Seeds of Hope of Northern Colorado, Inc.

Consolidated Financial Statements

June 30, 2023 and 2022

(With Independent Auditor's Report Thereon)

Kundinger, Corder & Montoya, P.C.

Certified Public Accountants

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Certified Public Accountants

Independent Auditor's Report

Board of Directors
Seeds of Hope of Northern Colorado, Inc.

Opinion

We have audited the accompanying consolidated financial statements of Seeds of Hope of Northern Colorado, Inc. and affiliate, which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Seeds of Hope of Northern Colorado, Inc. and affiliate as of June 30, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

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 Seeds of Hope of Northern Colorado, Inc. 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 the consolidated financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Seeds of Hope of Northern Colorado, Inc.'s ability to continue as a going concern within one year after the date that the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 Seeds of Hope of Northern Colorado, Inc.’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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Seeds of Hope of Northern Colorado, Inc.'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.

Kundinger, Corder & Montoya, P.C.

October 18, 2023

Seeds of Hope of Northern Colorado, Inc.
Consolidated Statements of Financial Position
June 30, 2023 and 2022

		2023	2022
Assets			
Cash and cash equivalents	$	5,813,112	3,676,990
Parish assessments receivable, net of allowance of $36,188 in 2023 and $10,575 in 2022		321,123	148,197
Prepaid expenses		27,021	20,914
Contributions receivable (note 3)		218,516	254,266
Investments (note 4)		8,576,318	8,266,908
Total assets	$	14,956,090	12,367,275
Liabilities and net assets			
Accounts payable and accrued expenses	$	46,715	28,581
Net assets (notes 5 and 6):			
Without donor restrictions–undesignated		5,319,870	3,026,491
Without donor restrictions–board designated		345,000	340,000
Total net assets without donor restrictions		5,664,870	3,366,491
With donor restrictions		9,244,505	8,972,203
Total net assets		14,909,375	12,338,694
Commitments (note 7)			
Total liabilities and net assets	$	14,956,090	12,367,275

See the accompanying notes to the consolidated financial statements.

Seeds of Hope of Northern Colorado, Inc.
Consolidated Statement of Activities
Year Ended June 30, 2023

	Without donor restrictions	With donor restrictions	Total
Revenue, gains and support			
Contributions and grants	$ 1,869,872	1,348,342	3,218,214
Special events	1,284,434	75,200	1,359,634
Less direct expenses	(131,112)	–	(131,112)
Parish assessments	601,919	–	601,919
Investment return, net (note 4)	127,181	634,982	762,163
Net assets released from restrictions (note 5)	1,786,222	(1,786,222)	–
Total revenue, gains and support	5,538,516	272,302	5,810,818
Expenses			
Program services			
Grants to schools and students	2,380,164	–	2,380,164
Grant making expenses	364,050	–	364,050
Total program services	2,744,214	–	2,744,214
Supporting services			
Management and general	145,580	–	145,580
Fundraising	350,343	–	350,343
Total supporting services	495,923	–	495,923
Total expenses	3,240,137	–	3,240,137
Change in net assets	2,298,379	272,302	2,570,681
Net assets at beginning of year	3,366,491	8,972,203	12,338,694
Net assets at end of year	$ 5,664,870	9,244,505	14,909,375

See the accompanying notes to the consolidated financial statements.

Seeds of Hope of Northern Colorado, Inc.
Consolidated Statement of Activities
Year Ended June 30, 2022

	Without donor restrictions	With donor restrictions	Total
Revenue, gains and support			
Contributions and grants	$ 471,988	1,489,136	1,961,124
Less amounts designated by donors for specific schools	(105,000)	–	(105,000)
Total contributions and grants	366,988	1,489,136	1,856,124
Special events	1,016,486	64,500	1,080,986
Less direct expenses	(153,426)	–	(153,426)
Parish assessments	517,151	–	517,151
Investment return, net (note 4)	(19,229)	(1,075,846)	(1,095,075)
Net assets released from restrictions (note 5)	2,024,774	(2,024,774)	–
Total revenue, gains and support	3,752,744	(1,546,984)	2,205,760
Expenses			
Program services			
Grants to schools and students	2,602,654	–	2,602,654
Grant making expenses	313,224	–	313,224
Total program services	2,915,878	–	2,915,878
Supporting services			
Management and general	99,737	–	99,737
Fundraising	320,650	–	320,650
Total supporting services	420,387	–	420,387
Total expenses	3,336,265	–	3,336,265
Change in net assets	416,479	(1,546,984)	(1,130,505)
Net assets at beginning of year	2,950,012	10,519,187	13,469,199
Net assets at end of year	$ 3,366,491	8,972,203	12,338,694

See the accompanying notes to the consolidated financial statements.

Seeds of Hope of Northern Colorado, Inc.
Consolidated Statement of Functional Expenses
Year Ended June 30, 2023

	Program services	Management and general	Fund-raising	Total
Grants to schools and students	$ 2,380,164	–	–	2,380,164
Salaries and related expenses	276,241	29,855	90,936	397,032
Service fee (note 7)	48,333	33,667	218,000	300,000
Fundraising and donor appreciation expenses	100	467	155,809	156,376
Professional fees	12,990	34,400	–	47,390
Operational services fee (note 9)	1,198	44,004	1,398	46,600
Office equipment and supplies	10,631	111	2,467	13,209
Miscellaneous expenses	5,853	1,818	2,536	10,207
Printing and postage	637	523	7,222	8,382
Rent (note 9)	4,778	735	1,957	7,470
Bank and merchant fees	3,289	–	1,130	4,419
Total functional expenses	2,744,214	145,580	481,455	3,371,249
Less expenses included with revenue in the statement of activities	–	–	(131,112)	(131,112)
Total expenses	$ 2,744,214	145,580	350,343	3,240,137

See the accompanying notes to the consolidated financial statements.

Seeds of Hope of Northern Colorado, Inc.
Consolidated Statement of Functional Expenses
Year Ended June 30, 2022

	Program services	Management and general	Fund-raising	Total
Grants to schools and students	$ 2,602,654	–	–	2,602,654
Salaries and related expenses	239,318	23,650	75,507	338,475
Service fee (note 7)	49,667	44,000	206,333	300,000
Fundraising and donor appreciation expenses	–	–	174,178	174,178
Professional fees	–	28,545	–	28,545
Office equipment and supplies	11,471	116	1,379	12,966
Printing and postage	771	1,408	8,757	10,936
Miscellaneous expenses	5,180	1,332	4,326	10,838
Rent (note 9)	5,040	686	1,744	7,470
Bank and merchant fees	1,777	–	1,852	3,629
Total functional expenses	2,915,878	99,737	474,076	3,489,691
Less expenses included with revenue in the statement of activities	–	–	(153,426)	(153,426)
Total expenses	$ 2,915,878	99,737	320,650	3,336,265

See the accompanying notes to the consolidated financial statements.

Seeds of Hope of Northern Colorado, Inc.
Consolidated Statements of Cash Flows
Year Ended June 30, 2023 and 2022

		2023	2022
Cash flows from operating activities			
Change in net assets	$	2,570,681	(1,130,505)
Adjustments to reconcile change in net assets to net cash provided by operating activities			
Provision for doubtful accounts		25,613	4,337
Interest and dividends restricted for endowment		(74,723)	(73,778)
Realized and unrealized (gain) loss on investments		(617,063)	1,131,962
Change in operating assets and liabilities			
Parish assessments receivable		(198,539)	45,909
Prepaid expenses		(6,107)	(854)
Contributions receivable		35,750	54,364
Accounts payable and accrued expenses		18,134	(77)
Net cash provided by (used in) operating activities		1,753,746	31,358
Cash flows from investing activities			
Net purchases of investments		(37,347)	(25,625)
Distribution from endowment earnings		345,000	340,000
Net cash provided by investing activities		307,653	314,375
Cash flows from financing activities			
Interest and dividends restricted for endowment		74,723	73,778
Net increase in cash and cash equivalents		2,136,122	419,511
Cash and cash equivalents at beginning of year		3,676,990	3,257,479
Cash and cash equivalents at end of year	$	5,813,112	3,676,990

See the accompanying notes to the consolidated financial statements.

(1) Summary of Significant Accounting Policies

(a) Organization

The Seeds of Hope Charitable Trust (the "Trust") was formed in August 1996 by an alliance of concerned business and community leaders and the Archdiocese of Denver (the "Archdiocese"). The purpose of the Trust is to cultivate minds and hearts for Christ by developing the financial resources necessary to strengthen Catholic educational opportunities for low-income families and economically disadvantaged children in the territory of the Archdiocese, and specifically within the inner city of Denver. Earnings of the Trust may be used to provide grants for tuition assistance, programming, and equipment for K-8 Catholic schools in economically disadvantaged areas in northern Colorado, as well as the inner city of Denver.

Seeds of Hope of Northern Colorado, Inc. ("SOH Inc.") was created on June 13, 2017 as a Colorado nonprofit organization to both support and expand the mission of the Trust. In furtherance of such purposes and to remain committed to making an impact in low-income communities by creating access to a Catholic education, SOH Inc. continues to offer Hope Scholarships to qualifying and eligible students and their families at any of the Archdiocese Catholic K–8 schools. In addition, as a service to the Archdiocese's Office of Catholic Schools, SOH Inc. continues to maintain the Variable Tuition Program, the online, centralized tuition platform, which gathers important data and information from families and students to help schools calculate affordable tuition.

Effective September 9, 2017, the Trust's charitable trust agreement was amended and restated to convert the Trust to an irrevocable trust and to name SOH Inc. as the Trust's sole trustee to provide oversight and management of the Trust. The accompanying consolidated financial statements include the accounts of the Trust and SOH Inc. All intercompany balances and transactions have been eliminated in consolidation. The Trust and SOH Inc. are hereinafter collectively referred to as "the Organization".

The Organization's revenue is derived primarily from contributions and grants, special events, parish assessments (see note 1(i)), and return on investments.

(b) Basis of Accounting

The accompanying consolidated financial statements of the Organization have been prepared on the accrual basis of accounting, and accordingly reflect all significant receivables, payables, and other liabilities.

(c) Financial Statement Presentation

The Organization is required to present information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors. The board designated funds are included in net assets without donor restrictions.

(1) Summary of Significant Accounting Policies, Continued

(c) Financial Statement Presentation, Continued

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

(d) Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less, and which are not held by investment managers as part of an investment portfolio, to be cash equivalents. Included in cash and cash equivalents at June 30, 2023 and 2022, are amounts held in a savings deposit account at the Archdiocese of Denver Irrevocable Revolving Fund Trust totaling $4,750,895 and $2,046,913, respectively (see note 9).

(e) Concentrations of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents, investment securities, parish assessments receivable, and contributions receivable.

The Organization places a portion of its cash and cash equivalents with the Archdiocese of Denver Irrevocable Revolving Fund Trust. At times, a portion of these account balances may not be insured by the Federal Deposit Insurance Corporation or related entity. The Organization has investments and is therefore subject to concentrations of credit risk. The investments are pooled with the investments of and managed by investment managers engaged by The Catholic Foundation of Northern Colorado ("The Catholic Foundation"). Though the market value of investments is subject to fluctuations on a year-to-year basis, management believes that the investment policy is prudent for the long-term welfare of the Organization.

Credit risk with respect to parish assessments receivable and contributions receivable is limited due to the number and credit worthiness of the parishes, foundations, and individuals from whom the amounts are due.

(f) Investments

The Organization reports investments at fair value. Fair value is determined as more fully described under the fair value measurements footnote (note 1(g)). The Organization's management is responsible for the fair value measurement of investments reported in the financial statements and believes that the reported values are reasonable. Investment return consists of the Organization's distributive share of any interest, dividends, and capital gains and losses generated from investments. Investment gain or loss (including realized and unrealized gains and losses on investments) is included in the change in net assets in the consolidated statements of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

(1) Summary of Significant Accounting Policies, Continued

(g) Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. U.S. generally accepted accounting principles establish a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). Assets are grouped in three levels based on the markets in which the assets are traded, and the reliability of the assumptions used to determine fair value. These levels are:

Level 1	Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.
Level 2	Inputs other than quoted market prices that are observable for the asset, either directly or indirectly.
Level 3	Unobservable inputs that cannot be corroborated by observable market data.

In addition, certain investments are reported using the "practical expedient" method. The practical expedient method allows net asset value per share or its equivalent to represent fair value for reporting purposes when the criteria for using this method are met. Investments valued using net asset value per share or its equivalent are not categorized within the hierarchy. At June 30, 2023 and 2022, the Organization's investments are valued using the net asset value per share; and accordingly, are not classified within the three-level hierarchy.

(h) Furniture and Equipment

Furniture and equipment is recorded at cost or, if donated, at fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from three to five years. The Organization capitalizes all fixed asset purchases over $1,000 with an estimated useful life of three or more years. At June 30, 2023 and 2022, furniture and equipment are fully depreciated and have been removed from the accounting records. Certain furniture and equipment are being provided to the Organization by the Archdiocese of Denver as part of the service fee paid to the Mission Advancement Office. See note 7.

(i) Revenue Recognition

<u>Parish Assessments</u>
The Archdiocese bills and collects parish assessments on behalf of the Organization to support Catholic education and then periodically remits the collected amounts to the Organization. The allowance for doubtful accounts is based on past collection experience and on analysis of specific past due account balances. Accounts deemed uncollectible are charged to the allowance in the year they are deemed uncollectible. Parish assessments are considered to be past due based on contractual terms.

<u>Contributions and Grants</u>
Contributions are recognized when cash, securities, and an unconditional promise to give are 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 substantially met. Payments received in advance of conditions being met are recorded as a refundable advance in the consolidated statements of financial position.

(1) Summary of Significant Accounting Policies, Continued

(i) Revenue Recognition, Continued

Contributions and Grants, Continued
Unconditional contributions receivable are recognized as revenue in the period the pledge is received. Unconditional contributions receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional contributions receivable are recognized when the conditions on which they depend are substantially met. The Organization uses the allowance method to determine uncollectible contributions receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. There was no allowance for uncollectible contributions receivable at June 30, 2023 and 2022.

All donor restricted support, including pledges, is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. 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 consolidated statements of activities as net assets released from donor restrictions.

The Organization follows the accounting standard *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*. In accordance with this standard, if the Organization accepts contributions and agrees to transfer the contributions to a specified unaffiliated entity and the donor does not explicitly grant the Organization variance power, the Organization is required to record the contributions as a liability (and not as a contribution). During both of the years ended June 30, 2023 and 2022, the Organization received $0 and $105,000 of such contributions, respectively. These amounts are shown in the accompanying consolidated statements of activities in the "revenue, gains, and support" section as revenue and expense, netting to $0.

Special Events
Special events is comprised of revenue from exchange transactions equal to the cost of direct benefits to donors, and contribution revenue for amounts received in excess of direct costs. Contribution revenue is recognized following the revenue recognition policies discussed above. Exchange transaction revenue is recognized when the event is held.

(j) In-kind Donations

Donated services and materials are recorded as contributions and corresponding expenses at their estimated fair values at the date of donation. No in-kind donations were received during 2023 or 2022. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific program tasks and with fund raising events, but these were not recognized in the consolidated financial statements because they did not meet the criteria for recognition under generally accepted accounting principles (GAAP). Contributed auction items are valued at gross selling price received, and the proceeds are included in special events revenue.

(1) Summary of Significant Accounting Policies, Continued

(k) Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the accompanying statements of functional expenses. The Organization incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. The Organization also conducts a number of activities which benefit both program objectives as well as supporting services (i.e., fund raising and management and general activities). These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited, based on either financial or nonfinancial data, such as estimates of time and effort incurred by personnel.

(l) Program Grants

Program grants awarded by the Organization are recorded as expenses and liabilities when they have been approved.

(m) Estimates

The preparation of financial statements in conformity with 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.

(n) Income Taxes

The Trust and SOH Inc. are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code through their inclusion in the United States Conference of Catholic Bishops (USCCB) group ruling and listing in the Official Catholic Directory. Accordingly, the Trust and SOH Inc. qualify for the charitable contribution deduction. Income from activities not directly related to the Organizations' tax-exempt purpose is subject to taxation as unrelated business income. There was no unrelated business income subject to tax during the years ended June 30, 2023 and 2022.

The Trust and SOH Inc. follow the *Accounting for Uncertainty in Income Taxes* accounting standard which requires management to determine whether a tax position (and the related tax benefit) is more likely than not to be sustained upon examination by the applicable taxing authority, based solely on the technical merits of the position. Management believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are significant to the financial statements. The federal Forms 990, Return of Organization Exempt from Income Tax, for the years ended June 30, 2020 through 2022 are subject to examination by the IRS, generally for three years after they were filed.

(o) Subsequent Events

The Organization has evaluated subsequent events through October 16, 2023, the date the financial statements were available to be issued.

(2) Liquidity and Availability of Financial Assets

The following represents the Organization's financial assets available for general expenditures within one year as of June 30:

	2023	2022
Cash and cash equivalents	$ 5,813,112	3,676,990
Parish assessments receivable, net	321,123	148,197
Contributions receivable (note 3)	218,516	254,266
Investments not subject to donor restrictions (note 4)	262,547	236,222
Financial assets available to meet cash expenditures over the next twelve months	$ 6,615,298	4,315,675

The Organization's financial assets available to meet cash needs for general expenditures within one year represent funding for ongoing operational requirements. Investments totaling $8,313,771 and $8,030,686 at June 30 2023 and 2022, respectively, represent the Organization's donor-restricted endowment funds, which are subject to an annual spending policy and the income from which is restricted for specific purposes as described in notes 5 and 6. In the normal course of operations, the Organization receives significant contributions that are available to meet cash needs for general expenditures throughout the year. As part of its liquidity management, cash in excess of daily requirements is invested in interest bearing checking, sweep and savings accounts (see note 9) and investment funds that provide immediate liquidity.

(3) Contributions Receivable

Contributions receivable total $218,516 and $254,266 as of June 30, 2023 and 2022, respectively, and are due in less than one year.

The Organization has a conditional grant that is subject to specific milestones and conditions and that gives the donor the right, at their sole discretion, to reduce the amount of funds granted or to request the return of any unexpended funds. This grant, totaling an amount not to exceed $100,000, is to fund scholarship awards for academic years 2022-2023 and 2023-2024 for eligible families and their children as described in the grant agreement. During the year ended June 30, 2023, $50,000 was received and recorded as grant revenue. The second $50,000 payment is subject to specific milestones and conditions and has not been recorded as revenue as of June 30, 2023 as the conditions have not yet been met.

(4) Investments

Investments are held by The Catholic Foundation and total $8,576,318 and $8,266,908 at June 30, 2023 and 2022, respectively.

The Organization's investments are pooled with The Catholic Foundation's portfolio assets. Investment income and fees are allocated monthly on a pro-rata basis to the Organization's account based on the Organization's percentage ownership in the portfolio. The amount represents the Organization's proportionate interest in the capital of the invested funds. These funds are reported at their estimated fair value as measured by the net asset value reported by fund managers. There were no changes in the valuation technique during the current year. The account provides daily liquidity.

(4) Investments, Continued

At June 30, 2023, the portfolio managed by The Catholic Foundation was allocated among the following strategies:

Cash	1.74%
Fixed income	9.76%
Multi-strategy	10.98%
Real assets	10.41%
Total equity	67.11%

Investments are recorded in the following net assets classes at June 30:

	2023	2022
Net assets without restrictions	$ 262,547	236,222
Net assets with restrictions	8,313,771	8,030,686
Total investments	$ 8,576,318	8,266,908

Investment return, including interest on cash and cash equivalents that are not included in the investment portfolio, is summarized as follows for the years ended June 30:

	2023	2022
Interest and dividends	$ 208,236	109,160
Net realized and unrealized gains (losses)	617,063	(1,131,962)
Less investment fees	(63,136)	(72,273)
Net investment return	$ 762,163	(1,095,075)

(5) Net Assets

Net assets without donor restrictions

At June 30, 2023 and 2022, a portion of net assets without restrictions totaling $345,000 and $340,000, respectively, is designated by the Board of Directors for tuition assistance grants and operating expenses for the upcoming school year.

Net assets with donor restrictions

Net assets with donor restrictions are restricted for the following purposes or years as of June 30:

	2023	2022
Subject to expenditure for specific purpose		
Scholarships/tuition assistance/grants to schools	$ 522,071	539,887
Adopt-a-Student Program	190,147	147,364
Subject to passage of time		
Contributions receivable (note 3)	218,516	254,266
Total subject to purpose and time restrictions	930,734	941,517
Endowments subject to spending policy and appropriation (note 6)		
Gifts restricted in perpetuity	8,272,643	8,018,249
Unspent earnings on endowment funds	41,128	12,437
Total endowment funds	8,313,771	8,030,686
Total net assets with donor restrictions	$ 9,244,505	8,972,203

(5) Net Assets, Continued

Net assets with donor restrictions, continued

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

	2023	2022
Satisfaction of purpose and time restrictions		
Scholarships/tuition assistance/grants to schools	$ 1,218,825	1,476,703
Adopt-a-Student Program	215,500	203,500
Total purpose and time restrictions released	1,434,325	1,680,203
Distributions from endowments in support of grants to schools and students	351,897	344,571
Total net assets released from restrictions	$ 1,786,222	2,024,774

(6) Endowment Funds

At June 30, the Organization's donor-restricted endowment funds restricted in perpetuity consist of the following:

	2023	2022
William Randolph Hearst Endowment	$ 200,000	200,000
Tuition Assistance Endowment:		
Hearts on Fire Fund	5,690,615	5,564,452
Elementary Education Fund	1,629,340	1,514,612
Catholic School Education Fund	609,006	595,503
Total Tuition Assistance Endowment	7,928,961	7,674,567
The Frank and Marie Gold Scholarship Endowment	50,000	50,000
Josephine J. Aquila Endowment	93,682	93,682
Total donor-restricted endowment funds	$ 8,272,643	8,018,249

The following is a brief description of the individual funds:

William Randolph Hearst Endowment
This fund was established with a gift from the William Randolph Hearst Foundation. Income from this fund is to be used for tuition assistance to elementary school children.

Tuition Assistance Endowment
The Tuition Assistance Endowment is comprised of funds from three major sources: the Hearts on Fire Fund; the Elementary Education Fund; and the Catholic School Education Fund. Distributions from the Hearts on Fire Fund and Catholic School Education Fund may be used to provide grants for tuition assistance, equipment, and general operations for K-8 Catholic schools in northern Colorado as well as the inner city of Denver. Income attributable to the Elementary Education Fund included in the endowment may be used for tuition assistance for five specific inner city schools in Denver.

The Frank and Marie Gold Scholarship Endowment
This fund was established with a gift from Richard W. Hall to provide annual scholarships to students attending Guardian Angels School in Denver, Colorado.

(6) Endowment Funds, Continued

Josephine J. Aquila Endowment
This fund was established with gifts received for an endowment in memory of Josephine J. Aquila. The earnings on the endowment are to be used for general operating purposes.

Net assets associated with these endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Net assets maintained in perpetuity related to the Hearts on Fire Fund and the Catholic School Education Fund**,** both part of the Tuition Assistance Endowment, consist of original contributions plus accumulated earnings and appreciation in excess of the amounts distributed under the Organization's spending policy.

Under the Organization's spending policy for these two endowment funds, up to 5% of the twelve-quarter trailing average of the fair market value of investments held in these funds, net of investment management fees, may be distributed in accordance with the donor's instructions in the gift agreement. The donor's gift agreements allow for spending as long as the funds' values do not fall below 70% of the original donated principal amount. However, the Board of Directors has adopted a more stringent policy whereby spending can occur so long as the funds' values do not fall below 85% of the original donated principal amount.

Net assets maintained in perpetuity related to the William Randolph Hearst Endowment, the Elementary Education Fund and the Josephine J. Aquila Endowment consist of endowment fund assets that are subject to donor restrictions requiring that the principal be invested in perpetuity and only the income may be used, as defined by the gift agreements. Net assets maintained in perpetuity related to The Frank and Marie Gold Scholarship Fund Endowment consist of endowment fund assets that are subject to an agreement requiring the principal be invested in perpetuity and only the income may be used, limited each year to the Organization's endowment spending policy.

The Organization has interpreted the Colorado Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as donor-restricted endowment funds to be maintained in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds that are not retained in perpetuity are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purpose of the Organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effects of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other Organization resources
(7) The investment policies of the Organization.

(6) Endowment Funds, Continued

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

Endowment net assets at June 30, 2021	$ 9,451,103
Investment return, net	(1,075,846)
Appropriation of endowment assets for expenditure	(344,571)
Endowment net assets at June 30, 2022	8,030,686
Investment return, net	634,982
Appropriation of endowment assets for expenditure	(351,897)
Endowment net assets at June 30, 2023	$ 8,313,771

Funds with Deficiencies
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the amount of the original donation. At June 30, 2023 and 2022, there were no deficiencies.

Return Objectives and Risk Parameters
The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to maximize utilization of investments which preserve principal, maximize income commensurate with risk, provide liquidity to help ensure adequate reserves, and fit within the Organization's preference of acceptable principal and interest risk.

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

Spending Policy and How the Investment Objectives Relate to Spending Policy
The Organization's spending policy allows for appropriating the investment earnings for distribution based upon a maximum of 5% of the twelve-quarter trailing average of the fair market value of investments held in a fund. In establishing the distribution policy, the Organization considers the long-term expected return on its endowment funds. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow, net of spending, at the rate of inflation or greater over the investment horizon thus maintaining the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment returns. The annual distribution for the year ended June 30, 2023, totaled $345,000. This amount has been designated by the Board for tuition assistance and/or operating expenses for fiscal year 2024. See note 5. In addition, during the years ended June 30, 2023 and 2022, the Board voted to take no distributions from the William Randolph Hearst, Frank and Marie Gold, and Josephine J. Aquila endowments to avoid these funds falling below the amount of the original donations.

(7) Administration and Donor Services Agreement

For a base annual fee, the Archdiocese's Mission Advancement Office (MAO) provides fundraising and related development services and resources to the Organization that include donor communications and relations, donor solicitation, event management, grant reporting, grant solicitation through application assistance, grant coordination and scheduling, and database management and metrics. The agreement is renewed on an annual basis. For each of the years ended June 30, 2023 and 2022, fees incurred in connection with this service agreement totaled $300,000. The fees have been allocated on a functional basis in the consolidated statements of functional expenses based on estimates of how the MAO staff spent their time performing services under the agreement.

(8) Pension Plan

Beginning with the quarter ended September 30, 2017, the employees of the Organization participate in the Archdiocese of Denver Lay Employee's Money Purchase Pension Plan and Trust (the Plan) sponsored by the Archdiocese. The Plan is a defined contribution plan, qualifies as a Church plan, and is funded by contributions from its participating employers, including the Organization. Third-party administrators of the Plan collect and invest contributions and pay benefits in accordance with plan provisions. The Organization contributes 6% of participants' eligible annual compensation, which is credited to each participant's account along with earnings from the participant's self-directed investments. Pension expense incurred by the Organization during the years ended June 30, 2023 and 2022 was $18,817 and $12,241, respectively. At June 30, 2023 and 2022, the Organization recorded a payable totaling $4,878 and $3,947, respectively, for the fourth quarter contribution to the Plan.

(9) Other Transactions with Archdiocesan Entities

The Archdiocese of Denver Irrevocable Revolving Fund Trust ("Revolving Fund Trust") provides a secure means for the Archdiocese of Denver, the parishes within the Archdiocese and other related ecclesiastical organizations to support one another by depositing surplus funds with the Revolving Fund Trust, which funds can be loaned to parishes and related ecclesiastical organizations for specific needs. The Organization has saving deposit accounts at the Revolving Fund Trust, the balance of which was $4,750,895 at June 30, 2023 and $2,046,913 at June 30, 2022. These amounts are included in cash and cash equivalents in the consolidated statements of financial position. Interest income earned on the savings deposit account totaled $107,680 and $11,197 during the years ended June 30, 2023 and 2022, respectively.

The Archdiocese of Denver Management Corporation (the "Management Corporation") performs certain administrative and operational services which may include payroll and Human Resources, risk management and insurance, document retention, legal, building/facilities, IT, and database-related services for the Organization. Fees paid to the Management Corporation for these services totaled $46,600 and $0 for the years ended June 30, 2023 and 2022, respectively.

The Archdiocese of Denver Welfare Benefits Trust administers a self-funded employee benefit plan (the Benefits Trust) for the employee participants of the Archdiocese, certain related entities, and the parishes within the territory of the Archdiocese. The Benefits Trust purchases health insurance coverage for claims in excess of certain amounts. The coverage is also effective if aggregate cash payments exceed defined limits. Participants covered under the Benefits Trust have access to various healthcare facilities through a contracted managed care network. The Organization paid $25,580 and $17,572 to the Benefits Trust during the years ended June 30, 2023 and 2022, respectively.

(9) Other Transactions with Archdiocesan Entities, Continued

The various welfare benefit plans (e.g. medical, dental and other) sponsored, operated and maintained under the Benefits Trust are self-funded church medical benefits plans that are currently “grandfathered plans” under the Patient Protection and Affordable Care Act (PPACA), which was signed into law by the President on March 23, 2010. Accordingly, these plans are generally not subject to the requirements of the PPACA, and are exempt from the regulations promulgated by the U.S. Department of Health and Human Services regarding mandatory provision of contraceptive services.

SOH Inc. subleases office space from the Archdiocese under an agreement that is subject to renewal on an annual basis. Rent paid to the Archdiocese totaled $7,470 for each of the years ended June 30, 2023 and 2022.

(10) Mission Renewal/Classroom Impact Grants Program

In fiscal year 2022, the Organization instituted a Board-approved pilot program to provide one-time block grants to schools to impact classrooms, support teachers and help schools demonstrating Catholic education mission renewal through a program called “Mission Renewal/Classroom Impact Grants Program”. School principals completed an application to make a request for this grant. A total of $439,275 was granted to K-12 Catholic schools in the Archdiocese for this successful and impactful program.