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# Catholic Foundation of Michigan

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**Financial Report  
December 31, 2022**

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## **Independent Auditor's Report**

To the Board of Directors  
Catholic Foundation of Michigan

### ***Opinion***

We have audited the financial statements of the Catholic Foundation of Michigan (the "Foundation"), which comprise the statement of financial position as of December 31, 2022 and 2021 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022 and 2021 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.

### ***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 Audits of the Financial Statements* section of our report. We are required to be independent of the Foundation and to meet our 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 Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

### ***Auditor's Responsibilities for the Audits 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 audits 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.

To the Board of Directors  
Catholic Foundation of Michigan

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

*Plante & Moran, PLLC*

November 16, 2023

# Catholic Foundation of Michigan

## Statement of Financial Position

December 31, 2022 and 2021

	2022	2021
<b>Assets</b>		
Cash and cash equivalents	\$ 758,425	\$ 1,392,367
Investments (Note 3)	36,830,112	28,565,995
Contribution receivables	795,270	-
Prepaid expenses and other assets	22,576	16,960
	<u>22,576</u>	<u>16,960</u>
Total assets	<u><b>\$ 38,406,383</b></u>	<u><b>\$ 29,975,322</b></u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Assets held for others	\$ 23,598,565	\$ 14,585,914
Grants payable	26,196	32,700
Accrued liabilities	3,966	7,042
	<u>3,966</u>	<u>7,042</u>
Total liabilities	23,628,727	14,625,656
<b>Net Assets - Without donor restrictions</b>	<u>14,777,656</u>	<u>15,349,666</u>
Total liabilities and net assets	<u><b>\$ 38,406,383</b></u>	<u><b>\$ 29,975,322</b></u>

## Catholic Foundation of Michigan

### Statement of Activities and Changes in Net Assets

Years Ended December 31, 2022 and 2021

	2022	2021
<b>Revenue, (Losses) Gains, and Other Support</b>		
Contributions	\$ 7,470,668	\$ 11,014,625
Contributed nonfinancial assets	64,823	54,966
Net realized and unrealized (losses) gains on investments	(2,270,334)	587,629
Interest and dividends	397,913	187,990
Administrative fee revenue	116,908	107,330
Gain on debt forgiveness (Note 7)	-	136,994
Employee Retention Credit	114,111	-
Total revenue, gains, and other support	<u>5,894,089</u>	<u>12,089,534</u>
<b>Expenses</b>		
Program services	6,193,253	3,143,147
Support services:		
Management and general	263,143	267,831
Fundraising	9,703	9,349
Total support services	<u>272,846</u>	<u>277,180</u>
Total expenses	<u>6,466,099</u>	<u>3,420,327</u>
<b>(Decrease) Increase in Net Assets</b>	(572,010)	8,669,207
<b>Net Assets - Beginning of year</b>	<u>15,349,666</u>	<u>6,680,459</u>
<b>Net Assets - End of year</b>	<u><u>\$ 14,777,656</u></u>	<u><u>\$ 15,349,666</u></u>

Statement of Functional Expenses

Year Ended December 31, 2022

	Program Services	Support Services			Total
	Grants	Management and General	Fundraising	Total	
Salaries and wages	\$ 209,662	\$ 138,131	\$ 6,573	\$ 144,704	\$ 354,366
Fringe benefits	66,026	43,499	2,070	45,569	111,595
Total salaries and related expenses	275,688	181,630	8,643	190,273	465,961
Marketing and promotion	-	9,203	-	9,203	9,203
Payment processing/Credit card fee expenses	17,332	-	-	-	17,332
Meeting expenses	4,863	3,204	152	3,356	8,219
Conferences	-	1,174	-	1,174	1,174
IT expenses	8,693	5,727	273	6,000	14,693
Supplies	2,676	1,763	84	1,847	4,523
Dues/Memberships	-	7,115	-	7,115	7,115
Insurance expense	11,085	7,303	348	7,651	18,736
Grant expense	5,806,348	-	-	-	5,806,348
Contract fees	6,463	4,258	203	4,461	10,924
Audit and accounting	-	25,000	-	25,000	25,000
Legal fees	55,931	13,983	-	13,983	69,914
Miscellaneous	4,174	2,783	-	2,783	6,957
Subtotal	5,917,565	81,513	1,060	82,573	6,000,138
Total functional expenses	<b>\$ 6,193,253</b>	<b>\$ 263,143</b>	<b>\$ 9,703</b>	<b>\$ 272,846</b>	<b>\$ 6,466,099</b>

Statement of Functional Expenses

Year Ended December 31, 2021

	Program Services	Support Services			Total
	Grants	Management and General	Fundraising	Total	
Salaries and wages	\$ 207,077	\$ 137,465	\$ 6,374	\$ 143,839	\$ 350,916
Fringe benefits	68,411	45,414	2,106	47,520	115,931
Total salaries and related expenses	275,488	182,879	8,480	191,359	466,847
Marketing and promotion	-	28,714	-	28,714	28,714
Payment processing/Credit card fee expenses	6,682	-	-	-	6,682
Meeting expenses	4,153	2,757	128	2,885	7,038
Conferences	-	349	-	349	349
IT expenses	7,749	5,144	238	5,382	13,131
Supplies	2,974	1,974	92	2,066	5,040
Dues/Memberships	-	3,640	-	3,640	3,640
Insurance expense	12,751	8,465	392	8,857	21,608
Grant expense	2,784,314	-	-	-	2,784,314
Contract fees	604	401	19	420	1,024
Audit and accounting	-	21,400	-	21,400	21,400
Legal fees	43,973	10,993	-	10,993	54,966
Miscellaneous	4,459	1,115	-	1,115	5,574
Subtotal	2,867,659	84,952	869	85,821	2,953,480
Total functional expenses	<b>\$ 3,143,147</b>	<b>\$ 267,831</b>	<b>\$ 9,349</b>	<b>\$ 277,180</b>	<b>\$ 3,420,327</b>



**Statement of Cash Flows**

**Years Ended December 31, 2022 and 2021**

	2022	2021
<b>Cash Flows from Operating Activities</b>		
(Decrease) increase in net assets	\$ (572,010)	\$ 8,669,207
Adjustments to reconcile (decrease) increase in net assets to net cash and cash equivalents from operating activities:		
Donated investments	(1,208,360)	(2,856,802)
Net realized and unrealized losses (gains) on investments	2,270,334	(587,629)
Gain on debt forgiveness	-	(136,994)
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:		
Contribution receivable	(795,270)	-
Prepaid expenses and other assets	(5,616)	(12,295)
Assets held for others	9,012,651	1,942,158
Accrued liabilities	(3,076)	(1,196)
Accounts payable	-	(600)
Grants payable	(6,504)	32,700
	8,692,149	7,048,549
<b>Cash Flows from Investing Activities</b>		
Purchases of investments	(26,695,884)	(9,289,337)
Proceeds from sales and maturities of investments	17,369,793	3,008,866
	(9,326,091)	(6,280,471)
<b>Cash Flows from Financing Activities</b>		
Proceeds from debt	-	86,245
Payments on debt	-	(4,345)
	-	81,900
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(633,942)	849,978
<b>Cash and Cash Equivalents - Beginning of year</b>	1,392,367	542,389
<b>Cash and Cash Equivalents - End of year</b>	\$ 758,425	\$ 1,392,367

December 31, 2022 and 2021

**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.

***Contribution Receivable***

The Foundation's contribution receivables are composed primarily of contributions from individuals. Balances that are deemed to be uncollectible are written off. The Foundation has determined no allowance for uncollectibles is necessary at December 31, 2022.

***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.

December 31, 2022 and 2021

**Note 2 - Significant Accounting Policies (Continued)**

***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.

***Contributed Nonfinancial Assets***

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, 2022 and 2021, contributed services consisted primarily of legal consultation and totaled approximately \$65,000 and \$55,000, respectively. The Foundation recognized contributed nonfinancial assets within revenue and legal fees expenses. The legal consultation is valued and reported at their estimated fair value in the financial statements based on current rates for similar services.

***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.

December 31, 2022 and 2021

**Note 2 - Significant Accounting Policies (Continued)**

***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.

***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.

***Adoption of New Accounting Pronouncement***

The Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU provides for additional disclosures to support clearer financial information about important noncash contributions that charities and other not-for-profit organizations receive, known as gifts in kind (GIKs). Contributed nonfinancial assets are reported by category, which includes additional disclosures as to whether the nonfinancial assets were monetized or used during the reporting period, the policy for monetizing nonfinancial contributions, and a description of the fair value techniques used to arrive at a fair value measurement. The new guidance became effective as of January 1, 2022 and was applied using the retrospective method.

***Subsequent Events***

The financial statements and related disclosures include evaluation of events up through and including November 16, 2023, 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, 2022 and 2021 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.

December 31, 2022 and 2021

**Note 3 - Fair Value Measurements (Continued)**

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.

Assets Measured at Fair Value on a Recurring Basis at December 31, 2022			
	Quoted Prices in		
	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Balance at December 31, 2022
<b>Assets - Investments</b>			
Cash and money market funds	\$ 3,834,645	\$ -	\$ 3,834,645
Equity securities	16,426,715	-	16,426,715
Mutual funds - Fixed income	7,312,092	-	7,312,092
Mutual funds - Equities	4,582,876	-	4,582,876
Preferred stock	-	4,673,784	4,673,784
Total assets	<u>\$ 32,156,328</u>	<u>\$ 4,673,784</u>	<u>\$ 36,830,112</u>
Assets Measured at Fair Value on a Recurring Basis at December 31, 2021			
	Quoted Prices in		
	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Balance at December 31, 2021
<b>Assets - Investments</b>			
Cash and money market funds	\$ 4,874,084	\$ -	\$ 4,874,084
Equity securities	10,913,799	-	10,913,799
Mutual funds - Fixed income	6,976,512	-	6,976,512
Mutual funds - Equities	5,218,933	-	5,218,933
Preferred stock	-	582,667	582,667
Total assets	<u>\$ 27,983,328</u>	<u>\$ 582,667</u>	<u>\$ 28,565,995</u>

December 31, 2022 and 2021

**Note 4 - Liquidity and Availability of Financial Resources**

The following reflects the Foundation's financial assets as of December 31, 2022 and 2021, 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:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 758,425	\$ 1,392,367
Investments	36,830,112	28,565,995
Receivables	<u>795,270</u>	<u>-</u>
Financial assets - At year end	38,383,807	29,958,362
Less those unavailable for general expenditures within one year - Assets held for others	<u>23,598,565</u>	<u>14,585,914</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 14,785,242</u>	<u>\$ 15,372,448</u>

The financial assets available within one year of the statement of financial position date, as totaled above, include \$9,994,129 and \$11,982,742 in donor-advised and other designated funds as of December 31, 2022 and 2021, 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.

December 31, 2022 and 2021

**Note 5 - Related Party Transactions**

The Foundation's governance structure is made up of its board of directors. The Foundation received contributions and contributed nonfinancial assets (see Note 2) of approximately \$418,000 and \$854,000 from board members for the years ended December 31, 2022 and 2021, 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.

For the years ended December 31, 2022 and 2021, the Foundation's contributions to the Plan totaled approximately \$30,700 and \$30,000, respectively. Based on information as of June 30, 2022 and 2021, 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, 2022 and 2021:

	2022	2021
Total plan assets	\$ 1,322,500,000	\$ 1,507,700,000
Actuarial present value of accumulated plan benefits	\$ 1,497,600,000	\$ 1,487,000,000
Total contributions received by the Plan	\$ 27,860,000	\$ 26,412,000
Indicated level of funding	88.30 %	101.40 %

**Note 7 - Paycheck Protection Program Loans Payable**

During the year ended December 31, 2020, the Foundation received a Paycheck Protection Program (PPP) loan 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. At December 31, 2020, the outstanding balance on the PPP loan was \$55,094, which is classified as a loan payable on the statement of financial position.

During the year ended December 31, 2021, the Foundation received a second PPP loan in the amount of \$86,245. This Second Draw PPP was created under the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (the "Economic Aid Act"), which was included as part of the Consolidated Appropriations Act of 2021. Second Draw PPP loans are generally administered by the SBA under similar terms, conditions, and processes as First Draw PPP loans.

**December 31, 2022 and 2021**

**Note 7 - Paycheck Protection Program Loans Payable (Continued)**

During 2021, the Foundation applied for and received notifications from the SBA of partial forgiveness of the first loan of \$50,749 and full forgiveness of the second loan of \$86,245. The Foundation recognized a gain on debt forgiveness of \$136,994 on the statement of activities and changes in net assets. There was no loan payable outstanding at December 31, 2021.