



Catholic Foundation
of Michigan

2020

Audited Financials

Catholic Foundation of Michigan

**Financial Report
December 31, 2020**

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Independent Auditor's Report

To the Board of Directors
Catholic Foundation of Michigan

We have audited the accompanying financial statements of the Catholic Foundation of Michigan (the "Foundation"), which comprise the statement of financial position as of December 31, 2020 and 2019 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Catholic Foundation of Michigan as of December 31, 2020 and 2019 and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

July 20, 2021

Catholic Foundation of Michigan

Statement of Financial Position

December 31, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 542,389	\$ 279,323
Investments (Note 3)	18,841,093	16,085,238
Receivables - Sent on Mission (Note 7)	-	42,614
Prepaid expenses and other assets	4,665	38,376
	<u>4,665</u>	<u>38,376</u>
Total assets	<u>\$ 19,388,147</u>	<u>\$ 16,445,551</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 600	\$ 20,523
Assets held for others	12,643,756	11,213,458
Accrued liabilities	8,238	9,019
Paycheck Protection Program loan payable (Note 8)	55,094	-
	<u>55,094</u>	<u>-</u>
Total liabilities	12,707,688	11,243,000
Net Assets - Without donor restrictions	<u>6,680,459</u>	<u>5,202,551</u>
Total liabilities and net assets	<u>\$ 19,388,147</u>	<u>\$ 16,445,551</u>

Catholic Foundation of Michigan

Statement of Activities and Changes in Net Assets

Years Ended December 31, 2020 and 2019

	2020	2019
Revenue, Gains, and Other Support		
Contributions	\$ 3,209,840	\$ 2,827,778
In-kind donations	34,895	69,476
Sent on Mission (Note 7)	390,423	352,626
Net realized and unrealized gains on investments	477,894	547,571
Interest and dividends	90,034	87,260
Administrative fee revenue	105,904	45,016
	<u>4,308,990</u>	<u>3,929,727</u>
Expenses		
Program services	2,564,743	1,269,025
Support services:		
Management and general	256,509	225,550
Fundraising	9,830	10,113
	<u>266,339</u>	<u>235,663</u>
	<u>2,831,082</u>	<u>1,504,688</u>
Increase in Net Assets	1,477,908	2,425,039
Net Assets - Beginning of year	<u>5,202,551</u>	<u>2,777,512</u>
Net Assets - End of year	<u><u>\$ 6,680,459</u></u>	<u><u>\$ 5,202,551</u></u>

Statement of Functional Expenses

Year Ended December 31, 2020

	Program Services	Support Services			Total
	Grants	Management and General	Fundraising	Total	
Salaries and wages	\$ 202,310	\$ 134,369	\$ 6,255	\$ 140,624	\$ 342,934
Fringe benefits	64,497	42,784	1,992	44,776	109,273
Total salaries and related expenses	266,807	177,153	8,247	185,400	452,207
Marketing and promotion	-	10,999	-	10,999	10,999
Payment processing/Credit card fee expenses	29,950	-	-	-	29,950
Meeting expenses	2,765	1,834	85	1,919	4,684
Conferences	-	175	-	175	175
IT expenses	9,866	6,544	305	6,849	16,715
Supplies	1,754	1,163	54	1,217	2,971
Dues/Memberships	-	4,822	-	4,822	4,822
Insurance expense	21,544	14,291	665	14,956	36,500
Rent	4,229	2,805	131	2,936	7,165
Grant expense	2,188,373	-	-	-	2,188,373
Contract fees	9,416	6,246	291	6,537	15,953
Audit and accounting	-	21,257	-	21,257	21,257
Legal fees	27,916	6,979	-	6,979	34,895
Miscellaneous	2,123	2,241	52	2,293	4,416
Subtotal	2,297,936	79,356	1,583	80,939	2,378,875
Total functional expenses	\$ 2,564,743	\$ 256,509	\$ 9,830	\$ 266,339	\$ 2,831,082

Statement of Functional Expenses

Year Ended December 31, 2019

	Program Services	Support Services			Total
	Grants	Management and General	Fundraising	Total	
Salaries and wages	\$ 112,943	\$ 93,932	\$ 6,129	\$ 100,061	\$ 213,004
Fringe benefits	33,760	28,078	1,832	29,910	63,670
Total salaries and related expenses	146,703	122,010	7,961	129,971	276,674
Marketing and promotion	-	20,177	-	20,177	20,177
Payment processing/Credit card fee expenses	847	-	-	-	847
Meeting expenses	6,337	5,270	344	5,614	11,951
Conferences	-	3,711	-	3,711	3,711
Printing	1,284	1,068	70	1,138	2,422
IT expenses	7,471	6,213	405	6,618	14,089
Supplies	1,266	1,053	69	1,122	2,388
Dues/Memberships	-	1,665	-	1,665	1,665
Insurance expense	8,376	6,966	454	7,420	15,796
Rent	9,094	7,563	493	8,056	17,150
Grant expense	1,032,653	-	-	-	1,032,653
Contract expense	5,838	4,855	317	5,172	11,010
Audit and accounting	-	31,708	-	31,708	31,708
Legal fees	48,781	12,195	-	12,195	60,976
Miscellaneous	375	1,096	-	1,096	1,471
Subtotal	1,122,322	103,540	2,152	105,692	1,228,014
Total functional expenses	\$ 1,269,025	\$ 225,550	\$ 10,113	\$ 235,663	\$ 1,504,688

Statement of Cash Flows

Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Increase in net assets	\$ 1,477,908	\$ 2,425,039
Adjustments to reconcile increase in net assets to net cash and cash equivalents from operating activities:		
Donated investments	(1,157,874)	(773,934)
Net realized and unrealized gains on investments	(477,894)	(547,571)
Changes in operating assets and liabilities that provided (used) cash and cash equivalents:		
Accounts receivable	42,614	(42,614)
Prepaid expenses and other assets	33,711	(34,057)
Assets held for others	1,430,298	6,664,590
Accrued liabilities	(781)	4,782
Accounts payable	(19,923)	20,523
	1,328,059	7,716,758
Cash Flows from Investing Activities		
Purchases of investments	(11,028,133)	(8,769,260)
Proceeds from sales and maturities of investments	9,908,046	1,208,566
	(1,120,087)	(7,560,694)
Cash Flows Provided by Financing Activities - Proceeds from debt	55,094	-
Net Increase in Cash and Cash Equivalents	263,066	156,064
Cash and Cash Equivalents - Beginning of year	279,323	123,259
Cash and Cash Equivalents - End of year	\$ 542,389	\$ 279,323

Note 1 - Nature of Operations

The Catholic Foundation of Michigan (the "Foundation") inspires charitable giving and assists donors in providing for the long-term needs of the Catholic parishes, schools, ministries, and nonprofit organizations in southeast Michigan.

Gifts received by the Foundation can be specially identified by donors for specific uses, or they can go to one of the Foundation's Field of Interest Funds:

Catholic Education and Formation

Encompasses all types of faith formation for people of every age. The Foundation supports all stages of educational and spiritual development to enhance vibrant discipleship.

Parish Life

Funds to benefit Catholic parishes in Michigan with resources and opportunities to build and sustain vibrant community life.

Social Outreach

Addresses vital social services needs, such as food, shelter, medicine for the sick, and hope for those in despair and those who are vulnerable within our community.

Donor Advised

Resources for which the donors are active participants in the giving process, sharing their insights and preferences with the Foundation's trustees as fund distributions are made.

Some donors direct gifts to fund operations of the Foundation.

Note 2 - Significant Accounting Policies

Cash Equivalents

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

Contributions

Unconditional promises to give cash and other assets to the Foundation are reported at fair value on the date the gift becomes unconditional or irrevocable. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift becomes unconditional or irrevocable. The gifts are reported as donor-restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the year in which they are received are reported as contributions without donor restrictions in the accompanying financial statements.

Contributions of marketable securities are recorded at fair value as of the date of the gift. It is the Foundation's practice to determine appropriate disposition of such gifts of securities at the time of receipt.

Agency Transactions

The Foundation has adopted established standards for transactions in which the Foundation accepts a contribution (gift) from a donor and agrees to transfer those assets, the return on the investment of those assets, or both to another entity that is specified by the donor. The Foundation refers to these types of resources as assets held for others on the statement of financial position.

Note 2 - Significant Accounting Policies (Continued)

In-kind Contributions

Contributed services that create or enhance nonfinancial assets or that require special skills are recorded at their fair values in the period received. For the years ended December 31, 2020 and 2019, contributed services consisted primarily of legal consultation and totaled approximately \$35,000 and \$69,000, respectively.

Sent on Mission

The Sent on Mission revenue is recognized when it is realized or realizable and earned. The Foundation considers revenue realized or realizable when it has persuasive evidence of an agreement, the services have been delivered, and collectibility is reasonably assured. Amounts due to the Foundation for services performed are recorded as accounts receivable. The Sent on Mission agreement is further described in Note 7.

Grants

Grants are recorded as expense in the year in which they are approved for payment by the authorized foundation personnel, as empowered by the board.

Functional Allocation of Expenses

The Foundation allocates expenses on a functional basis to program and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Certain expenses, such as administration and occupancy, are allocated based on an analysis of current time and effort estimates. Although allocation methods used are considered reasonable, other methods could be used that would produce different results.

Fair Value Disclosures

The estimated fair value amounts have been determined by the Foundation using available market information and appropriate valuation methodologies. These estimates are subjective in nature and involve uncertainties and matters of considerable judgment. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Foundation could realize in a current market exchange. The use of different assumptions, judgments, and/or estimation methodologies may have a material effect on the estimated fair value amounts.

Risk and Uncertainties

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the United States Internal Revenue Code; therefore, no provision for income taxes has been included in the financial statements.

Note 2 - Significant Accounting Policies (Continued)

Classification of Net Assets

Net assets of the Foundation are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Foundation.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity. There currently are no net assets with donor restrictions.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including July 20, 2021, which is the date the financial statements were available to be issued.

Note 3 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Foundation's assets measured at fair value on a recurring basis at December 31, 2020 and 2019 and the valuation techniques used by the Foundation to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Foundation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals. The Foundation holds preferred stock determined to be a Level 2 investment, which is valued using the aforementioned methods.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset. The Foundation does not have any Level 3 investments.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

December 31, 2020 and 2019

Note 3 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2020		
	Quoted Prices in		
	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Balance at December 31, 2020
Assets - Investments			
Cash and money market funds	\$ 1,159,543	\$ -	\$ 1,159,543
Equity securities	8,573,702	-	8,573,702
Mutual funds - Fixed income	4,603,812	-	4,603,812
Mutual funds - Equities	3,989,028	-	3,989,028
Preferred stock	-	515,008	515,008
	<u>\$ 18,326,085</u>	<u>\$ 515,008</u>	<u>18,841,093</u>
Total			
			Assets Measured at Fair Value on a Recurring Basis at December 31, 2019
			Quoted Prices in Active Markets for Identical Assets (Level 1)
Assets - Investments			
Cash and money market funds			\$ 1,646,261
Equity securities			6,082,371
Mutual funds - Fixed income			5,969,122
Mutual funds - Equities			<u>2,387,484</u>
			<u>\$ 16,085,238</u>
Total			

Note 4 - Liquidity and Availability of Financial Resources

The following reflects the Foundation's financial assets as of December 31, reduced by amounts not available for general use, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date:

	2020	2019
Cash and cash equivalents	\$ 542,389	\$ 279,323
Accounts receivable	-	42,614
Investments	<u>18,841,093</u>	<u>16,085,238</u>
Financial assets - At year end	19,383,482	16,407,175
Less those unavailable for general expenditures within one year - Assets held for others - Restricted by donor with purpose restrictions	<u>12,643,756</u>	<u>11,213,458</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,739,726</u>	<u>\$ 5,193,717</u>

December 31, 2020 and 2019

Note 4 - Liquidity and Availability of Financial Resources (Continued)

The financial assets available within one year of the statement of financial position date, as totaled above, include \$4,581,203 and \$3,475,311 in donor-advised and other designated funds as of December 31, 2020 and 2019, respectively. The Foundation generally uses these assets for grant-making based on donor recommendations.

The Foundation considers investment income, contributions without donor restrictions, and contributions with donor restrictions for use in current programs that are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, fundraising expenses, and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation's fiscal year.

The Foundation manages its cash available to meet general expenditures in accordance with the following three guiding principles:

- Operate within a prudent range of financial soundness and stability
- Maintain adequate liquid assets
- Maintain sufficient reserves to provide reasonable assurance that long-term grant commitments and obligations that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation

The Foundation's grant committee (the "Committee") meets, minimally, quarterly to review and approve grant requests. Due to this timing, the Foundation strives to maintain financial assets available to meet general expenditures at a level that represents 100 percent of annual expenses for administrative, general, and fundraising expenses, plus an amount that represents the next expected payment for quarterly grant commitments approved by the Committee, which typically represents approximately 25 percent of the expected annual grant cash needs.

Note 5 - Related Party Transactions

The Foundation's governance structure is made up of its board of directors. The Foundation received contributions and in-kind legal services (see Note 2) of approximately \$448,000 and \$1,451,000 from board members for the years ended December 31, 2020 and 2019, respectively.

Note 6 - Multiple Employer Defined Benefit Pension Plan

The Foundation participates in the Michigan Catholic Conference Lay Employees' Retirement Plan (the "Plan"), a multiple-employer defined benefit pension plan. The plan number and plan employer ID number are both 38-1971920.

The financial risks of participating in a multiple employer plan are different from single-employer defined benefit pension plans in the following respects:

- Assets contributed to the multiple employer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer discontinues contributions to a plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If a participating employer chooses to stop participating in a plan, a withdrawal liability may be created based on the unfunded vested benefits for all employees in the plan.

December 31, 2020 and 2019

Note 6 - Multiple Employer Defined Benefit Pension Plan (Continued)

For the years ended December 31, 2020 and 2019, the Foundation's contributions to the Plan totaled approximately \$28,900 and \$12,400, respectively. Based on information as of June 30, 2020 and 2019, the year end of the Plan, the Foundation's contributions do not represent more than 5 percent of total contributions received by the Plan. The following information is based on the financial statements of the entire Plan as of June 30, 2020 and 2019:

	2020	2019
Total plan assets	\$ 1,264,400,000	\$ 1,315,100,000
Actuarial present value of accumulated plan benefits	\$ 1,464,000,000	\$ 1,469,900,000
Total contributions received by the Plan	\$ 27,806,000	\$ 27,381,000
Indicated level of funding	86.40 %	89.50 %

Note 7 - Sent on Mission

During 2019, the Foundation entered into an agreement with the Archdiocese of Detroit (the "Archdiocese") to assist with the Sent on Mission Campaign (the "Campaign") launched by the Archdiocese. The Archdiocese contracted with the Foundation to create project funds, receive and deposit donor contributions, and distribute funds for the Archdiocese and participating parishes. As part of the agreement, the Archdiocese agreed to pay the Foundation for services performed, which consisted of an origination fee, a cost-plus fee, and reimbursement of specific services.

For the year ended December 31, 2019, the Foundation recorded total revenue from the Campaign agreement of \$352,626; at December 31, 2019, the amount owed by the Archdiocese to the Foundation totaled \$42,614.

In May 2020, the Archdiocese suspended fundraising for the Campaign due to COVID-19-related interruptions and, in September 2020, terminated the Campaign. The Archdiocese determined there would be no additional fundraising for the Campaign, and all campaign funds collected by the Foundation to date would either be distributed to the Archdiocese or moved to endowments with the Foundation. The final dispersal of funds was made in October 2020, and final reporting was completed in January 2021. The Archdiocese agreed to pay to the Foundation approved fees and direct expenses through December 31, 2020.

During the year ended December 31, 2020, the Foundation recorded total revenue from Sent on Mission of \$390,423.

Note 8 - Paycheck Protection Program Loan Payable

During the year ended December 31, 2020, the Foundation received a Paycheck Protection Program (PPP) loan from a bank in the amount of \$55,094. The PPP loan program was created under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and is administered by the Small Business Administration (SBA). Under the terms of this program, the loan may be fully or partially forgiven if the loan proceeds are spent on qualifying expenses and if staffing level and salary maintenance requirements are met. The Foundation may use the funds on qualifying expenses over a covered period of up to 24 weeks. Any request for forgiveness is subject to review and approval by the lender and the SBA, including review of qualifying expenditures and staffing and salary levels. Any balance that is not forgiven by the SBA will be repaid by April 15, 2022, with interest accruing at a rate of 1 percent and monthly payments of principal and interest beginning after the conclusion of the covered period and determined by the bank; thus, the repayment schedule is subject to uncertainty.

December 31, 2020 and 2019

Note 8 - Paycheck Protection Program Loan Payable (Continued)

At December 31, 2020, the outstanding balance on the PPP loan is \$55,094, which is classified as a loan payable on the Statement of Financial Position. The Foundation has submitted a request for forgiveness of approximately \$51,000 of the loan balance in July 2021, however, there can be no assurance given that any portion of the PPP loan will be forgiven.

Subsequent to December 31, 2020, the Foundation was approved for a Second Draw PPP loan in the amount of approximately \$86,000.