THE ORANGE CATHOLIC FOUNDATION
Financial Statements
June 30, 2023
With Independent Auditor's Report

withum
ADVISORY TAX AUDIT

The Orange Catholic Foundation
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June 30, 2023

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withum
ADVISORY TAX AUDIT

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Orange Catholic Foundation:

Opinion

We have audited the financial statements of The Orange Catholic Foundation (a non-profit organization) (the "Foundation"), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 June 30, 2023, and the changes in its net assets 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 Foundation 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, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Wilkerson Smith + Brown, PC

March 20, 2024

The Orange Catholic Foundation
Statement of Financial Position
June 30, 2023

Assets

Cash and cash equivalents	$ 7,239,576
Investments	58,530,310
Unconditional promises to give, net	8,437,345
Employee retention credit receivable	273,985
Prepaid expenses and other assets	169,288
Property and equipment, net	20,632
Total assets	$ 74,671,136

Liabilities and Net Assets

Liabilities	
Accounts and distributions payable and accrued liabilities	$ 293,168
Deferred contributions	72,739
Total liabilities	365,907
Net assets	
Without donor restrictions	3,947,589
With donor restrictions	70,357,640
Total net assets	74,305,229
Total liabilities and net assets	$ 74,671,136

The Notes to Financial Statements are an integral part of this statement.

The Orange Catholic Foundation
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support			
Contributions	$ 194,421	$ 6,377,868	$ 6,572,289
Gifts in-kind	17,749	-	17,749
Event revenue	114,563	439,053	553,616
Administrative income	11,336	-	11,336
Service revenue from related party	1,000,000	-	1,000,000
Interest and dividend income	179,188	959,598	1,138,786
Realized and unrealized gain on investments	358,211	4,250,604	4,608,815
Transmission capacity lease income	560,272	-	560,272
Other income	26,900	-	26,900
Net assets released from restrictions	2,990,582	(2,990,582)	-
Total revenues and support	5,453,222	9,036,541	14,489,763
Expenses			
Program services			
Distributions	2,948,627	-	2,948,627
Other program services	1,189,647	-	1,189,647
Total program services	4,138,274	-	4,138,274
Supporting services			
General and administrative	896,336	-	896,336
Fundraising	314,059	-	314,059
Total supporting services	1,210,395	-	1,210,395
Total expenses	5,348,669	-	5,348,669
Changes in net assets	104,553	9,036,541	9,141,094
Net assets			
Beginning of year	3,843,036	61,321,099	65,164,135
End of year	$ 3,947,589	$ 70,357,640	$ 74,305,229

The Notes to Financial Statements are an integral part of this statement.

The Orange Catholic Foundation
Statement of Functional Expenses
Year Ended June 30, 2023

	Program Services		Supporting Services			
	Distributions	Other Program Services	General and Administrative	Fundraising	Direct Costs of Special Events	Total
Distributions	$ 2,948,627	$ -	$ -	$ -	$ -	$ 2,948,627
Salaries	-	436,465	364,154	88,818	-	889,437
Payroll taxes	-	33,095	27,691	6,754	-	67,540
Employee benefits	-	46,945	39,282	9,581	-	95,808
Advertising	-	74,967	29,281	21,760	-	126,008
Bank and merchant charges	-	13,755	7,106	2,063	-	22,924
Depreciation	-	6,575	18,755	1,342	-	26,672
Direct costs of donor benefits	-	-	-	-	62,349	62,349
Dues and subscriptions	-	4,953	4,394	1,311	-	10,658
Events	-	68,091	-	65,958	-	134,049
Meetings and meals	-	5,874	6,815	24,064	-	36,753
Miscellaneous	-	9,794	6,764	9,249	-	25,807
Office supplies	-	14,382	10,691	2,612	-	27,685
Professional fees	-	418,932	350,517	71,530	-	840,979
Rent	-	32,754	27,406	6,684	-	66,844
Travel and mileage	-	5,316	3,480	2,333	-	11,129
In-kind expenses	-	17,749	-	-	-	17,749
Total expenses	2,948,627	1,189,647	896,336	314,059	62,349	5,411,018
Less: Expenses included with revenues on the statement of activities and changes in net assets						
Direct costs of donor benefits	-	-	-	-	(62,349)	(62,349)
Total expenses included in the expense section of the statement of activities and changes in net assets	$ 2,948,627	$ 1,189,647	$ 896,336	$ 314,059	$ -	$ 5,348,669

The Notes to Financial Statements are an integral part of this statement.

The Orange Catholic Foundation
Statement of Cash Flows
Year Ended June 30, 2023

Operating activities	
Changes in net assets	$ 9,141,094
Adjustments to reconcile changes in net assets	
to net cash provided by operating activities	
Realized and unrealized gain on investments	(4,608,815)
Change in reserve for uncollectible promises to give	312,603
Change in discount to present value	290
Depreciation	26,672
(Increase) decrease in	
Unconditional promises to give	295,949
Prepaid expenses and other assets	(74,809)
Increase (decrease) in	
Accounts and distributions payable and accrued liabilities	(114,403)
Deferred contributions	68,644
Net cash provided by operating activities	5,047,225
Investing activities	
Purchases of investments	(3,796,642)
Proceeds from sale of investments	3,346,156
Purchases of property and equipment	(7,194)
Net cash used in investing activities	(457,680)
Net change in cash and cash equivalents	4,589,545
Cash and cash equivalents	
Beginning of year	2,650,031
End of year	$ 7,239,576

The Notes to Financial Statements are an integral part of this statement.

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Orange Catholic Foundation (the "Foundation") is a California not-for-profit religious corporation organized to receive and manage charitable gifts, grants, contributions and bequests from individuals and organizations in order to benefit Catholic parishes, schools and ministries primarily within the Diocese of Orange, California. Gifts and donations may either be held and managed by the Foundation, or funds may be distributed and granted to various entities and ministries in accordance with donor intent.

Funds may be with or without donor restriction and may include donor-advised funds, special interest funds, and endowment funds. The Foundation shall be operated in strict conformity with the disciplines, doctrines, and teachings of the Roman Catholic Church and promulgated by the Holy See, including the Code of Canon Law. In all such matters involving the teachings of the Roman Catholic Church, the Foundation shall rely upon and defer to the ecclesiastical communion with the Bishop of Rome, the Supreme Pontiff of the Roman Catholic Church. These purposes conform to the requirements of the Internal Revenue Code ("IRC") section 501(c)(3).

In order to carry out its religious purposes, the Foundation shall have all powers granted to a not-for-profit religious corporation under California law and to a private juridic person and autonomous pious foundation under the Code of Canon law. The Foundation makes regular distributions to such organizations at such times and in such amounts to carry out its charitable and religious purposes for the benefit of the Roman Catholic Church in the Diocese of Orange, California as its Board of Directors shall determine according to donor intent.

The accompanying financial statements do not include the assets, liabilities, and operations of the Administrative Office of the Diocese of Orange, parishes, high schools, elementary schools, or any other affiliated organizations under the jurisdiction of the Roman Catholic Bishop of Orange.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Net assets and changes in net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed stipulations including amounts designated by the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors. 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, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities and changes in net assets.

Cash and Cash Equivalents

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

Concentration of Credit Risks
The Foundation has significant cash balances at financial institutions which throughout the year regularly exceed the federally insured limit of $250,000. Any loss incurred or a lack of access to such funds could have a significant adverse impact on the Company's financial condition, changes in net assets, and cash flows.

Investments
Investments are measured and reported at fair value. Those with a readily determinable fair value are based on quotations obtained from national security exchanges. Investments with fair values that are not readily determinable are carried at estimated fair values as provided by the investment managers. Foundation management reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining their estimated fair value. Due to the inherent uncertainties of these estimates, these values may differ from the values that would have been reported had a ready market for such investments existed. Changes in fair value are reported as realized or unrealized gain or loss on investments in the statement of activities and changes in net assets. All investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, 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 financial statements.

Unconditional Promises to Give
Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the years in which the promises are expected to be received. Conditional promises to give are not included in receivables until the conditions are met. If a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as net assets without donor restrictions. Amounts deemed uncollectible by management are included in the allowance for uncollectible promises to give. At June 30, 2023, the Foundation evaluated the collectability of unconditional promises to give and recorded an allowance for doubtful accounts of $1,645,494. Total unconditional promises to give, net, as of June 30, 2022 was $9,046,187.

Property and Equipment
Property and equipment is recorded at cost less accumulated depreciation. Repair and maintenance costs that do not extend an asset's useful life are expensed as incurred, while major betterments and renewals are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of assets, which range from three to ten years, commencing on the first day the asset is placed in service.

Long-Lived Assets
The Foundation reviews the carrying values of its long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Fair value is determined based on discounted cash flows or appraised values, depending on the nature of the assets. Any long-lived assets held for disposal are reported at the lower of their carrying amounts or fair value less costs to sell. No impairments were identified during the year ended June 30, 2023.

Pass-through and Custodial Funds

Pass-through funds relate to investment securities received from various donors whereby the Foundation acts as a conduit to immediately liquidate the securities and pass them along to the requested beneficiary, usually a church or school within the Diocese. Custodial funds relate to monies received from various parishes or schools whereby the Foundation acts as a custodian, to hold and disburse the funds upon the request of the parish or school. The corresponding assets and liabilities are not recorded on the statement of financial position. Total pass-through funds were $1,106,371 and total custodial funds held by the Foundation amounted to $188,747 as of June 30, 2023.

Contributions

Contributions, including unconditional promises to give, are recognized when received or pledged by the donor. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a 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. The Foundation's policy is to record restricted gifts that are received and spent in the same period as unrestricted support.

Event revenues represent contributions recognized in the period received which are then distributed at the discretion of the Foundation.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Revenue from Contracts with Customers

The Financial Accounting Standards Board ("FASB") issued new guidance that created Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), in the Accounting Standards Codification ("ASC"). ASC 606 supersedes the prior revenue recognition requirements (codified as ASC 605, *Revenue Recognition*). ASC 606 established a core principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. In doing so, companies need to use more judgment and make more estimates than under prior guidance. Judgments include identifying performance obligations in the contract, estimating the amount of consideration to include in the transaction price, and allocating the transaction price to each performance obligation. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in Topic 606.

In determining the appropriate amount of revenue to be recognized as it fulfills its obligations under its agreements, the Foundation performs the following steps: (i) identify contracts with customers; (ii) identify performance obligations; (iii) determine the transaction price; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) the Foundation satisfies each performance obligation.

Performance obligations related to consulting revenues from consulting services are recognized as the service is rendered.

The Foundation does not have any significant financing components as payments are received at or shortly after the point of sale. The Foundation's revenues, results of operations, and cash flows are affected by a wide variety of factors, including general economic conditions and public demand.

The timing of revenue recognition, billings and cash collections can result in contract assets and contract liabilities in the statement of financial position. As of June 30, 2023 and July 1, 2022, there were no such contract assets or liabilities.

Contributed Nonfinancial Assets

Contributed goods are recorded at their fair value at the date of the gift. In the absence of time or donor-imposed restrictions, gifts of long-lived assets are reported as unrestricted revenue. Contributed services are recognized if the services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A substantial number of volunteers have donated significant amounts of their time and services in the Foundation's core activities. Only those in-kind amounts that meet the criteria above are recorded in the accompanying financial statements. See Note 12 for detailed contributed nonfinancial assets.

Beneficial Interest in Charitable Remainder Trust

These are contributions, including unconditional promises to give, that are recognized as revenue in the period received. The Foundation is also a beneficiary in certain trusts. The Foundation recognizes as revenue the present value of the estimated future benefits to be received upon distribution of irrevocable trusts for which the Foundation is beneficiary but is not the trustee. The present value discount on those future benefits is computed using a risk-free interest rate as of the statement of financial position date that is commensurate with the time frame expected to receive distributions from the trust. Changes in the present value discount amount and overall value of the Foundation's beneficial interest in these trusts are recognized in the statement of activities and changes in net assets. When these gifts are revocable in nature, they are not reflected in the financial statements.

Income Taxes

The Foundation has been granted tax-exempt status by the Internal Revenue Service ("IRS") and the California Franchise Tax Board under Sections 501(c)(3) and 23701(d), respectively. Accordingly, no tax provision has been recorded in the financial statements. The Foundation is exempt from filing tax returns under the Catholic Directory exemption; however, has elected to file an informational return with the California Franchise Tax Board.

Vacation Expense

Hourly and salary employees earn credits during the current year for future vacation benefits. The expense and corresponding liability are accrued when vacations are earned rather than when vacations are paid. The liability is included in accounts and distributions payable and accrued liabilities on the accompanying statement of financial position.

Functional Allocation of Expenses

These are the costs of providing the various programs and other activities and have been summarized on a functional basis in the statement of activities and changes in net assets and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Due to the nature of the services provided by the Foundation, certain administrative and fundraising expenses that are incurred for the direct benefit of a program or campaigns managed by the Foundation, have been reported with program services. Only those supporting expenses incurred for the administration and furtherance of the Foundation itself, are reported as supporting services in the accompanying statement of activities and changes in net assets and the accompanying statement of functional expenses. Such allocations are determined by management on an equitable basis.

Certain expenses reported on the accompanying statement of functional expenses, such as distributions have been allocated to programs based on direct usage.

The majority of the remaining natural expenses have generally been allocated to program and supporting services based on time and effort of the employees involved. For certain expenses including advertising, bank and merchant charges, dues and subscriptions, meetings and meals, and professional fees, the cost directly attributable to program or supporting services have been allocated as such, with the remaining amount of shared cost being allocated based on the time and effort of the employees involved.

Program Services
These are the functions of the Foundation that center on providing support to the ministries, parishes and schools of the Diocese of Orange. This includes conducting fundraising services, endowment and fund management, and gift and distribution administration according to donor intent.

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

Fair Value Measurements
For fair value measurements of financial assets and financial liabilities, and for fair value measurements of non-financial items that are recognized and disclosed at fair value in the financial statements on a recurring basis, the Foundation has adopted US GAAP standards that define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The assets that are recorded at fair value on a recurring basis are investments.

Accounting standards establish a three-level fair value hierarchy that describes the inputs that are used to measure the fair values of respective assets and liabilities:

Level 1 - Fair values are based on quoted prices in active markets for identical assets and liabilities. The Foundation's Level 1 assets include institutional mutual funds.

Level 2 - Fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the asset. The Foundation does not hold any Level 2 assets.

Level 3 - Fair values are calculated by the use of pricing models and/or discounted cash flow methodologies and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data. The Foundation does not hold any Level 3 assets.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair values may not be realized in the immediate settlement of the financial asset.

In addition, the disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in the amounts disclosed.

Measure of Operations
The statement of activities and changes in net assets reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities reflect all transactions attributable to the Foundation's ongoing programs. Non-operating activities reflect transactions considered to be nonrecurring nature or not directly relating to the Foundation's mission. The Foundation did not have any non-operating activities for the year ended June 30, 2023.

Leases
The Foundation categorizes leases with contractual terms longer than twelve months as either operating or finance. Finance leases are generally those leases that allow the Foundation to substantially utilize or pay for the entire asset over its estimated life. All other leases are categorized as operating leases. Leases with contractual terms of twelve months or less are not recorded on the statement of financial position. The Foundation had no finance or material operating leases during 2023.

Recent Accounting Pronouncements - Not Yet Adopted
In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses*. This update requires immediate recognition of management's estimates of current expected credit losses. Under the prior model, losses were recognized only as they were incurred. The new model is applicable to most financial assets and certain other instruments that are not measured at fair value through net income. Management is currently assessing the impact of this update on the financial statements. The standard is effective for the Foundation's year ending June 30, 2024.

Subsequent Events
The Foundation evaluated subsequent events through March 20, 2024, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

2. AVAILABILITY AND LIQUIDITY

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such gifts with purpose restrictions is used to fund programs. From the campaigns benefited by the gifts received with donor restrictions, the Foundation contractually receives financial support to fund the operational and administrative needs of the campaigns and the Foundation itself. Additionally, the Foundation receives revenues without donor restriction from services provided to various entities affiliated with the Roman Catholic Church in the Diocese of Orange.

The Foundation considers the aforementioned revenues streams to be available to meet cash needs for all general expenditures. General expenditures include distribution commitments and supporting service expenses that are expected to be paid in the subsequent year.

Apart from programmatic distribution of funds, which are reviewed by the Board of Directors on a quarterly basis to ensure adequate review and approval of disbursement requests, the Foundation manages its cash available to meet core operating needs following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and

- Maintaining sufficient reserves to provide reasonable assurance that long term financial sustainability will be achieved.

To uphold these principals, the Foundation's Executive Committee meets on a periodic basis to provide strategic oversight of the Foundation's core operating budget. In doing so, the Foundation strives to maintain financial assets available to meet operating expenditures at a level that represents at least 100% of annual expenses for general, administrative, and fundraising purposes. Additionally, the Foundation strives to ensure it maintains liquidity within its funds containing assets with donor restrictions, to cover expected payment of distribution commitments approved by the Board of Directors. Depending on the beneficiary and nature of the distribution, these amounts can vary for distributions of funds with purpose restrictions. For endowment funds which are held in perpetuity, annual distribution commitments are generally up to 5% of the market value of underlying assets up to a rolling three-year average.

The following table represents the Foundation's financial assets available for general expenditure for the year ended June 30, 2023:

Financial assets at period end	
Cash and cash equivalents	$ 7,239,576
Investments	58,530,310
Unconditional promises to give, net	8,437,345
Total financial assets	74,207,231
Less: Financial assets not available for general expenditures within one year:	
Investments held in perpetuity	(51,464,019)
Unconditional promises to give, due after one year, net	(8,035,237)
Board designated operating reserve	(1,442,340)
Financial assets not available to be used within one year	(60,941,596)
Financial assets available to meet general expenditures within one year	$ 13,265,635

The following table represents the Foundation's core operating financial assets available for expenditure for year ended June 30, 2023:

Financial assets available to meet general expenditures within one year	$ 13,265,635
Less: Financial assets with donor restrictions not to be used for core operating purposes	
Cash restricted for distributions	(1,894,847)
Investments restricted for distributions	(8,154,879)
Unconditional promises to give expected to be collected within one year, with donor restrictions, net	(570,083)
	(10,619,809)
Financial assets available to meet core operating needs within one year	$ 2,645,826

3. INVESTMENTS RECORDED AT FAIR VALUE

Investments generally consist of mutual funds. It is the Foundation's Gift Acceptance Policy to liquidate gifted securities upon receipt. The Foundation was gifted equity in two venture capital limited partnerships through a charitable remainder trust. The Foundation plans to liquidate the investments as soon as it is able to do so. As of June 30, 2023, the expected timing of liquidation of the investee's assets has not been communicated to the Foundation.

The following is a description of the valuation methodologies the Foundation uses for investments measured at fair value. There have been no changes in the methods used.

Mutual Funds - Valued at the daily closing price as reported by the fund. Mutual funds invested in are registered with the Securities and Exchange Commission. The funds are required to publish their daily net asset value and to transact at that price. The mutual funds invested in are deemed to be actively traded.

Following is a description of the valuation methodologies used for assets measured at net asset value ("NAV") as the practical expedient to estimate fair value:

Limited Partnerships – Valued using the market approach, on the basis of the relative interest of each participating investor, in the fair value of the underlying net asset of each limited partnership.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2023:

	Level 1	Level 2	Level 3	Total
Investments				
Mutual funds	$ 58,154,227	$ -	$ -	$ 58,154,227
Limited partnerships*	-	-	-	376,083
Total investments	$ 58,154,227	$ -	$ -	$ 58,530,310

* In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of financial position.

Investment income for the year ended June 30, 2023, which is net of related investment fees, is summarized as follows:

Interest and dividend income	$ 1,138,786
Realized and unrealized loss	4,608,815
	$ 5,747,601

4. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give as of June 30, 2023 include amounts that have been discounted at rates ranging from 0.95% to 1.71% and are as follows:

Amounts due in	
Less than one year	$ 570,083
One to five years	40,620
Greater than five years	9,500,019
Total pledges	10,110,722
Less:	
Reserve for uncollectible promises to give	(1,645,494)
Discount to present value	(27,883)
	$ 8,437,345

As of June 30, 2023, an outstanding pledge related to the Christ Cathedral Capital Campaign represented 91.5% of the total amount outstanding.

During the year ended June 30, 2023, the Foundation did not recognize any expense related to reserves for potentially uncollectible pledges.

5. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2023 consists of the following:

Office furniture and computer equipment	$ 146,856
Leasehold improvements	177,116
Property and equipment, at cost	323,972
Less: Accumulated depreciation	(303,340)
Property and equipment, net	$ 20,632

Depreciation expense for the year ended June 30, 2023 was $26,672.

6. ACCOUNTS AND DISTRIBUTIONS PAYABLE AND ACCRUED LIABILITIES

Accounts and distributions payable and accrued liabilities consist of the following at June 30, 2023:

Salaries and wages	$ 22,705
Vacation	25,644
General payables and other accrued expenses	244,819
	$ 293,168

7. NET ASSETS

Net assets without donor restrictions at June 30, 2023 consist of the following:

Undesignated	$ 2,505,249
Board-designated	1,442,340
	$ 3,947,589

Net assets with donor restrictions at June 30, 2023 consist of the following:

Purpose restriction	
Capital campaigns	$ 8,439,862
Tuition assistance and distributions to various parishes, schools and Catholic related causes	10,453,759
	18,893,621
Perpetual in nature	51,464,019
	$ 70,357,640

Net assets with donor restrictions were released during the year ended June 30, 2023 for the following purposes:

Satisfaction of purpose restrictions	
Capital campaigns	$ 14,474
Tuition assistance and distributions to various parishes, schools and Catholic related causes	2,011,507
	2,025,981
Appropriations from endowments	964,601
	$ 2,990,582

8. DESIGNATED NET ASSETS

Through the budgetary process, the Foundation has designated funds for specific purposes which are presented in the accompanying statement of financial position as net assets without donor restrictions.

The Board of Directors created the Foundation Fund to grow, expand, and improve the Foundation's ability to fulfill its mission to raise, manage, grow, and distribute funds. There were no distributions made from the fund during the year ended June 30, 2023 and amounts designated totaled $1,318,952 as of June 30, 2023.

The Board of Directors also created the Cynthia Bobruk Operations Fund to function as a Quasi endowment in support of the Foundation's operations. There were no distributions made from the fund during the year ended June 30, 2023 and amounts designated totaled $61,494 as of June 30, 2023.

9. ENDOWMENT

The Foundation has adopted the accounting standard for *Endowments of Not-for-Profit Organizations*. A key component of the accounting standard is a requirement to classify the portion of a donor-restricted endowment fund that is not classified as net assets with donor restrictions in perpetuity as net assets with donor restrictions for purpose or time, until appropriated for expenditure.

The accounting standard provides guidance with respect to the accounting for donor-restricted endowment funds subject to the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), which the State of California has enacted. In addition, the accounting standard requires expanded disclosures for all endowment funds. Based on its interpretation of the provisions of UPMIFA and the accounting standard, the Foundation has determined that retaining its existing policies regarding net asset classification of its donor-restricted endowment funds is appropriate. The historic dollar value of donor-restricted endowment contributions is reported as net assets with donor restrictions in perpetuity.

The Foundation's endowment consists of approximately 80 individual funds established for a variety of purposes.

Changes in Endowment Net Assets for the Year Ended June 30, 2023:

	With Donor Restrictions		
	Purpose	**In Perpetuity**	**Total**
Endowment net assets, June 30, 2022	$ 317,263	$ 42,638,247	$ 42,955,510
Contributions	-	5,278,737	5,278,737
Investment return			
Investment income	8,024	819,780	827,804
Realized and unrealized gain on investments	35,907	3,667,163	3,703,070
Appropriation of endowment for expenditure	(24,693)	(939,908)	(964,601)
Endowment net assets, June 30, 2023	$ 336,501	$ 51,464,019	$ 51,800,520

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 requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies of this nature that are reported in net assets without donor restriction as of June 30, 2023.

Return Objectives and Risk Parameters
The Foundation has adopted investment and spending policies for endowment assets that provide continued financial stability for the Foundation and a revenue stream for spending on the Foundation's mission. 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 Directors, the endowment assets are invested in a morally and ethically responsible manner, as reasonably as possible, that promotes diversification while obtaining a competitive rate of return with the secondary objective to maintain liquidity.

Strategies Employed for Achieving Objectives
To satisfy its long-term rate-of-return, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yields (interest and dividends). The Foundation targets a diversified asset allocation that utilizes fixed income and equity-based investments to achieve its long-term objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy
The Foundation has a policy of appropriating a spendable amount for distribution as of January 1 of each year (currently 5%) of each Foundation established endowment fund's average fair market value over the prior twelve quarters. New funds established require a minimum of four quarters performance prior to January 1 of each year.

The Foundation has a policy for endowment funds not established by, but given to, the Foundation of appropriating a spendable amount for distribution as of January 1 of each year, governed by the terms of each individual fund agreement.

These spending assumptions are intended to allow for the significant and immediate spending of the income of the portfolio, provide a target rate of return for the endowment funds held by the Foundation, and provide a sustainable spending level that will allow for support of the Foundation's initiatives in fulfilling its mission, while maintaining the purchasing power of the endowment funds' assets.

10. TRANSACTIONS WITH AFFILIATE AND SUBSEQUENT EVENT

The Foundation has entered into a service agreement with the Diocese of Orange that outlined specific services to be provided to the Diocese of Orange from the Foundation. This agreement had an expiration date of June 30, 2022, and was then verbally extended with no set maturity date. The Foundation recognized service income totaling $1,000,000 during the year ended June 30, 2023 in the statement of activities and changes in net assets.

During the year ended June 30, 2023, the Foundation incurred rent expense and reimbursable administrative expenses through its service arrangements with the Diocese of Orange totaling $106,445.

The Foundation maintains an office rental agreement with the Diocese of Orange for the rental of the Foundation's main office space. The lease agreement was amended in January 2020 to provide for monthly rent of $5,472 plus a monthly information technology charge of $1,720, which includes the Foundation's share of certain facilities costs. The agreement has an original maturity date of October 2023, and was subsequently converted to month to month once expired.

11. LEASE OF TRANSMISSION CAPACITY

The Foundation owns broadband spectrum frequency within a certain geographical region of Orange County that allows it to operate equipment which propagates broadband services for educational purposes to users within that region's population. In 2005, the Foundation entered into an agreement with an organization to lease a portion of the spectrum in exchange for monthly lease payments. The agreement has an initial term of 10 years, plus 5 automatic 10-year extensions, with a final maturity date of December 31, 2065. The agreement calls for the Foundation to receive minimum rental payments of $42,036 per month, to be increased annually by the Consumer Price Index. The Foundation recognized rental income totaling $560,272 during the year ended June 30, 2023 in the statement of activities and changes in net assets. Future minimum annual rents under the lease agreement are as follows:

2024	$ 544,236
2025	544,236
2026	544,236
2027	544,236
2027	544,236
Thereafter	20,408,850
	$ 23,130,030

12. CONTRIBUTED NONFINANCIAL ASSETS

For the year ended June 30, 2023, contributed nonfinancial assets recognized within the statement of activities and changes in net assets included printed materials of $17,749.

The Foundation recognized contributed nonfinancial assets within revenue, including contributed printed materials. In valuing the contributed nonfinancial assets, the Foundation used the estimated fair market value of materials/services provided. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed print materials were utilized to help pay for the Foundation's printed marketing materials.

13. SPECIAL EVENTS

As a part of its fundraising efforts, the Foundation holds periodic special events. Revenue for special events is recognized in the period in which the event is held. Direct expenses associated with special events are netted against such revenue. Special events, net included in the statement of activities and changes in net assets for the year ended June 30, 2023, consist of fundraising income of $616,017 netted with related fundraising expenses of $62,400.

14. EMPLOYEE RETENTION CREDIT

The Foundation has applied for the employee retention credit in the amount of $273,985. The credit will be claimed against the Foundation's payroll tax obligations for each calendar quarter based on the qualified wages, subject to certain limitations. The Foundation recorded revenue totaling $273,985 in fiscal year 2022. The Foundation had not received payment on the employee retention credit as of June 30, 2023 and has recorded a receivable for the full amount on the statement of financial position.