assets with donor restrictions support if they are received with donor stipulations that limit the use of the donated assets. When a donor's time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are transferred to net assets without donor restrictions as net assets released from restrictions. Conditional promises to contribute are recorded only when the specific conditions are substantially met.

Investment Return and Income

Investment income is recorded as earned. Realized gains and losses on investment transactions are recorded upon sales. Unrealized gains and losses are recognized based on fair value changes during the period. Unless otherwise restricted by the donor, investment return is available for operations and is reflected as operating net assets without donor restrictions in the accompanying financial statements. The Foundation's investment policy sets forth guidelines for prudent investments of funds, taking into account liquidity, risk and return characteristics appropriate for different categories of the Foundation's holding. Endowment funds established by donor restrictions to permanently maintain the corpus, while allowing the use of income generated therefrom, are classified as net assets with donor restrictions. Income derived from the investment of endowment funds is subject to the Foundation's annual spending policy appropriation (see Note 7).

Interest Income

Interest and all other revenue are recognized when earned.

Expense Allocation

Expenses related directly to a function are distributed to that function, while other expenses are allocated to programs based upon management's estimate of the percentage attributable to each function.

The financial statements contain certain categories of expenses that are attributable to program and supporting functions and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes and fringe benefits, and occupancy costs, which are allocated based on an estimate of time and level of effort spent on the Foundation's program and supporting functions.

THE CATHOLIC SCHOOLS FOUNDATION, INC.

Notes to Financial Statements
June 30, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs

The Foundation expenses advertising costs as they are incurred.

Net Assets Classification

Net assets without donor restrictions consist of operating net assets and net assets designated by the Board of Trustees:

- *Operating* - represents funds available to carry on the operations of the Foundation.
- *Board Designated* - represents funds set aside in the Foundation's endowment that are not restricted by a third-party donor (see Note 7). The use of these funds requires approval of the Board of Trustees.

Net assets with donor restrictions represent amounts received or committed with donor restrictions which have not yet been expended for their designated purpose or amounts restricted for use in future periods. These contributions are recorded as net assets with donor restrictions until they are expended for their designated purpose or as the time period lapses.

Also included in net assets with donor restrictions are endowment funds accumulated from donor-restricted gifts to be held in perpetuity. Earnings from these gifts may be used for operations, but the principal may not be spent. In accordance with Massachusetts law, all earnings, including interest, dividends and appreciation of a donor-restricted endowment, are restricted until appropriated by the Board of Trustees and in line with the Foundation's spending policy (see Note 7).

Net assets with donor restrictions are restricted as follows at June 30:

	<u>2023</u>	<u>2022</u>
Perpetually restricted endowment:		
Scholarships	\$ 46,012,966	\$ 34,559,479
Technology	6,250,000	6,250,000
Marketing	3,750,000	3,750,000
Special projects	1,412,903	1,412,903
Interest in related party - scholarships (see Note 6)	<u>1,067,606</u>	<u>1,067,606</u>
Total perpetually restricted endowment	<u>58,493,475</u>	<u>47,039,988</u>
Purpose restricted:		
Scholarships	1,400,603	300,604
Special projects	<u>338,204</u>	<u>120,875</u>
Total purpose restricted	<u>1,738,807</u>	<u>421,479</u>
Time restricted, net of discount	<u>278,033</u>	<u>260,539</u>
Accumulated appreciation:		
Perpetually restricted endowment	12,234,281	9,637,816
Interest in related party (see Note 6)	<u>1,103,529</u>	<u>957,565</u>
Total accumulated appreciation	<u>13,337,810</u>	<u>10,595,381</u>
	<u>\$ 73,848,125</u>	<u>\$ 58,317,387</u>

THE CATHOLIC SCHOOLS FOUNDATION, INC.

Notes to Financial Statements
June 30, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major or central to the provision of education and scholarship are reported as operating revenues and operating expenses in the accompanying statements of activities and changes in net assets. Peripheral or incidental transactions are reported as non-operating revenues, primarily relating to the endowment and investing activities.

Subsequent Events

Subsequent events have been evaluated through January 11, 2024, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

3. INVESTMENTS

Investments consist of shares of equity and mutual funds, U.S. Treasury bills, and money market funds. The Foundation generally intends to hold these investments long-term.

The balances of these investments, which are stated at fair value in the accompanying statements of financial position, are as follows, by level within the valuation framework (see Note 2), as of June 30:

	2023			Total
	Level 1	Level 2	Level 3	
U.S. Treasury bills	\$ 19,574,885	\$ -	\$ -	\$ 19,574,885
Money market funds	1,369,503	-	-	1,369,503
Mutual funds:				
Equity securities	68,855,239	-	-	68,855,239
Bonds	23,792,774	-	-	23,792,774
Total mutual funds	92,648,013	-	-	92,648,013
Exchange Traded Funds (ETF)	7,022,531	-	-	7,022,531
	<u>\$ 120,614,932</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,614,932</u>
	2022			Total
	Level 1	Level 2	Level 3	
U.S. Treasury bills	\$ 27,691,571	\$ -	\$ -	\$ 27,691,571
Money market funds	2,304,038	-	-	2,304,038
Mutual funds:				
Equity securities	53,861,774	-	-	53,861,774
Bonds	10,885,343	-	-	10,885,343
Total mutual funds	64,747,117	-	-	64,747,117
Exchange Traded Funds (ETF)	9,222,920	-	-	9,222,920
	<u>\$ 103,965,646</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,965,646</u>

THE CATHOLIC SCHOOLS FOUNDATION, INC.

Notes to Financial Statements
June 30, 2023 and 2022

3. INVESTMENTS (Continued)

Investment return, net consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Net realized and unrealized gains (losses)	\$ 8,236,062	\$ (14,823,946)
Investment income	<u>1,962,909</u>	<u>1,351,364</u>
Investment return, net	<u>\$ 10,198,971</u>	<u>\$ (13,472,582)</u>

The endowment portion of investment earnings is subject to certain rules and regulations that outline how these funds should be spent (see Note 7). The earnings on the portion of the investment portfolio that are not part of the endowment are subject to an internal spending policy that allows for funding additional operational costs and making additional grants. These earnings that are not subject to the endowment were approximately \$2,041,000 and \$1,803,000 for the years ended June 30, 2023 and 2022, respectively.

4. CONTRIBUTIONS RECEIVABLE

Unconditional Promises to Give

Contributions receivable represent unconditional promises to give in the form of pledges from various donors. Contributions receivable are expected to be received as follows at June 30:

	<u>2023</u>	<u>2022</u>
Due within one year	\$ 885,000	\$ 345,000
Due within two years	815,000	150,000
Due within three years	565,000	100,000
Due within four years	<u>165,000</u>	<u>-</u>
	2,430,000	595,000
Less - discount	<u>51,967</u>	<u>9,461</u>
Contributions receivable, net of discount	<u>\$ 2,378,033</u>	<u>\$ 585,539</u>

The pledges have been discounted using a discount rate of 4.20% and 3.60% representing the Foundation's risk-free rate of return at the respective statements of financial position dates as of June 30, 2023 and 2022, respectively, to state pledges at their estimated net realizable values.

THE CATHOLIC SCHOOLS FOUNDATION, INC.Notes to Financial Statements
June 30, 2023 and 2022**5. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Software	\$ 77,839	\$ 77,839
Furniture	29,067	29,067
Computer equipment	15,671	15,671
Leasehold improvements	<u>11,217</u>	<u>11,217</u>
	133,794	133,794
Less - accumulated depreciation	<u>125,066</u>	<u>119,819</u>
	<u>\$ 8,728</u>	<u>\$ 13,975</u>

6. INTEREST IN RELATED PARTY

The Foundation is the beneficiary of donations collected on its behalf by the Catholic Community Fund of the Archdiocese of Boston, Inc. (CCF), a related party (see Note 9). The balance of the interest in net assets of CCF is as follows:

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 3,023,740	\$ 3,870,306
Investment income	285,272	(674,780)
Administrative fees	<u>(17,702)</u>	<u>(22,115)</u>
Net change in value of interest in related party	<u>267,570</u>	<u>(696,895)</u>
Distributions paid	<u>(121,606)</u>	<u>(149,671)</u>
Balance, end of year	<u>\$ 3,169,704</u>	<u>\$ 3,023,740</u>

The balance of interest in related party is comprised of the following components at June 30:

	<u>2023</u>	<u>2022</u>
Perpetual restricted endowment (see Note 2)	\$ 1,067,606	\$ 1,067,606
Accumulated appreciation (see Note 2)	1,103,529	957,565
Board designed endowment (see Note 7)	<u>998,569</u>	<u>998,569</u>
	<u>\$ 3,169,704</u>	<u>\$ 3,023,740</u>

THE CATHOLIC SCHOOLS FOUNDATION, INC.

Notes to Financial Statements
June 30, 2023 and 2022

7. ENDOWMENT

The Foundation's endowment consists of multiple funds established for support of various education initiatives within the Catholic primary and secondary schools in the Archdiocese of Boston. The Foundation follows the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA) 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 the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the perpetually restricted endowment and, when applicable, accumulations to the perpetually restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation

Generally, the donors of these funds permit the Foundation to use all the income earned on related investments for general or specific purposes. Under the Foundation's spending policy, 5% of the average of the fair value of the Foundation's endowment at the end of the twelve previous quarters ending December 31 of the current fiscal year is appropriated to support operations.

Based on this interpretation, the Foundation has adopted an investment strategy which, combined with the spending amount, attempts to provide a predictable stream of returns thereby making funds available to programs that are supported by its endowment, while at the same time seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of the donor-restricted fund that the Foundation must hold in perpetuity or for donor-specified periods. Under the Foundation's investment strategy and spending amount, both of which are approved by the Board of Trustees, the endowment assets are invested in a conservative manner that is intended to protect the principal of the endowment fund. Actual returns in any given year may vary.

THE CATHOLIC SCHOOLS FOUNDATION, INC.

Notes to Financial Statements
June 30, 2023 and 2022

7. ENDOWMENT (Continued)

Changes in endowment net assets are as follows for the years ended June 30:

	Board Designated Endowment	Endowment Appreciation	Perpetually Restricted Endowment	Total Endowment
Endowment net assets, June 30, 2021	<u>\$ 998,569</u>	<u>\$ 21,180,821</u>	<u>\$ 43,928,988</u>	<u>\$ 66,108,378</u>
Contributions	<u>-</u>	<u>-</u>	<u>3,111,000</u>	<u>3,111,000</u>
Net change in value of interest in related party	<u>-</u>	<u>(696,895)</u>	<u>-</u>	<u>(696,895)</u>
Distribution of funds - interest in related party	<u>-</u>	<u>(149,671)</u>	<u>-</u>	<u>(149,671)</u>
Investment returns:				
Net realized and unrealized loss	<u>-</u>	<u>(7,928,368)</u>	<u>-</u>	<u>(7,928,368)</u>
Net investment income	<u>-</u>	<u>722,757</u>	<u>-</u>	<u>722,757</u>
Total investment returns	<u>-</u>	<u>(7,205,611)</u>	<u>-</u>	<u>(7,205,611)</u>
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(2,533,263)</u>	<u>-</u>	<u>(2,533,263)</u>
Endowment net assets, June 30, 2022	<u>998,569</u>	<u>10,595,381</u>	<u>47,039,988</u>	<u>58,633,938</u>
Contributions	<u>-</u>	<u>-</u>	<u>11,453,487</u>	<u>11,453,487</u>
Net change in value of interest in related party	<u>-</u>	<u>267,570</u>	<u>-</u>	<u>267,570</u>
Distribution of funds - interest in related party	<u>-</u>	<u>(121,606)</u>	<u>-</u>	<u>(121,606)</u>
Investment returns:				
Net realized and unrealized gain	<u>-</u>	<u>1,049,941</u>	<u>-</u>	<u>1,049,941</u>
Net investment income	<u>-</u>	<u>4,395,117</u>	<u>-</u>	<u>4,395,117</u>
Total investment returns	<u>-</u>	<u>5,445,058</u>	<u>-</u>	<u>5,445,058</u>
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(2,848,593)</u>	<u>-</u>	<u>(2,848,593)</u>
Endowment net assets, June 30, 2023	<u>\$ 998,569</u>	<u>\$ 13,337,810</u>	<u>\$ 58,493,475</u>	<u>\$ 72,829,854</u>

THE CATHOLIC SCHOOLS FOUNDATION, INC.

Notes to Financial Statements
June 30, 2023 and 2022

8. LEASE

The Foundation has a ten-year, noncancelable lease agreement with monthly payments of \$8,740, increasing 3% each year in September. The lease expires in August 2025 with a five-year renewal option. Management does not plan on exercising the five-year renewal option. The Foundation is obligated to make monthly rental payments and is also responsible for its share of real estate taxes, utilities, and other operating expenses under this operating lease agreement (CAM charges) as defined in the agreement. CAM charges are variable and were \$35,480 and \$32,656 for the years ended June 30, 2023 and 2022, respectively. Base rent of \$119,175 was recognized for the years ended June 30, 2023 and 2022, and is included with CAM charges in occupancy expense in the accompanying statements of functional expenses.

As of June 30, 2023, the ROU asset - operating lease had a balance of \$250,219, and the respective operating lease liability is \$276,967 which is reflected in the accompanying fiscal year 2023 statement of financial position.

Prior to the adoption of Topic 842, the Foundation recorded rent expense on a straight-line basis over the term of the lease regardless of actual cash payments. As a result, the Foundation had deferred rent payable of \$34,164 under this agreement as of June 30, 2022, which is included in accounts payable and accrued expenses in the accompanying fiscal year 2022 statement of financial position. This amount was netted with the ROU asset in 2023.

The maturities of lease liabilities, excluding CAM charges, under the lease agreements are as follows as of June 30, 2023:

2024	\$ 129,768
2025	132,946
2026	<u>22,246</u>
Total payments	284,960
Less - present value discount	<u>(7,993)</u>
Present value of operating lease liability	<u>\$ 276,967</u>

The Foundation used the risk-free discount of 2.85% as of July 1, 2022, to calculate to present the value of the lease liabilities.

As of June 30, 2023, there were no material leases that have been executed by the Foundation but have not yet commenced.

Future minimum lease payments, prior to adoption of Topic 842, under the lease agreement are as follows for the years ending June 30:

2023	\$ 126,950
2024	129,768
2025	132,946
2026	<u>22,246</u>
Total	<u>\$ 411,910</u>

THE CATHOLIC SCHOOLS FOUNDATION, INC.

Notes to Financial Statements
June 30, 2023 and 2022

9. RELATED PARTY TRANSACTIONS

The Foundation is charged for health, life, disability, and facility insurance administered from the Roman Catholic Archbishop of Boston, Inc., a Corporation Sole (the RCAB). The RCAB and the Foundation are related by a minority of common Board Trustees. For the years ended June 30, 2023 and 2022, the RCAB charged the Foundation approximately \$82,000 and \$66,000, respectively, for these related costs.

The Foundation awarded approximately \$540,000 during the year ended June 30, 2022, in grants to the Catholic School Office (CSO), a branch of the RCAB, to support the CSO in its Strategic Leadership program, marketing program, technology program, and the general mission of providing better Catholic education. There were no grants awarded to CSO during the year ended June 30, 2023.

During fiscal years 2023 and 2022, various Trustees and their related foundations donated approximately \$3,200,000 and \$4,059,000, respectively.

The Foundation has an interest in a related party (CCF) (see Note 6) in which the RCAB (see above) serves as a sole member of this fund.

During fiscal years 2023 and 2022, the Foundation granted approximately \$1,238,000 and \$1,081,000, respectively, of scholarships and non-scholarship support to a related party (CCF).

10. RETIREMENT PLAN

The Foundation is the sponsor of an Employee Retirement Income Security Act (ERISA) 403(b) retirement plan which allows for employee voluntary salary deferral and discretionary profit sharing and matching employer contributions. Employer matching contributions for the years ended June 2023 and 2022, were \$47,320 and \$35,405, respectively, and are included in payroll taxes and fringe benefits in the accompanying statements of functional expenses.

11. CONCENTRATIONS

Cash and Cash Equivalents

The Foundation maintains its cash balances in one bank in Massachusetts, which is insured by the Federal Deposit Insurance Corporation (FDIC) up to certain amounts. At certain times during the year, cash balances exceeded the insured amounts. The Foundation has not experienced any losses in such accounts. The Foundation is not exposed to any significant credit risk on its cash balance as of June 30, 2023 and 2022.

Contributions Receivable

Approximately 53% and 92% of the Foundation's contributions receivable are from two and four foundations as of June 30, 2023 and 2022, respectively.

Investments

The Foundation also has portfolios of investments, which are not insured, but are under management by the voluntary investment committee and its designated custodians (see Note 3). Investments are subject to ongoing market fluctuations.

THE CATHOLIC SCHOOLS FOUNDATION, INC.

Notes to Financial Statements
June 30, 2023 and 2022

12. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available for general operating use, that is, without donor or other restrictions limiting their use (see Note 2), within one year of the statements of financial position date, comprise the following at June 30:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 3,302,013	\$ 2,530,835
Contributions receivable - due within one year	885,000	345,000
Less - net assets with donor restrictions	<u>(1,738,807)</u>	<u>(421,479)</u>
	<u>\$ 2,448,206</u>	<u>\$ 2,454,356</u>

As part of the Foundation's liquidity management, the Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Foundation invests cash in excess of daily requirements in investments that have the ability to be liquidated. Included in investment balances as of and for the years ended June 30, 2023 and 2022, are approximately \$48 million and \$46 million, respectively, of non-endowment resources that can be liquidated and used for general operations.

13. RECLASSIFICATIONS

Certain amounts in the June 30, 2022 financial statements have been reclassified to conform with the June 30, 2023 presentation.