

REPORT DATE

To the Board of Directors and Management
Catholic Community Foundation for Eastern South Dakota
Sioux Falls, South Dakota

We have audited the financial statements of Catholic Community Foundation for Eastern South Dakota as of and for the year ended June 30, 2023, and have issued our report thereon dated REPORT DATE. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our letter dated May 31, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of Catholic Community Foundation for Eastern South Dakota solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies and Related Disclosures

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Catholic Community Foundation for Eastern South Dakota are described in Note 1 to the financial statements. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are the valuation of conditional promises to give and valuation of certain investments.

Management's estimate of the conditional promises to give is based on the estimated fair value as of the date of the gift.

Management's estimate of the fair value of certain investments that are not readily redeemable is based on the net asset value per share, or its equivalent.

We evaluated the key factors and assumptions used to develop the above estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Foundation's financial statements relate to related party activities and balances and the fair value of certain investments.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit. There were no significant uncorrected or corrected misstatements identified as a result of our audit procedure.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. We did not identify and circumstances that affect the form and content of the auditor's report.

Representations Requested from Management

We have requested certain written representations from management that are included in the management representation letter dated REPORT DATE.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with Catholic Community Foundation for Eastern South Dakota, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Catholic Community Foundation for Eastern South Dakota's auditors.

This report is intended solely for the information and use of the Board of Directors and management of Catholic Community Foundation for Eastern South Dakota and is not intended to be, and should not be, used by anyone other than these specified parties.

Sioux Falls, South Dakota

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REPORT DATE

To the Board of Directors and Management
Catholic Community Foundation for Eastern South Dakota
Sioux Falls, South Dakota

In planning and performing our audit of the financial statements of Catholic Community Foundation for Eastern South Dakota as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered Catholic Community Foundation for Eastern South Dakota's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of Catholic Community Foundation for Eastern South Dakota's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible*. The chance of the future event or events occurring is more than remote but less than likely.
- *Probable*. The future event or events are likely to occur.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of the Board of Directors and management of Catholic Community Foundation for Eastern South Dakota, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sioux Falls, South Dakota

Financial Statements
June 30, 2023 and 2022

**Catholic Community Foundation for
Eastern South Dakota**

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Catholic Community Foundation for Eastern South Dakota

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June 30, 2023 and 2022

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Independent Auditor's Report

The Board of Directors
Catholic Community Foundation for Eastern South Dakota
Sioux Falls, South Dakota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Catholic Community Foundation for Eastern South Dakota, which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Catholic Community Foundation for Eastern South Dakota as of June 30, 2023 and 2022, and the results of its operations 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 Catholic Community Foundation for Eastern South Dakota and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Catholic Community Foundation for Eastern South Dakota'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 Catholic Community Foundation for Eastern South Dakota'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 Catholic Community Foundation for Eastern South Dakota'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.

Sioux Falls, South Dakota
REPORT DATE

Catholic Community Foundation for Eastern South Dakota
Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	\$ 7,606,893	\$ 7,478,990
Receivables, net		
Contributions - pledges	570,366	753,465
Contributions - estates	335,299	56,579
Other	42,856	20,288
Investments	135,679,378	121,918,963
Trust accounts	5,154,607	4,959,396
Beneficial interest in trusts	1,535,760	1,535,760
Cash surrender value of life insurance	685,472	587,831
Other	875,846	34,813
	\$ 152,486,477	\$ 137,346,085
Liabilities and Net Assets		
Payables	\$ 7,011,144	\$ 3,333,648
Agency accounts	47,630,565	43,296,999
Trust accounts	4,610,709	4,470,157
Annuities payable	389,831	423,448
Deferred compensation	804,001	727,001
Beneficial interest of specified organizations	5,368,974	4,954,772
Total liabilities	65,815,224	57,206,025
Net Assets		
Without donor restrictions	1,656,905	1,331,732
With donor restrictions	85,014,348	78,808,328
Total net assets	86,671,253	80,140,060
	\$ 152,486,477	\$ 137,346,085

Catholic Community Foundation for Eastern South Dakota

Statements of Activities

Years Ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
Revenues, Gains, and Other Support						
Contributions	\$ 298,247	\$ 4,787,700	\$ 5,085,947	\$ 18,914	\$ 7,152,776	\$ 7,171,690
Contributions of nonfinancial assets	-	131,896	131,896	-	128,577	128,577
Net investment return	5,590,672	8,156,619	13,747,291	(7,532,999)	(11,339,755)	(18,872,754)
Investment earnings distributions to agency accounts	(4,582,563)	-	(4,582,563)	7,060,593	-	7,060,593
Special events, net of direct expenses of \$526,891 and \$461,706, respectively	-	741,975	741,975	-	704,512	704,512
Change in beneficial interests	(532,046)	-	(532,046)	810,873	123,904	934,777
Other income (loss)	436,194	(42,015)	394,179	297,689	52,987	350,676
Satisfaction of restrictions	7,570,155	(7,570,155)	-	8,811,494	(8,811,494)	-
	<u>8,780,659</u>	<u>6,206,020</u>	<u>14,986,679</u>	<u>9,466,564</u>	<u>(11,988,493)</u>	<u>(2,521,929)</u>
Expenses						
Program						
Grants and distributions	6,310,545	-	6,310,545	7,468,182	-	7,468,182
Support services						
Fundraising	1,498,400	-	1,498,400	1,474,277	-	1,474,277
Administrative	646,541	-	646,541	598,476	-	598,476
	<u>8,455,486</u>	<u>-</u>	<u>8,455,486</u>	<u>9,540,935</u>	<u>-</u>	<u>9,540,935</u>
Change in Net Assets	325,173	6,206,020	6,531,193	(74,371)	(11,988,493)	(12,062,864)
Beginning Net Assets	<u>1,331,732</u>	<u>78,808,328</u>	<u>80,140,060</u>	<u>1,406,103</u>	<u>90,796,821</u>	<u>92,202,924</u>
Ending Net Assets	<u>\$ 1,656,905</u>	<u>\$ 85,014,348</u>	<u>\$ 86,671,253</u>	<u>\$ 1,331,732</u>	<u>\$ 78,808,328</u>	<u>\$ 80,140,060</u>

Catholic Community Foundation for Eastern South Dakota
 Statements of Functional Expenses
 Years Ended June 30, 2023 and 2022

	2023				2022			
	Program	Fundraising	Administrative	Total	Program	Fundraising	Administrative	Total
Adoration Sisters Monastery	\$ 84,408	\$ -	\$ -	\$ 84,408	\$ 9,980	\$ -	\$ -	\$ 9,980
Bishop Dudley Hospitality House	273,049	-	-	273,049	217,417	-	-	217,417
Broom Tree Farm Retreat Ministries	236,500	-	-	236,500	273,182	-	-	273,182
Cathedral of St. Joseph	155,094	-	-	155,094	119,750	-	-	119,750
Catholic social ministries	1,600,012	-	-	1,600,012	1,637,809	-	-	1,637,809
Catholic education	1,491,506	-	-	1,491,506	1,445,157	-	-	1,445,157
Diocesan ministries and Catholic Chancery Office	389,697	-	-	389,697	543,757	-	-	543,757
Parishes, cemeteries, and other	1,282,638	-	-	1,282,638	2,477,123	-	-	2,477,123
Pension Plan for Priests	43,600	-	-	43,600	4,907	-	-	4,907
Seminarian and priest education	754,041	-	-	754,041	739,100	-	-	739,100
Salaries and benefits	-	1,196,848	480,443	1,677,291	-	1,173,166	473,218	1,646,384
Public relations	-	101,975	5,419	107,394	-	107,091	3,081	110,172
Office support	-	58,569	68,863	127,432	-	54,043	50,716	104,759
Professional fees	-	82,565	68,356	150,921	-	89,320	51,028	140,348
Printing, postage and supplies	-	28,473	11,430	39,903	-	22,157	8,937	31,094
Rent	-	29,970	12,030	42,000	-	28,500	11,496	39,996
	<u>\$ 6,310,545</u>	<u>\$ 1,498,400</u>	<u>\$ 646,541</u>	<u>\$ 8,455,486</u>	<u>\$ 7,468,182</u>	<u>\$ 1,474,277</u>	<u>\$ 598,476</u>	<u>\$ 9,540,935</u>

Catholic Community Foundation for Eastern South Dakota

Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Operating Activities		
Change in net assets	\$ 6,531,193	\$ (12,062,864)
Adjustments to reconcile change in net assets to net cash from operating activities		
Contributions restricted for investment in endowment	(1,040,565)	(2,041,084)
Gain on sale of investments	(1,196,826)	(24,987,335)
Unrealized (gain) loss on investments	(9,800,730)	45,983,283
Investment earnings (losses) distributed to agency accounts	4,582,563	(7,060,593)
Deferred compensation expense	77,000	77,000
Changes in		
Receivables	(128,469)	(468,271)
Other assets	(993,333)	164,588
Payables	3,677,496	2,098,350
Agency accounts	(248,997)	2,238,625
Annuities payable	(33,617)	(68,993)
Beneficial interest in a trust	-	(123,904)
Beneficial interest of specified organizations	414,202	(920,584)
Net Cash From Operating Activities	1,839,917	2,828,218
Investing Activities		
Proceeds from sales and maturities of investments	4,347,955	68,561,688
Purchase of investments and reinvested earnings	(7,110,814)	(71,927,673)
Net Cash Used for Investing Activities	(2,762,859)	(3,365,985)
Financing Activities		
Collections of contributions restricted to endowment	1,050,845	2,806,173
Net Change in Cash and Cash Equivalents	127,903	2,268,406
Beginning Cash and Cash Equivalents	7,478,990	5,210,584
Ending Cash and Cash Equivalents	\$ 7,606,893	\$ 7,478,990

Note 1 - Purpose and Significant Accounting Policies

Purpose

The Catholic Foundation for Eastern South Dakota, which conducts activities as Catholic Community Foundation for Eastern South Dakota (the Foundation), is a not-for-profit corporation and has tax exempt status from the Internal Revenue Service under Internal Revenue Code Section 501(c)(3) primarily engaged to provide investment, fiduciary, distribution and related services to religious, charitable, and educational institutions within the Diocese of Sioux Falls.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with an original maturity of three months or less.

Contributions Receivable

Contributions receivable represent the uncollected portion of unconditional promises to give. Contributions due in less than one year are reported at net realizable value. Contributions due in more than one year are discounted to fair value using an appropriate discount factor. Management's estimate of uncollectible promises to give is based on historical data for similar fundraising campaigns. Uncollectible contributions are charged off against the allowance when specific circumstances indicate that collection is no longer probable.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of the donation. Thereafter, investments are recorded at their estimated fair market value. Appreciation and depreciation in fair value are reflected in the period occurred.

Equity funds represent mutual fund investments that pursue strategies that include diverse positions within equity markets. Fixed income funds represent mutual fund investments that pursue strategies that include government, agency, municipal, and corporate bonds. Real asset funds represent mutual fund investments that pursue strategies that pursue inflation protection.

To achieve its investment objectives, the Foundation has acquired interest in investments that are not readily marketable. The fair values of these investments have been determined by management using the net asset value (NAV) provided by each fund. NAV is a practical expedient to determine the fair value of investments that do not have readily determinable fair value and to prepare financial statements consistent with the measurement principles of an investment company or consistent with the attributes of an investment company. Investment income, including interest, dividends, realized gains and losses, and unrealized gains and losses are allocated to participants based upon their pro rata share of the investments. Distributions from and liquidation of these investments is restricted based on specific terms of the fund agreements. The estimated values may differ materially from the values that would have been used had readily available markets for the investments existed.

The Foundation's investment policy is designed to achieve total return through a combination of capital appreciation and current yield that is in excess of the prudent spending policy by an amount equal to or in excess of inflation and investment costs. The Foundation's policy provides for a diversified asset allocation that is designed to minimize the level of risk necessary to achieve the target total return. Due to the long-time horizon of Foundation goals, the asset allocation places a greater emphasis on equity-based investments.

Net investment return is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Fair Value Measurements

The Foundation defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Foundation requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The Foundation also has adopted a fair value hierarchy, which prioritizes inputs into three broad levels.

Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

Trust Accounts

The Foundation holds assets under split-interest agreements in which it has been named the remainder beneficiary. The original donor retains variance power over the remainder beneficiary in substantially all of these agreements, accordingly, the Foundation records a liability for the assets held. The Foundation recognizes these assets as contributions when the original donor can no longer exercise variance power. Assets held under such agreements consist primarily of cash, mutual funds, marketable securities, and real estate.

Beneficial Interests

The Foundation holds certain assets on behalf of other organizations over which it has no variance power. The Foundation reports a liability equal to the amount of such assets held. The Foundation also has interests in assets held by trusts over which the trustee has no variance power. The Foundation reports an asset equal to the estimated fair value of the underlying assets on the date the Foundation received the beneficial interest.

Cash Surrender Value of Life Insurance

The Foundation is the owner and beneficiary of life insurance policies with face values of approximately \$1,518,000 as of June 30, 2023. Contributors have donated policies or the funds to purchase policies and pay premiums.

Concentrations of Credit Risk

The Foundation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. At June 30, 2023 and 2022, the Foundation had \$653,897 and \$662,227, respectively, in excess of FDIC-insured limits.

Agency Accounts

The Foundation accepts funds to invest from various organizations. Principal may be withdrawn with six months written notice. Investment earnings are not subject to withdrawal restrictions. Agency accounts' proportionate share of investment income is reported as contra-revenue in the statements of activities. When investment activity results in losses, a credit to the contra-revenue account is reported.

Annuities Payable

The Foundation administers charitable gift annuities which provide for the payment of distributions based on the donors' designation. Assets held in charitable gift annuities are recorded at fair market value in the statements of financial position. On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries at fair value based on actuarial assumptions and present value techniques. Fair value measurements are used as management believes them to be the most appropriate measure of the Foundation's obligation under these arrangements. The present value of the estimated future payments is calculated using a discount rate of 4.2% and 3.6% in 2023 and 2022, respectively, and applicable mortality tables.

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Foundation reports contributions as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as satisfaction of restrictions.

Contributions

Contributions are recognized when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

Contributions received are recorded as with or without donor restrictions depending on the existence or nature of any donor-imposed restrictions. When donor-imposed restrictions expire, net assets with donor-imposed time or purpose restrictions are released to net assets without donor restrictions and reported in the statements of activities as satisfaction of restrictions.

Donated Services and Contributions of Nonfinancial Assets

The Foundation receives donated services from a variety of unpaid volunteers assisting with activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed professional services are recorded at the respective fair values of the services received. Contributed goods are recorded at fair value at the date of donation.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on estimates made by the Foundation's management.

Advertising Costs

Advertising costs are expensed as incurred.

Tax Matters

The Foundation is exempt from filing information returns with the Internal Revenue Service as an integrated auxiliary of a church. Management annually evaluates this and other tax positions and has determined there are no uncertain tax positions that meet the criteria for recognition in the financial statements. The filing status of the Foundation is subject to examination by federal authorities at their discretion.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Reclassifications have been made within the prior year investments measured at fair value table in Note 4 to conform to the current year presentation. Certain investments previously reported as investments measured at NAV are now reported as Level 1. The reclassifications had no impact on previously reported net assets.

Subsequent Events

The Foundation has evaluated subsequent events through REPORT DATE, the date which the financial statements were available to be issued.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,615,389	\$ 1,306,719
Contributions - estates	76,890	-
Anticipated administrative charges on endowments and other net assets	<u>1,615,000</u>	<u>1,243,000</u>
	<u>\$ 3,307,279</u>	<u>\$ 2,549,719</u>

As part of a liquidity management plan, cash in excess of daily requirements is held in money market funds.

Endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure. The Foundation deducts an amount annually for administrative costs from each endowment fund and certain other net assets. The amount was 1.65% and 1.70% as of June 30, 2023 and 2022, respectively. The proceeds from the charge are a significant component of the Foundation's operating budget. Anticipated charges to be assessed within one year from the statement of financial position date are presented as a source of liquidity above.

Note 3 - Contributions Receivable

Contributions receivable – pledges consist of unconditional promises to give as of June 30:

	<u>2023</u>	<u>2022</u>
Amounts due in less than one year	\$ 99,634	\$ 166,036
Amounts due in one to five years	572,484	733,486
	<u>672,118</u>	<u>899,522</u>
Less unamortized discount	(68,147)	(101,181)
Less allowance for uncollectible promises to give	<u>(33,605)</u>	<u>(44,876)</u>
Net contributions receivable	<u>\$ 570,366</u>	<u>\$ 753,465</u>

Estimates were used in the calculation of contributions receivable and as disclosed in Note 1, actual results could differ from these estimates. Contributions receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on those amounts is computed using a range of rates from 4.0%-4.5% that is based on assumptions regarding the level of uncertainty surrounding the timing of cash flows and historical data for interest rates. Amortization of the discounts is included in contribution revenue.

Contributions receivable – estates represents the estimated fair value of assets to be received upon settlement of estates for which the Foundation is the named beneficiary.

As of June 30, 2023 and 2022, promises to give from Board members were approximately \$665,000 and \$865,000, respectively. Total contributions from Board members were approximately \$754,000 and \$756,000 for the years ended June 30, 2023 and 2022, respectively.

Catholic Community Foundation for Eastern South Dakota

Notes to Financial Statements

June 30, 2023 and 2022

Note 4 - Fair Value of Assets and Liabilities

The Foundation uses Net Asset Value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, to estimate the fair values of its investments in certain equity securities and fixed income mutual funds.

The following tables present assets and liabilities measured at fair value on a recurring basis, except those measured by using NAV per share as a practical expedient as identified below as of June 30:

	2023				Total
	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Investments Measured at NAV	
Assets					
Investments					
Certificates of deposit	\$ -	\$ 1,004,349	\$ -	\$ -	\$ 1,004,349
Equity securities					
Domestic equity	63,534,096	-	-	4,344,641	67,878,737
International equity	20,991,883	-	-	10,656,232	31,648,115
Fixed Income					
Domestic					
Corporate	-	2,144,237	-	-	2,144,237
Government	4,195,160	3,068,649	-	-	7,263,809
Municipal	-	3,199,164	-	-	3,199,164
Mutual funds	15,262,835	-	-	-	15,262,835
Real assets funds	7,278,132	-	-	-	7,278,132
	<u>\$ 111,262,106</u>	<u>\$ 9,416,399</u>	<u>\$ -</u>	<u>\$ 15,000,873</u>	<u>\$ 135,679,378</u>
Trust accounts	<u>\$ 4,445,521</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,445,521</u>
Liabilities					
Agency accounts	\$ -	\$ 47,630,565	\$ -	\$ -	\$ 47,630,565
Trust accounts	3,901,623	-	-	-	3,901,623
Annuities payable	-	-	389,831	-	389,831
Beneficial interest of specified organizations	-	5,368,974	-	-	5,368,974
	<u>\$ 3,901,623</u>	<u>\$ 52,999,539</u>	<u>\$ 389,831</u>	<u>\$ -</u>	<u>\$ 57,290,993</u>

Catholic Community Foundation for Eastern South Dakota

Notes to Financial Statements

June 30, 2023 and 2022

	2022				Total
	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Investments Measured at NAV	
Assets					
Investments					
Certificates of deposit	\$ -	\$ 910,986	\$ -	\$ -	\$ 910,986
Equity securities					
Domestic equity	53,771,797	-	-	4,109,747	57,881,544
International equity	18,227,809	-	-	9,346,273	27,574,082
Fixed Income					
Domestic					
Corporate	-	2,245,946	-	-	2,245,946
Government	4,271,302	3,013,313	-	-	7,284,615
Municipal	-	3,316,582	-	-	3,316,582
Mutual funds	15,448,686	-	-	-	15,448,686
Real assets funds	7,256,522	-	-	-	7,256,522
	\$ 98,976,116	\$ 9,486,827	\$ -	\$ 13,456,020	\$ 121,918,963
Trust accounts					
	\$ 4,250,310	\$ -	\$ -	\$ -	\$ 4,250,310
Liabilities					
Agency accounts	\$ -	\$ 43,296,999	\$ -	\$ -	\$ 43,296,999
Trust accounts	3,761,071	-	-	-	3,761,071
Annuities payable	-	-	423,448	-	423,448
Beneficial interest of specified organizations	-	4,954,772	-	-	4,954,772
	\$ 3,761,071	\$ 48,251,771	\$ 423,448	\$ -	\$ 52,436,290

The fair value of funds, trust accounts, real assets, and a portion of equity and fixed income securities are determined by reference to quoted market prices. The fair value of certificates of deposit, agency accounts, beneficial interest of specified organizations, and a portion of fixed income securities are determined by reference to similar assets that are directly or indirectly observable in the marketplace. The fair value of annuities payable is estimated at the present value of the expected future cash flows.

Following is a reconciliation of activity for liabilities measured at fair value based upon significant unobservable (non-market) information:

	2023	2022
Balance, beginning of year	\$ 423,448	\$ 492,441
Adjustments to fair market value	47,139	1,145
New annuities	-	10,082
Payments to annuitants	(80,756)	(80,220)
Balance, end of year	\$ 389,831	\$ 423,448

Catholic Community Foundation for Eastern South Dakota

Notes to Financial Statements

June 30, 2023 and 2022

Additional information on investments in certain entities that calculate NAV per share is as of June 30:

	2023			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Domestic equity	\$ 4,344,641	\$ -	Daily	7 days
International equity	10,656,232	-	Daily	7 days
	2022			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Domestic equity	\$ 4,109,747	\$ -	Daily	7 days
International equity	9,346,273	-	Daily	7 days

Note 5 - Payables

Payables consist of the following as of June 30:

	2023	2022
Catholic Chancery Office	\$ -	\$ 6,107
Newman Centers	80,826	77,080
Pension Plan for Priests	45,885	53,751
St. Joseph Cathedral (Agency Activity)	3,058,628	1,814,286
Sioux Falls Formation Trust (Contribution Payable)	550,200	617,400
Immaculate Heart of Mary Parish (Agency Activity)	1,805,214	328,947
Aberdeen "One Vine" (Agency Activity)	1,355,874	315,696
Other	114,517	120,381
	\$ 7,011,144	\$ 3,333,648

Note 6 - Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following as of June 30:

	2023	2022
Restricted to support annuity payments	\$ 279,138	\$ 249,260
Subject to purpose restrictions	16,873,538	15,599,844
Endowments with undesignated distributions	13,252,151	12,650,491
Endowments with distributions subject to purpose restrictions	54,609,521	50,308,733
	\$ 85,014,348	\$ 78,808,328

Catholic Community Foundation for Eastern South Dakota

Notes to Financial Statements

June 30, 2023 and 2022

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2023 and 2022:

	2023	2022
Satisfaction of purpose restrictions		
Current year expenditures		
Grants and distributions	\$ 6,235,379	\$ 7,452,332
Foundation administrative fee retained	1,334,776	1,359,162
	\$ 7,570,155	\$ 8,811,494

Note 7 - Endowments

The Foundation's endowment consists of numerous donor restricted endowment funds and is classified as net assets with donor restrictions based on these donor-imposed restrictions.

Endowment agreements with donors specify that distributions from endowment funds will be restricted to a prudent spending policy as determined by the Board of Directors (currently 4% per annum). In years when investment returns are inadequate to support distributions, endowment principal will be invaded to provide support consistent with the underlying agreements and in accordance with the Foundation's policies and interpretation of relevant law. In years when investment returns are in excess of distributions, the excess is added to endowment principal. Because endowment agreements specifically preclude the maintenance of a specific principal balance, the Foundation does not experience endowments that are considered to be in a "deficiency" position.

The spending policy of the Board of Directors is determined annually based on consideration of the following factors:

- (1) The duration and preservation of the endowment
- (2) The purposes of the Foundation and the donor-restricted endowment funds
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources available
- (7) The investment policies of the Foundation

The spending policy is anticipated to allow the endowment to grow to maintain the purchasing power of endowment assets into perpetuity while providing an adequate distribution to the respective beneficiaries. Amounts are appropriated for expenditure once annually based on the spending policy, the entire remaining balance of the endowment subsequent to the annual appropriation is considered restricted in accordance with the terms of the endowment agreements.

Catholic Community Foundation for Eastern South Dakota

Notes to Financial Statements

June 30, 2023 and 2022

Endowment net assets composition by type of fund is as follows:

	Distributions without donor restrictions	Distributions subject to donor restrictions	Total
<u>June 30, 2023</u>			
Donor-restricted endowment funds	\$ 13,252,151	\$ 54,609,521	\$ 67,861,672
Number of funds	<u>61</u>	<u>818</u>	<u>879</u>
<u>June 30, 2022</u>			
Donor-restricted endowment funds	\$ 12,650,491	\$ 50,308,733	\$ 62,959,224
Number of funds	<u>61</u>	<u>801</u>	<u>862</u>

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

	2023		
	Distributions without donor restrictions	Distributions subject to purpose restrictions	Total
Endowment net assets, beginning of year	\$ 12,650,491	\$ 50,308,733	\$ 62,959,224
Net investment return	1,196,871	5,537,049	6,733,920
Contributions	26,077	1,014,488	1,040,565
Appropriation of endowment assets for expenditure	<u>(621,288)</u>	<u>(2,250,749)</u>	<u>(2,872,037)</u>
Endowment net assets, end of year	<u>\$ 13,252,151</u>	<u>\$ 54,609,521</u>	<u>\$ 67,861,672</u>
	2022		
	Distributions without donor restrictions	Distributions subject to purpose restrictions	Total
Endowment net assets, beginning of year	\$ 14,887,045	\$ 58,247,754	\$ 73,134,799
Net investment return	(1,722,166)	(7,733,723)	(9,455,889)
Contributions	42,553	1,998,531	2,041,084
Appropriation of endowment assets for expenditure	<u>(556,941)</u>	<u>(2,203,829)</u>	<u>(2,760,770)</u>
Endowment net assets, end of year	<u>\$ 12,650,491</u>	<u>\$ 50,308,733</u>	<u>\$ 62,959,224</u>

Note 8 - Deferred Compensation

The Foundation has executive deferred compensation plans. An accrual for future anticipated benefits payable is reported as a liability in the statements of financial position. Related expense totaled \$77,000 for each of the years ended June 30, 2023 and 2022. Plan benefits, subject to vesting requirements that specify a minimum period of service, are payable upon the employee's retirement in annual installments for periods of 5 and 10 years. In the event of the employee's death, plan benefits will be paid to a beneficiary. Life insurance coverage is in place to fund plan death benefits. The plans also provide for disability benefits for which there is no insurance coverage but for which the accrued liability on the statement of financial position is sufficient. Disability benefits would also be paid in annual installments for a period of 5 and 10 years.

Note 9 - Retirement Plan

The Foundation participates in a defined contribution plan that covers eligible lay employees with over one year of service. Contributions to the plan are based on 3% of the employee's gross salary. The employee may also contribute to the plan. Contributions for Foundation lay employees totaled \$38,234 and \$32,788 for the years ended June 30, 2023 and 2022, respectively.

Note 10 - Related Parties**Catholic Chancery Office (the Chancery)**

The Bishop is President of the Catholic Chancery Office and is also an ex-officio member of the Foundation's Board of Directors. The Chancery charged the Foundation \$102,000 and \$81,000 for office support and rent for the years ended June 30, 2023 and 2022, respectively. The Foundation made contributions to health insurance funds operated by Chancery in the amount of \$-0- and \$37,961 for the years ended June 30, 2023 and 2022, respectively. The Chancery paid the Foundation \$76,500 and \$70,000 to operate the CFSA Campaign for the years ended June 30, 2023 and 2022, respectively. Distributions to the Chancery totaled \$1,352,555 and \$1,470,895 for the years ended June 30, 2023 and 2022, respectively.

Pension Plan for Priests

The Catholic Chancery Office and the Bishop are the trustees of the Pension Plan for Priests.

Cathedral of St. Joseph (Cathedral)

The Bishop is the Pastor of the Cathedral of St. Joseph.

Broom Tree Farm Retreat Ministries (Broom Tree)

The Bishop is a member of the Broom Tree Board of Directors.

Catholic Family Services d/b/a The Lourdes Center (TLC)

The Bishop is a member of the TLC Board of Directors. The Foundation maintains an agency account in TLC's name. The balance of the agency account was \$185,550 and \$167,516 as of June 30, 2023 and 2022, respectively. Distributions to TLC totaled \$167,290 and \$178,899 for the years ended June 30, 2023 and 2022, respectively.

Balances due to and from and support provided to the above related organizations are separately reported in the accompanying statements of functional expenses and Note 5.

CatholicCare

The Bishop is one of the trustees of CatholicCare. The Foundation made contributions to health insurance funds operated by CatholicCare in the amount of \$142,805 and \$104,129 for the years ended June 30, 2023 and 2022, respectively.

Sioux Falls Formation Trust (Formation Trust)

The Bishop is one of the trustees of the Formation Trust. Distributions to the Formation Trust totaled \$-0- and \$1,217,400 for the years ended June 30, 2023 and 2022, respectively. Balances due to the Formation Trust are separately reported Note 5.

Note 11 - Conditional Promises to Give

The Foundation has outstanding conditional promises to give that are not recognized as assets in the statements of financial position in the estimated amounts of \$120,100,000 and \$118,700,000 as of June 30, 2023 and 2022, respectively. The conditional promises to give are largely in the form of revocable beneficial interests in wills, trusts, and life insurance policies.