

**THE CATHOLIC FOUNDATION
OF WEST MICHIGAN**

FINANCIAL STATEMENTS

Years Ended June 30, 2022 and 2021 (Restated)

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Most Reverend David J. Walkowiak
The Catholic Foundation of West Michigan
Grand Rapids, Michigan

Opinion

We have audited the accompanying financial statements of The Catholic Foundation of West Michigan, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of The Catholic Foundation of West Michigan as of June 30, 2022, and the results of its activities and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Catholic Foundation of West Michigan and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter - Prior Period Financial Statements

The financial statements of The Catholic Foundation of West Michigan as of and for the year ended June 30, 2021, before the restatement described in Note 3, were audited by Beene Garter LLP whose report dated December 30, 2021 expressed an unmodified opinion on those statements. As part of our audit of the June 30, 2022 financial statements, we also audited the adjustments described in Note 3 that were applied to restate the 2021 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2021 financial statements of the entity other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2021 financial statements as a whole.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Catholic Foundation of West Michigan's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Emphasis of Matter

As discussed in Note 3 to the financial statements, the 2021 financial statements have been restated to correct a misclassification between deposits and donor restricted net assets. Accordingly, certain amounts previously recorded as deposits have been reclassified to donor restricted net assets. An adjustment has been made to increase donor restricted net assets and decrease deposits as of July 1, 2020 to correct the cumulative effect on prior years. Our opinion is not modified with respect to this matter.



Beene Garter
A Doeren Mayhew Firm
Grand Rapids, Michigan
April 6, 2023

FINANCIAL STATEMENTS

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
Cash	\$ 338,056	\$ -	\$ 338,056
Money market funds	35,070	-	35,070
Total Cash and Cash Equivalents	373,126	-	373,126
Investments	33,530,542	58,344,491	91,875,033
Beneficial interest in affiliated organization	-	18,340,352	18,340,352
Other	-	-	-
Computer software, net of accumulated depreciation	16,045	-	16,045
TOTAL ASSETS	\$ 33,919,713	\$ 76,684,843	\$ 110,604,556
LIABILITIES AND NET ASSETS			
Liabilities			
Deposits	\$ 32,540,161	\$ -	\$ 32,540,161
Accounts payable and accrued expenses	35,545	-	35,545
TOTAL LIABILITIES	32,575,706	-	32,575,706
Net Assets	1,344,007	76,684,843	78,028,850
	\$ 33,919,713	\$ 76,684,843	\$ 110,604,556

THE CATHOLIC FOUNDATION OF WEST MICHIGAN

STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021 (Restated)

2021		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 558,431	\$ -	\$ 558,431
56,827	-	56,827
615,258	-	615,258
36,207,041	61,430,365	97,637,406
-	20,710,231	20,710,231
7,552	-	7,552
21,394	-	21,394
\$ 36,851,245	\$ 82,140,596	\$ 118,991,841
\$ 36,192,742	\$ -	\$ 36,192,742
35,070	-	35,070
36,227,812	-	36,227,812
623,433	82,140,596	82,764,029
\$ 36,851,245	\$ 82,140,596	\$ 118,991,841

See accompanying notes

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Interest and dividends on investments	\$ 518,359	\$ 921,529	\$ 1,439,888
Net change in fair value of investments	(4,594,359)	(7,645,965)	(12,240,324)
Change in value of beneficial interest in affiliated organization	-	(2,369,879)	(2,369,879)
Administrative fees	318,360	-	318,360
Contributions	916,144	5,639,606	6,555,750
Net assets released from restrictions			
Satisfaction of donor restrictions	2,001,044	(2,001,044)	-
TOTAL REVENUES	(840,452)	(5,455,753)	(6,296,205)
Expenses			
Allocations to Participant Accounts	(3,672,287)	-	(3,672,287)
Grants	1,525,120	-	1,525,120
Administrative and fundraising expenses	586,141	-	586,141
TOTAL EXPENSES	(1,561,026)	-	(1,561,026)
CHANGE IN NET ASSETS	\$ 720,574	\$ (5,455,753)	\$ (4,735,179)

THE CATHOLIC FOUNDATION OF WEST MICHIGAN

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2022 and 2021 (Restated)

2021		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 444,256	\$ 756,437	\$ 1,200,693
7,673,426	10,905,069	18,578,495
-	1,052,265	1,052,265
-	-	-
703,058	13,481,419	14,184,477
2,079,057	(2,079,057)	-
10,899,797	24,116,133	35,015,930
7,761,428	-	7,761,428
2,098,358	-	2,098,358
416,578	-	416,578
10,276,364	-	10,276,364
\$ 623,433	\$ 24,116,133	\$ 24,739,566

See accompanying notes

THE CATHOLIC FOUNDATION OF WEST MICHIGAN

STATEMENT OF CHANGES IN NET ASSETS

Years Ended June 30, 2022 and 2021 (Restated)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
NET ASSETS AT JULY 1, 2020 AS PREVIOUSLY REPORTED	\$ 6,807,068	\$ 19,657,966	\$ 26,465,034
Prior period adjustment - to record permanently endowed funds within net assets	<u>(6,807,068)</u>	<u>38,366,497</u>	<u>31,559,429</u>
NET ASSETS AT JULY 1, 2020 AS RESTATED	-	58,024,463	58,024,463
Change in net assets, as restated	<u>623,433</u>	<u>24,116,133</u>	<u>24,739,566</u>
NET ASSETS AT JUNE 30, 2021 AS RESTATED	623,433	82,140,596	82,764,029
Change in net assets	<u>720,574</u>	<u>(5,455,753)</u>	<u>(4,735,179)</u>
NET ASSETS AT JUNE 30, 2022	<u>\$ 1,344,007</u>	<u>\$ 76,684,843</u>	<u>\$ 78,028,850</u>

See accompanying notes

THE CATHOLIC FOUNDATION OF WEST MICHIGAN

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2022 and 2021 (Restated)

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ (4,735,179)	\$ 24,739,566
Adjustments to reconcile the change in net assets to net cash from operating activities		
Depreciation and amortization	5,349	5,349
Net change in value of beneficial interest in affiliated organization	2,369,879	(1,052,265)
Net change in fair value of investments	12,240,324	(18,578,495)
Allocation to participant accounts	(3,672,287)	7,761,428
Change in operating assets and liabilities		
Other	7,552	(7,552)
Change in accounts payable and accrued liabilities	475	(15,819)
NET CASH PROVIDED BY OPERATING ACTIVITIES	6,216,113	12,852,212
Cash Flows from Investing Activities		
Purchases of investments, net of proceeds from sales	(6,477,951)	(14,679,028)
Cash Flows from Financing Activities		
Deposits received	1,207,282	2,108,775
Deposits withdrawn	(1,187,576)	(757,577)
NET CASH PROVIDED BY FINANCING ACTIVITIES	19,706	1,351,198
NET DECREASE IN CASH AND CASH EQUIVALENTS	(242,132)	(475,618)
Cash and Cash Equivalents at Beginning of Year	615,258	1,090,876
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 373,126	\$ 615,258

See accompanying notes

THE CATHOLIC FOUNDATION OF WEST MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021 (Restated)

NOTE 1 - OVERVIEW OF THE FOUNDATION

The Catholic Foundation of West Michigan (Foundation) is a not-for-profit corporation established for the exclusive benefit of the Roman Catholic Diocese of Grand Rapids (Diocese) and its parishes, schools and organizations (collectively known as participants). The Foundation provides a number of fund options, including endowments, which are held in perpetuity. The purpose of The Catholic Foundation of West Michigan is to accept gifts and bequests and administer the resulting earnings for religious, educational and charitable purposes for the participants. The Foundation has no discretion over the use of certain funds received from participants, and accordingly, it records such amounts and earnings thereon as deposit liabilities.

The Foundation has established a number of donor-advised funds. Donor-advised funds are used in various ways considering donor recommendations.

The Foundation employs three individuals to deploy the Foundation's strategy for growth. Certain services, including finance, continue to be provided by the Diocesan staff. The value of these administrative services is not significant to the accompanying financial statements and has not been recorded.

These financial statements are not intended to, and do not, reflect the activities of the Roman Catholic Diocese of Grand Rapids as a whole.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Foundation maintains its records on the accrual basis of accounting.

Financial Statement Presentation

Net assets and changes in net assets are classified into two types - without donor restriction and with donor restriction – based on the existence or absence of donor-imposed restrictions.

Endowment assets by their nature are donor restricted.

Revenue Recognition

The Foundation provides administrative services for each of the funds held. Administrative fees of a specified percentage are charged based on the average balance held every six months. Revenues are recognized in the period administrative services are provided.

THE CATHOLIC FOUNDATION OF WEST MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022 and 2021 (Restated)

Cash and Cash Equivalents

Cash and cash equivalents consist of bank deposit accounts and money market funds, which may, at times, exceed federally insured limits.

Contributions

Contributions are recorded as income when an unconditional promise to give is received.

Investments

Investments are carried at fair value, determined by quoted market prices and other relevant information generated by market transactions. Realized and unrealized gains and losses and other investment earnings are included in the statements of activities as net change in fair value of investments.

Beneficial Interest in Affiliated Organization

The Foundation is the beneficiary of funds held and administered by Our Shepherds – Our Future (Organization). The beneficial interest in the Organization is recorded at the fair value as determined based on the underlying assets held by the Organization. Gains and losses in the underlying assets are reported as change in value of beneficial interest in the Organization in the statements of activities. The net assets of the Organization consist primarily of investments in marketable securities, funds held by the Deposit and Loan Program, and pledges receivable.

Computer Software

Computer software is stated at cost. Depreciation will be provided over the estimated useful life by the straight-line method. Computer software is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may be not recoverable. If the expected future cash flow from the use of the asset and its eventual disposition is less than the carrying amount of the asset, an impairment is recognized and measured using the asset's fair value. No such losses were recognized during 2022 or 2021.

Earnings Allocated to Participant Accounts

Earnings allocated to participant accounts consist of interest and dividends, the net change in the fair value of investments, less investment and administrative expenses.

THE CATHOLIC FOUNDATION OF WEST MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022 and 2021 (Restated)

Functional Allocation of Expenses

The Foundation is required by U.S. generally accepted accounting principles to report expenses on a functional basis by program. The expenses are reported functionally in Note 6. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation has evaluated relevant criteria and determined that no significant contingencies exist with regard to tax positions.

Subsequent Events

Management has evaluated significant events or transactions occurring subsequent to June 30, 2022 for potential recognition or disclosure in these financial statements. The evaluation was performed through April 6, 2023, the date the financial statements were available for issuance.

Accounting Estimates

The preparation of financial statements in conformity with U.S. 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 reported amounts of revenues and expenses during the report period. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, Leases (Topic 842), which provides guidance for accounting for leases. The new guidance requires companies to recognize the assets and liabilities for the rights and obligations created by leased assets, initially measured at the present value of the lease payments. The accounting guidance for lessors is largely unchanged. The ASU is effective for annual periods beginning after December 15, 2021. Management does not expect this guidance to have a material impact on its financial statements.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326). The main provisions of this pronouncement include requiring financial assets to be presented at the net amount expected to be collected utilizing an allowance for credit losses. The ASU is effective for annual periods beginning after December 15, 2022. Management does not expect the adoption of this standard to have a material effect on the financial statements.

THE CATHOLIC FOUNDATION OF WEST MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022 and 2021 (Restated)

NOTE 3 - PRIOR PERIOD ADJUSTMENT

The accompanying financial statements for 2021 have been restated to correct a misclassification between deposit accounts and restricted net assets. The effect of the restatement was to decrease the deposits liability by \$43,975,508 and increase the change in net assets by \$12,416,079. The net assets as of July 1, 2020 have been increased by \$31,559,429 to record the cumulative effect on prior periods.

NOTE 4 - LIQUIDITY

The Foundation's financial assets, which are available within one year of the balance sheet date, are as follows:

	<u>2022</u>	<u>2021</u>
Cash	\$ 338,056	\$ 558,431
Money market funds	35,070	56,827
Investments	<u>33,530,542</u>	<u>36,207,041</u>
	<u>\$ 33,903,668</u>	<u>\$ 36,822,299</u>

Management monitors liquid assets to assure cash availability required to pay invoices on a timely basis within expected terms.

NOTE 5 - INVESTMENTS

Investments are recorded at fair value. Accounting standards provide a framework for establishing the fair value. The frame work for determining the fair value is based on a hierarchy which prioritizes the use of inputs to various valuation techniques. The three levels of the fair value hierarchy, with Level 1 given the highest priority, are as follows:

- Level 1 unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 quoted prices in active markets for similar assets or liabilities, identical or similar assets or liabilities that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly
- Level 3 significant unobservable inputs which may include the Foundation's own assumptions in determining fair value

THE CATHOLIC FOUNDATION OF WEST MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022 and 2021 (Restated)

Investments, at fair value and within the fair value hierarchy, consist of the following at June 30, 2022 and 2021:

	2022 Based on			Total
	Level 1 Quoted Prices in Active Markets for Identical Assets	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs	
Equity securities				
Value equities	\$ 8,967,165	\$ -	\$ -	\$ 8,967,165
Growth equities	4,798,882	-	-	4,798,882
Large Cap Core equities	17,705,101	-	-	17,705,101
Large Cap Growth equities	7,964,791	-	-	7,964,791
Small/Mid Cap Core equities	11,458,753	-	-	11,458,753
Small/Mid Cap	4,833,079	-	-	4,833,079
International equities	8,941	-	-	8,941
Fixed income securities				
Short-term bonds	319,955	32,699,672	-	33,019,627
Real estate investment trust	19,142	3,099,552	-	3,118,694
Beneficial interest in affiliated organization	-	-	18,340,352	18,340,352
	\$ 56,075,809	\$ 35,799,224	\$ 18,340,352	\$ 110,215,385
	2021 Based on			
	Level 1 Quoted Prices in Active Markets for Identical Assets	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total
Equity securities				
Value equities	\$ 10,188,286	\$ -	\$ -	\$ 10,188,286
Growth equities	6,105,831	93,117	-	6,198,948
Large Cap Core equities	19,868,389	42,242	-	19,910,631
Large Cap Growth equities	9,914,586	20,359	-	9,934,945
Small/Mid Cap Core equities	13,884,983	-	-	13,884,983
Small/Mid Cap	5,595,557	-	-	5,595,557
Fixed income securities				
Short-term bonds	3,026,038	28,898,018	-	31,924,056
Beneficial interest in affiliated organization	-	-	20,710,231	20,710,231
	\$ 68,583,670	\$ 29,053,736	\$ 20,710,231	\$ 118,347,637

THE CATHOLIC FOUNDATION OF WEST MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022 and 2021 (Restated)

The funds are invested primarily with The Michigan Catholic Conference National Catholic Investment Pool, which was established in order to allow Michigan dioceses and related organizations to pool funds for investment in the fixed income and equity markets using socially responsible investment guidelines. The Foundation used significant unobservable inputs (level 3) for the valuation of the beneficial interest. Management used inputs based upon the underlying assets held by the affiliated entity.

Following is a reconciliation of activity for assets measured at fair value based on significant unobservable inputs:

Balance at July 1, 2020	\$ 19,657,966
Change in beneficial interest	<u>1,052,265</u>
Balance at June 30, 2021	20,710,231
Change in beneficial interest	<u>(2,369,879)</u>
Balance at June 30, 2022	<u>\$ 18,340,352</u>

Net realized and unrealized gains on investments reflected in the statements of activities were as follows:

	<u>2022</u>	<u>2021</u>
Fixed income securities	\$ (1,851,856)	\$ (445,928)
Equity securities	(10,388,468)	<u>19,024,423</u>
	<u>\$ (12,240,324)</u>	<u>\$ 18,578,495</u>

The investments are exposed to a variety of uncertainties, including interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is possible that changes in the values of these investments could occur in the near term. Such changes could materially affect the amounts reported in the financial statements of the Foundation.

NOTE 6 - FUNCTIONAL EXPENSE

The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of The Catholic Foundation of West Michigan. Costs are allocated based on estimates of actual utilization of the costs.

THE CATHOLIC FOUNDATION OF WEST MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022 and 2021 (Restated)

Expenses have been allocated for the Foundation as follows for the years ended June 30:

	2022			
	Program Services	Management and General	Fundraising	Total Expenses
Allocation to Participants	\$ (3,672,287)	\$ -	\$ -	\$ (3,672,287)
Grants	1,525,120	-	-	1,525,120
Salaries and Employee Benefits	-	140,431	140,431	280,862
Professional Fees	-	139,503	61,528	201,031
Miscellaneous	-	88,177	16,071	104,248
	\$ (2,147,167)	\$ 368,111	\$ 218,030	\$ (1,561,026)
	2021			
	Program Services	Management and General	Fundraising	Total Expenses
Allocation to Participants	\$ 7,761,428	\$ -	\$ -	\$ 7,761,428
Grants	2,098,358	-	-	2,098,358
Salaries and Employee Benefits	-	148,555	148,555	297,110
Professional Fees	-	35,971	26,303	62,274
Miscellaneous	-	52,009	5,185	57,194
	\$ 9,859,786	\$ 236,535	\$ 180,043	\$ 10,276,364

NOTE 7 - PENSION PLAN - LAY EMPLOYEES RETIREMENT PLAN

In 2021, the Foundation began to participate in the Michigan Catholic Conference Lay Employees Retirement Plan (Lay Plan), a multi-employer defined benefit pension plan established for the benefit of lay employees of the Michigan Roman Catholic dioceses, parishes, schools and other diocesan organizations. The Lay Plan Number and Employer Identification Number is 20-1769136.

The Foundation's contributions to the Lay Plan were \$19,316 and \$12,908 for the years ended June 30, 2022 and 2021, respectively, and were made in amounts equal to 8.6% of compensation paid to qualifying lay employees in 2022. Based on information as of June 30, 2022, the Lay Plan's year-end, the Foundation's contributions to the Lay Plan did not represent more than 5% of the total contributions received by the Lay Plan.

THE CATHOLIC FOUNDATION OF WEST MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022 and 2021 (Restated)

Specific plan information for the Foundation is not available from the Lay Plan's administrator. If the Foundation terminates its participation in the Lay Plan, the Foundation would be obligated to make a contribution to the Lay Plan in an amount equal to its proportionate share of any unfunded liability. The termination liability would be calculated by the actuaries as outlined in the Lay Plan document.

The following information of the Lay Plan as of the plan year beginning July 1, 2021:

	<u>Michigan Catholic Conference Lay Employees Retirement Plan</u>
Fair market value of plan assets	\$ 1,507,662,826
Actuarial present value of accumulated Plan benefits	1,487,030,595
Total contributions received by the Plan	26,412,355
Funded ratio	101.4%

The Foundation participation in the Plan is minimal with only two employees eligible. Therefore management believes any exposure related to the unfunded liability of the Plan upon withdrawal or other circumstances would not be material to the Foundation.

NOTE 8 - RETIREMENT PLAN

The Foundation has a retirement plan under Internal Revenue Code Section 403(b) maintained for eligible employees. Under the plan, eligible employees are permitted to contribute amounts limited to the Internal Revenue Service maximums. The Foundation has not made any discretionary matching contributions for the years ended June 30, 2022 and 2021.

NOTE 9 - DEPOSITS

The Foundation's deposits are primarily from related organizations and consist of the following:

	<u>2022</u>	<u>2021</u>
Parishes and organizations	\$ 31,304,895	\$ 34,764,245
Roman Catholic Diocese of Grand Rapids	1,235,266	1,428,497
	<u>\$ 32,540,161</u>	<u>\$ 36,192,742</u>

THE CATHOLIC FOUNDATION OF WEST MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022 and 2021 (Restated)

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist primarily of the beneficial interest in Our Shepherds - Our Future and permanently restricted endowment funds, the income from which is designated for the following purposes:

	<u>2022</u>	<u>2021</u>
Education	\$ 26,270,703	\$ 29,949,117
Vocations	32,581,506	32,215,183
Greatest Needs	6,600,594	7,650,045
Social service	4,577,690	5,262,293
Faith formation	3,965,750	4,575,352
Parish and organization funds	2,688,600	2,488,606
	<u>\$ 76,684,843</u>	<u>\$ 82,140,596</u>

Net assets released from restrictions are as follows for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Education	\$ 942,715	\$ 1,532,180
Vocations	-	75,427
Greatest Needs	251,749	237,667
Social service	46,800	58,290
Faith formation	129,319	134,574
Parish and organization funds	73,825	-
Administrative fees	556,636	40,919
	<u>\$ 2,001,044</u>	<u>\$ 2,079,057</u>

NOTE 11 - ENDOWED FUNDS

The endowment funds consist of approximately 130 different funds held and administered by The Foundation. The endowment was established to support religious, educational and charitable purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions as well as the Foundation's policy to permanently restrict scholarship donations when a threshold of \$25,000 is met.

THE CATHOLIC FOUNDATION OF WEST MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022 and 2021 (Restated)

The Foundation follows guidance provided by the Financial Accounting Standards Board (FASB) to determine the accounting treatment and disclosure of funds held in endowments and subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). UPMIFA is a model act approved by the Uniform Law Commission and enacted by the State of Michigan in September 2009 that serves as guidance for states to use in enacting legislation.

The beneficial interest disclosed in Note 5 is not legally subject to UPMIFA because the Board does not have the ability to control the investments and the spending policy of these assets.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or the State Prudent Management of Institutional Funds Act (SPMIFA) requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies that resulted in the invasion of the principal balance for the years ended June 30, 2022 and 2021.

Return Objectives and Risk Parameters

The Foundation has adopted investment policies for endowment assets that attempt to provide for preservation of capital. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity. Under this policy, as approved by the Board, the endowment assets are invested with The Michigan Catholic Conference National Catholic Investment Pool, which was established in order to allow Michigan dioceses and related organizations to pool funds for investment using socially responsible investment guidelines.

Spending Policy

The Foundation's spending policy helps to ensure the long-term growth of the endowment and that consistent and predictable distributions are made. The spending policy is set at 4% of the market value of the endowment over a three year rolling average for all funds. This distribution is calculated based on the most recent three year average measured semi-annually at the end of each semi-annual period. The Foundation does not permit distributions on endowment funds with deficiencies. Funds are spent in accordance with the original donor intent. In the event that such intent is no longer applicable, the Foundation has been granted variance power to appropriately redirect the funds to be used for alternative purposes.

THE CATHOLIC FOUNDATION OF WEST MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022 and 2021 (Restated)

Interpretation of Relevant Law

The Foundation has interpreted SPMIFA to require the preservation of the fair value of the original gift as of the gift date for funds with donor restrictions, absent explicit donor stipulations to the contrary. If the gift is restricted in perpetuity, the remaining portion of the endowment fund with donor restrictions that is not restricted in perpetuity 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 SPMIFA. In accordance with SPMIFA, the Foundation will consider the following factors in making a determination to appropriate or accumulate endowment funds with donor restrictions:

- a) The duration and preservation of the fund
- b) The purposes of the Foundation and the funds subject to donor restriction
- c) General economic conditions
- d) The possible effect of inflation and deflation
- e) The expected total return from income and appreciation of investments
- f) Other resources of the Foundation
- g) The investment policies of the Foundation

Strategies Employed for Achieving Objectives

The Foundation's investment objective is a balanced portfolio with growth and income funds. The Foundation targets a diversified asset allocation that places an emphasis on fixed income and equity-based investments to achieve its long-term return objectives within prudent risk constraints.

THE CATHOLIC FOUNDATION OF WEST MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022 and 2021 (Restated)

Changes in endowment net assets are as follows for the years ended June 30, 2022 and 2021:

	With Donor Restrictions
Net Assets - July 1, 2020	\$ 58,024,463
Earnings on investments	11,661,506
Contributions	4,726,210
Contributions from Our Shepherds - Our Future	8,755,209
Change in beneficial interest	1,052,265
Satisfaction of donor imposed restrictions	<u>(2,079,057)</u>
Net Assets - June 30, 2021	82,140,596
Loss on investments	(6,724,436)
Contributions	1,061,073
Contribution from Our Shepherds - Our Future	4,578,533
Change in beneficial interest	(2,369,879)
Satisfaction of donor imposed restrictions	<u>(2,001,044)</u>
Net Assets - June 30, 2022	<u>\$ 76,684,843</u>

NOTE 12 - RISKS AND UNCERTAINTIES

During March 2020, a global pandemic was declared by the World Health Organization related to the rapidly growing outbreak of a novel strain of coronavirus (COVID-19). The pandemic significantly impacted the economic conditions in the U.S. and globally throughout 2020 and 2021. While many industries have returned to normal operating conditions, there is still uncertainty around future outbreaks and related economic effects. At this time management does not anticipate significant disruptions in the Foundation's operations.