

**THE CATHOLIC FOUNDATION
OF WEST MICHIGAN**

FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

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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 financial statements of The Catholic Foundation of West Michigan, which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and cash flows for the years 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, 2023 and 2022, and the results of its activities 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 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.

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 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 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, 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 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 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, which 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 audits.



Beene Garter
A Doeren Mayhew Firm
Grand Rapids, Michigan
December 20, 2023

FINANCIAL STATEMENTS

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
Cash	\$ 541,272	\$ -	\$ 541,272
Money market funds	410,829	-	410,829
Total Cash and Cash Equivalents	952,101	-	952,101
Investments	36,199,126	72,318,647	108,517,773
Beneficial interest in affiliated organization	-	11,901,030	11,901,030
Computer software, net of accumulated depreciation	10,697	-	10,697
TOTAL ASSETS	\$ 37,161,924	\$ 84,219,677	\$ 121,381,601
LIABILITIES AND NET ASSETS			
Liabilities			
Deposits	\$ 35,625,062	\$ -	\$ 35,625,062
Accounts payable and accrued expenses	60,573	-	60,573
TOTAL LIABILITIES	35,685,635	-	35,685,635
Net Assets	1,476,289	84,219,677	85,695,966
	\$ 37,161,924	\$ 84,219,677	\$ 121,381,601

THE CATHOLIC FOUNDATION OF WEST MICHIGAN

STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

2022		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 338,056	\$ -	\$ 338,056
35,070	-	35,070
373,126	-	373,126
33,530,542	58,344,491	91,875,033
-	18,340,352	18,340,352
16,045	-	16,045
<u>\$ 33,919,713</u>	<u>\$ 76,684,843</u>	<u>\$ 110,604,556</u>

\$ 32,540,161	\$ -	\$ 32,540,161
35,545	-	35,545
32,575,706	-	32,575,706
1,344,007	76,684,843	78,028,850
<u>\$ 33,919,713</u>	<u>\$ 76,684,843</u>	<u>\$ 110,604,556</u>

See accompanying notes

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Interest and dividends on investments	\$ 563,057	\$ 1,118,018	\$ 1,681,075
Net change in fair value of investments	3,077,442	6,110,606	9,188,048
Change in value of beneficial interest in affiliated organization	-	(6,439,322)	(6,439,322)
Administrative fees	274,542	-	274,542
Contributions	511,999	8,962,628	9,474,627
Net assets released from restrictions			
Satisfaction of donor restrictions	2,217,096	(2,217,096)	-
TOTAL REVENUES	6,644,136	7,534,834	14,178,970
Expenses			
Allocations to Participant Accounts	3,723,659	-	3,723,659
Grants	2,129,423	-	2,129,423
Administrative and fundraising expenses	658,772	-	658,772
TOTAL EXPENSES	6,511,854	-	6,511,854
CHANGE IN NET ASSETS	132,282	7,534,834	7,667,116
NET ASSETS AT BEGINNING OF YEAR	1,344,007	76,684,843	78,028,850
NET ASSETS AT END OF YEAR	\$ 1,476,289	\$ 84,219,677	\$ 85,695,966

THE CATHOLIC FOUNDATION OF WEST MICHIGAN

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2023 and 2022

2022		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 518,359	\$ 921,529	\$ 1,439,888
(4,594,359)	(7,645,965)	(12,240,324)
-	(2,369,879)	(2,369,879)
318,360	-	318,360
916,144	5,639,606	6,555,750
2,001,044	(2,001,044)	-
(840,452)	(5,455,753)	(6,296,205)
(3,672,287)	-	(3,672,287)
1,525,120	-	1,525,120
586,141	-	586,141
(1,561,026)	-	(1,561,026)
720,574	(5,455,753)	(4,735,179)
623,433	82,140,596	82,764,029
\$ 1,344,007	\$ 76,684,843	\$ 78,028,850

See accompanying notes

THE CATHOLIC FOUNDATION OF WEST MICHIGAN

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ 7,667,116	\$ (4,735,179)
Adjustments to reconcile the change in net assets to net cash from operating activities		
Depreciation and amortization	5,348	5,349
Net change in value of beneficial interest in affiliated organization	6,439,322	2,369,879
Net change in fair value of investments	(9,188,048)	12,240,324
Allocation to participant accounts	3,723,659	(3,672,287)
Change in operating assets and liabilities		
Other	-	7,552
Change in accounts payable and accrued liabilities	25,028	475
	8,672,425	6,216,113
Cash Flows from Investing Activities		
Purchases of investments, net of proceeds from sales	(7,454,692)	(6,477,951)
Cash Flows from Financing Activities		
Deposits received	957,756	1,207,282
Deposits withdrawn	(1,596,514)	(1,187,576)
	(638,758)	19,706
NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES		
	(638,758)	19,706
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	578,975	(242,132)
Cash and Cash Equivalents at Beginning of Year	373,126	615,258
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 952,101	\$ 373,126

See accompanying notes

THE CATHOLIC FOUNDATION OF WEST MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

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.

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, 2023 and 2022

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 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 not be 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 2023 or 2022.

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, 2023 and 2022

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 5. 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, 2023 for potential recognition or disclosure in these financial statements. The evaluation was performed through December 20, 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 June 2016, the Financial Accounting Standards Board (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 an impact on the financial statements.

THE CATHOLIC FOUNDATION OF WEST MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023 and 2022

NOTE 3 - LIQUIDITY

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

	<u>2023</u>	<u>2022</u>
Cash	\$ 541,272	\$ 338,056
Money market funds	410,829	35,070
Investments	<u>36,199,126</u>	<u>33,530,542</u>
	<u>\$ 37,151,227</u>	<u>\$ 33,903,668</u>

Management monitors liquid assets to assure cash availability required to pay invoices and requests for withdrawals from deposits on a timely basis within expected terms.

NOTE 4 - INVESTMENTS

Investments are recorded at fair value. Accounting standards provide a framework for establishing the fair value. The framework 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, 2023 and 2022

Investments, at fair value and within the fair value hierarchy, consist of the following at June 30, 2023 and 2022:

	2023 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	\$ 10,733,063	\$ -	\$ -	\$ 10,733,063
Growth equities	7,995,051	-	-	7,995,051
Large Cap Core equities	23,765,113	-	-	23,765,113
Large Cap Growth equities	11,597,360	-	-	11,597,360
Small/Mid Cap Core equities	14,304,598	-	-	14,304,598
Small/Mid Cap	6,011,426	-	-	6,011,426
International equities	10,452	-	-	10,452
Fixed income securities				
Short-term bonds	223,695	31,013,112	-	31,236,807
Real estate investment trust	15,006	2,848,897	-	2,863,903
Beneficial interest in affiliated organization	-	-	11,901,030	11,901,030
	<u>\$ 74,655,764</u>	<u>\$ 33,862,009</u>	<u>\$ 11,901,030</u>	<u>\$ 120,418,803</u>
	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
	<u>\$ 56,075,809</u>	<u>\$ 35,799,224</u>	<u>\$ 18,340,352</u>	<u>\$ 110,215,385</u>

THE CATHOLIC FOUNDATION OF WEST MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023 and 2022

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, 2021	\$ 20,710,231
Change in beneficial interest	<u>(2,369,879)</u>
Balance at June 30, 2022	18,340,352
Change in beneficial interest	<u>(6,439,322)</u>
Balance at June 30, 2023	<u>\$ 11,901,030</u>

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

	<u>2023</u>	<u>2022</u>
Fixed income securities	\$ (165,542)	\$ (1,851,856)
Equity securities	9,353,590	<u>(10,388,468)</u>
	<u>\$ 9,188,048</u>	<u>\$ (12,240,324)</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.

THE CATHOLIC FOUNDATION OF WEST MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023 and 2022

NOTE 5 - 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.

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

	2023			
	Program Services	Management and General	Fundraising	Total Expenses
Allocation to Participants	\$ 3,723,659	\$ -	\$ -	\$ 3,723,659
Grants	2,129,423	-	-	2,129,423
Salaries and Employee Benefits	110,716	47,450	158,166	316,332
Professional Fees	-	148,535	-	148,535
Miscellaneous	44,713	55,205	93,987	193,905
	\$ 6,008,511	\$ 251,190	\$ 252,153	\$ 6,511,854
	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)

NOTE 6 - PENSION PLAN - LAY EMPLOYEES RETIREMENT PLAN

The Foundation participates 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 CATHOLIC FOUNDATION OF WEST MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023 and 2022

The Foundation's contributions to the Lay Plan were \$20,986 and \$19,316 for the years ended June 30, 2023 and 2022, respectively, and were made in amounts equal to 8.6% of compensation paid to qualifying lay employees in 2023. Based on information as of June 30, 2023, 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.

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, 2022:

	Michigan Catholic Conference Lay Employees Retirement Plan
Fair market value of plan assets	\$ 1,322,476,717
Actuarial present value of accumulated Plan benefits	1,497,570,057
Total contributions received by the Plan	27,860,394
Funded ratio	88.3%

The Foundation participation in the Plan is minimal with only several 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 7 - 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, 2023 and 2022.

THE CATHOLIC FOUNDATION OF WEST MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023 and 2022

NOTE 8 - DEPOSITS

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

	<u>2023</u>	<u>2022</u>
Parishes and organizations	\$ 34,313,096	\$ 31,304,895
Roman Catholic Diocese of Grand Rapids	1,311,966	1,235,266
	<u>\$ 35,625,062</u>	<u>\$ 32,540,161</u>

NOTE 9 - 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>2023</u>	<u>2022</u>
Education	\$ 30,978,656	\$ 26,270,703
Vocations	33,889,671	32,581,506
Greatest Needs	7,015,000	6,600,594
Social service	4,917,089	4,577,690
Faith formation	4,224,601	3,965,750
Parish and organization funds	3,194,660	2,688,600
	<u>\$ 84,219,677</u>	<u>\$ 76,684,843</u>

THE CATHOLIC FOUNDATION OF WEST MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023 and 2022

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

	<u>2023</u>	<u>2022</u>
Education	\$ 944,048	\$ 942,715
Vocations	93,471	-
Greatest Needs	274,941	251,749
Social service	156,056	46,800
Faith formation	157,276	129,319
Parish and organization funds	74,063	73,825
Administrative fees	517,241	556,636
	<u>\$ 2,217,096</u>	<u>\$ 2,001,044</u>

NOTE 10 - 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 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 4 is not legally subject to UPMIFA because the Foundation 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, 2023 and 2022.

THE CATHOLIC FOUNDATION OF WEST MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023 and 2022

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 of Trustees, 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.

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
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THE CATHOLIC FOUNDATION OF WEST MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023 and 2022

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.

Changes in endowment net assets are as follows for the years ended June 30, 2023 and 2022:

	With Donor Restrictions
Net Assets - July 1, 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	(2,001,044)
Net Assets - June 30, 2022	76,684,843
Gain on investments	7,228,624
Contributions	3,501,602
Contribution from Our Shepherds - Our Future	5,461,026
Change in beneficial interest	(6,439,322)
Satisfaction of donor imposed restrictions	(2,217,096)
Net Assets - June 30, 2023	\$ 84,219,677