Catholic Diocese of Fort Worth
Advancement Foundation and Affiliates
Independent Auditors' Report and Consolidated Financial Statements
June 30, 2024

SFC
Certified Public Accountants

Catholic Diocese of Fort Worth
Advancement Foundation and Affiliates
June 30, 2024

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Certified Public Accountants

Independent Auditors' Report

Board of Directors
Catholic Diocese of Fort Worth Advancement Foundation and Affiliates
Fort Worth, Texas

Opinion

We have audited the accompanying consolidated financial statements of the Catholic Diocese of Fort Worth Advancement Foundation and Affiliates (Foundation), which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities, changes in net assets, functional expenses and cash flows for the year 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 consolidated financial position of the Foundation as of June 30, 2024, and the changes in their net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated 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, which raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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Auditors' Responsibilities for the Audit of the Consolidated 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 auditors' 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 the Foundation's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
November 22, 2024

Catholic Diocese of Fort Worth Advancement Foundation and Affiliates

Consolidated Statement of Financial Position

June 30, 2024

Assets		
Cash	$	1,917,313
United States Treasury Obligations		14,251,023
Prepaid expenses and other assets		335,942
Accounts receivable		104,650
Contributions receivable, less allowance for doubtful accounts and unamortized discount of $4,494,768		10,284,748
Investments		37,964,324
Equity method investments		22,942,812
Right of use asset - operating lease		500,296
Property and equipment, net		66,780
Limited partnerships' assets		9,169,998
Investments restricted for endowment		15,976,186
Total assets	$	113,514,072
Liabilities and Net Assets		
Liabilities		
Accounts payable	$	145,140
Due to affiliate		62,000
Securities sold short (proceeds $8,755,836)		8,726,348
Grants payable		2,077,704
Funds held for others		33,071,086
Annuity obligations		180,047
Lease liability - operating lease		516,794
Limited partnerships' liabilities		5,430,681
Note payable		1,236,980
Contributions payable - parishes and affiliates, net		27,131,738
Total liabilities	$	78,578,518
Net Assets		
Without donor restrictions - Undesignated		(3,665,654)
Without donor restrictions - Designated		5,010,672
Noncontrolling interests in limited partnerships		(2,866,367)
With donor restrictions		36,456,903
Total net assets	$	34,935,554
Total liabilities and net assets	$	113,514,072

Catholic Diocese of Fort Worth Advancement Foundation and Affiliates

Consolidated Statement of Activities

Year Ended June 30, 2024

	Non-controlling interests	Controlling Interests		
	(Without Donor Restrictions)	Without Donor Restriction	With Donor Restriction	Total
Revenue and Other Support				
Contributions	$ -	$ 93,793	$ 5,525,648	$ 5,619,441
Investment return, net of fees	-	11,459	1,374,489	1,385,948
Investment management fees	331,670	995,010	-	1,326,680
Fees and related charges	417,492	1,688,881	-	2,106,373
Other	8,743	34,874	-	43,617
Rental Income	40,947	493,515	-	534,462
Net assets released from restrictions	-	7,659,294	(7,659,294)	-
Total revenue and other support	$ 798,852	$ 10,976,826	$ (759,157)	$ 11,016,521
Expenses				
Program services				
Support to parishes and schools	$ -	$ 5,407,558	$ -	$ 5,407,558
Support services				
General and administrative	1,390,036	4,076,305	-	5,466,341
Fundraising	-	1,164,470	-	1,164,470
Total expenses	1,390,036	10,648,333	-	12,038,369
Change in Net Assets	$ (591,184)	$ 328,493	$ (759,157)	$ (1,021,848)

Catholic Diocese of Fort Worth Advancement Foundation and Affiliates

Consolidated Statement of Changes in Net Assets

Year Ended June 30, 2024

	Attributable to noncontrolling interest in limited partnerships			Designated	Undesignated	
	Without Donor Restrictions	With Donor Restrictions		Without Donor Restrictions	Without Donor Restrictions	Total
Balance, July 1, 2023	$ 148,529	$ 37,216,060		$ 5,375,524	$ (4,358,999)	$ 38,381,114
Purchase of assets	$ (2,423,712)	$ -		$ -	$ -	$ (2,423,712)
Change in net assets	(591,184)	(759,157)		(364,852)	693,345	(1,021,848)
Balance, June 30, 2024	$ (2,866,367)	$ 36,456,903		$ 5,010,672	$ (3,665,654)	$ 34,935,554

Catholic Diocese of Fort Worth Advancement Foundation and Affiliates

Consolidated Statement of Functional Expenses

Year Ended June 30, 2024

	Program Services	Supporting Services				Limited Partnerships	
	Support to Parishes and Schools	Fundraising	General and Administrative	Total support services	Consolidated Operating Subtotal	General & Administrative	Total
Grants	$ 5,407,558	$ -	$ -	$ -	$ 5,407,558	$ -	$ 5,407,558
Salaries and wages	-	892,081	738,794	1,630,875	1,630,875	1,480,826	3,111,701
Services and professional fees	-	11,710	338,552	350,262	350,262	1,053,008	1,403,270
Write-off of obsolete development costs	-	-	-	-	-	238,118	238,118
Interest	-	-	54,349	54,349	54,349	369,091	423,440
Depreciation and amortization	-	-	10,124	10,124	10,124	124,788	134,912
Bank and merchant processing fees	-	35,976	14,789	50,765	50,765	8,312	59,077
Systems and software licenses	-	1,297	121,815	123,112	123,112	120,490	243,602
Staff development and recognition	-	-	8,158	8,158	8,158	5,235	13,393
Rent and utilities	-	-	180,426	180,426	180,426	3,948	184,374
Repair and maintenance	-	-	-	-	-	118,735	118,735
Insurance	-	-	33,901	33,901	33,901	27,507	61,408
Property taxes	-	-	-	-	-	133,197	133,197
Membership, dues and subscriptions	-	-	7,249	7,249	7,249	1,358	8,607
Meetings and seminars	-	15,906	8,852	24,758	24,758	-	24,758
Travel	-	1,578	39,684	41,262	41,262	65675	106,937
Postage	-	38,912	8,235	47,147	47,147	-	47,147
Printing and copying	-	147,300	15,231	162,531	162,531	-	162,531
Supplies	-	6,849	16,623	23,472	23,472	29,324	52,796
Advertising and promotion	-	12,861	2,416	15,277	15,277	14,973	30,250
Bad debt expense	-	-	-	-	-	9,000	9,000
Annuity underwriting obligation	-	-	63,558	63,558	63,558	-	63,558
Total Expenses	$ 5,407,558	$ 1,164,470	$ 1,662,756	$ 2,827,226	$ 8,234,784	$ 3,803,585	$ 12,038,369

Catholic Diocese of Fort Worth Advancement Foundation
Consolidated Statement of Cash Flows
June 30, 2024

Operating Activities		
Change in net assets	$	(1,021,848)
Items not requiring (providing) operating activities cash flows:		
Net realized and unrealized gain on investments		(644,304)
Change in limited partnerships assets and liabilities		674,079
Depreciation		10,124
Adjustment of annuity obligations to fair value		63,558
Contributions restricted for endowment		(1,774,575)
Changes in allowance for doubtful accounts and unamortized discount		(2,489,375)
Right of use asset amortization		104,104
Change in operating assets and liabilities:		
Prepaid expenses and other assets		(173,376)
Accounts receivable		138,785
Contributions receivable		3,366,612
Accounts payable		70,814
Due to affiliates		(20,273)
Accrued expenses		(133,730)
Grants payable		(20,495)
Funds held for others		(34,743)
Contributions payable - parishes and affiliates		(2,526,613)
Operating lease liability		(112,806)
Net cash used by operating activities	$	(4,524,062)
Investing Activities		
Proceeds from securities sold short	$	160,603,570
Proceeds from sale of investments		423,259,846
Purchase of investments		(583,681,208)
Purchase of property and equipment		(3,947)
Sales of United States Treasury Obligations		459,358
Net cash used by investing activities	$	637,619
Financing Activities		
Proceeds received for contributions restricted for endowment	$	1,774,575
Payments on notes payable		(71,185)
Payments of annuity obligations		(31,496)
Net cash provided by financing activities	$	1,671,894
Net Change in Cash		(2,214,549)
Cash, Beginning of Year		4,131,862
Cash, End of Year	$	1,917,313
Supplemental cash flow information - cash paid during the year for interest	$	117,818

Note 1: Nature of Activities and Summary of Significant Accounting Policies

Nature of Operations

The Catholic Diocese of Fort Worth Advancement Foundation (the "Advancement Foundation") was formed in July 2009 as a tax-exempt organization. It is charged with receiving, managing, and distributing contributions intended to benefit the supported activities of the Catholic Diocese of Fort Worth (the "Diocese"). The Advancement Foundation is authorized to receive, accept, own, and manage the assets delivered to the Advancement Foundation on behalf of the various beneficiaries.

All assets from the Catholic Foundation of North Texas, the Catholic Schools Trust, the Catholic Cemeteries Trust, and the St. Joseph's Health Care Trust were transferred to the Advancement Foundation subject to all restrictions placed on the assets by the original donors. Investments were transferred to the Advancement Foundation as of November 1, 2013.

On September 22, 2021, the Advancement Foundation entered into an agreement with a third party to form LTCU, LLC ("LTCU"). LTCU is a Texas limited liability company, which was established for the express purpose of purchasing eight rental properties in close proximity to the Texas Christian University (TCU) campus. The Advancement Foundation invested $1,500,000 to acquire a 90% interest in LTCU. The Advancement Foundation is a passive investor in LTCU, as the other owner is the managing member, subject to the fiduciary responsibilities and liabilities of the management and operations.

On January 20, 2022, the Advancement Foundation formed TSU Catholic, LLC ("TSU"). TSU is a Texas limited liability company and was established for the express purpose of purchasing property in close proximity to the Tarleton State University campus and adjacent to the St. Brendan Catholic parish in Stephenville, Texas. The Advancement Foundation has invested $3,426,000 as the sole member of TSU. The property was a strip shopping center which has been demolished to prepare for development of a new mixed-use facility. The Foundation's intent is to develop the property into a mixed-use development which will include retail, student housing and a student ministry center.

The Foundation established a wholly owned for profit subsidiary, Spiritus Enterprises, Inc. (Spiritus) for the purpose of acquiring and holding operating entities. In July 2023, the Foundation funded $350,000 into Spiritus for the purpose of acquiring 76% of Trinity Fiduciary Partners, a registered investment advisor. Upon the purchase Trinity Fiduciary Partners changed its name to Trinity Investment Management (TIM). In addition, in July 2023 the Foundation contributed a convertible note receivable of $2,185,000 to Spiritus. Spiritus subsequently converted the note to approximately 41% interest in IWP Holdings (IWP). Through the respective operating agreements Spiritus controls all major decisions of TIM and IWP. IWP screens public stocks and bonds for alignment with Catholic values, votes proxies in accordance with Catholic values through internally developed proprietary policies and engages in corporate engagement activities.

The consolidated financial statements include the activities of the Advancement Foundation, LTCU TSU, Spiritus, IWP and TIM which are referred to collectively herein as the "Foundation."

Description of Programs

The main purpose of the Foundation is to manage fundraising activities, endowment gifts, and trusts on behalf of the Diocese, including the collection and disbursement of contributions that support the various ministries of the Diocese. The Foundation receives contributions restricted to benefit individual parishes, schools, and other ministries. Capital and operating grants are provided to the parishes, schools, and other ministries to satisfy the donor restrictions.

The Catholic Schools Trust (the "Schools Trust") was established by the Diocese to receive, manage, invest, and distribute properties, assets, and monies given to the Diocese for the use and benefit of the schools that are a part of the Diocese and for religious and educational purposes of the Diocese.

The Catholic Cemeteries Trust (the "Cemeteries Trust") was established by the Diocese to receive, manage, invest, and distribute properties, assets, and monies given to the Diocese for the use and benefit of cemeteries, which are a part of the Diocese.

The St. Joseph's Health Care Trust (the "Health Trust") was established to receive, manage, invest and distribute properties, assets, and monies given to the Diocese for the use and benefit of health care programs in the Diocese.

Principles of Consolidation

The consolidated financial statements include the accounts of the Advancement Foundation, LTCU, TSU, Spiritus, IWP and Trinity Investment Management. All material inter-organization transactions and accounts have been eliminated.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (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 consolidated financial statements and the reported amounts of revenues, expenses gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Foundation considers all liquid investments, excluding United States Treasury Obligations, with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment brokerage accounts, including endowment accounts and assets limited as to use, are not considered to be cash and cash equivalents and are separated as investments in the accompanying consolidated statement of financial position. At June 30, 2024, cash consisted primarily of deposit accounts with a bank.

The Foundation had deposits of approximately $1,133,000 in excess of federally insured limits at June 30, 2024.

Contributions Receivable

Contributions receivable are due from individual donors which are generally affiliated with parishes of the Diocese. Management periodically evaluates contributions receivable and records an allowance for uncollectible contributions based on historical collection rates on similar campaigns of the Diocese and other information known to management that may affect collectability. Account write-offs are posted against the allowance for doubtful accounts, and an expense is recorded only when write-offs exceed the balance of the allowance.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Investments

The Foundation measures securities at fair value. Donations of mineral rights are recorded at estimated market values, based on projected future cash flows. Investments in private limited partnerships or limited liability companies of less than 20% of voting stock and real estate are reported at cost. Investments in mortgage loans and notes receivable are valued at the remaining principal balance. Investments in private limited partnerships and limited liability companies where ownership is between 20% and 50% are accounted for under the equity method. Investments in private limited partnerships and limited liability companies of greater than 50% are accounted for under the consolidation method.

Net Investment Return

Investment returns include dividends, interest and other investment income and realized and unrealized gains and losses on investments carried at fair value, less external investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the first-in, first-out method.

Investment returns that are initially restricted by donor stipulation and for which the restriction will be satisfied in the same year, are recorded as net assets with donor restrictions and then released from restriction. Other investment returns are reflected in the consolidated statement of activities, with or without donor restrictions, based upon the existence and nature of any donor or legally imposed restrictions.

The Foundation maintains pooled investment accounts for its Diocesan entities and endowment. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual accounts based on the relationship of the fair value of the interest of each account to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts.

Property and Equipment

Property and equipment acquisitions over $2,500 are stated at cost, less accumulated depreciation. Depreciation is charged to expense on the straight-line basis over the estimated useful life of each asset. Land is carried at cost.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Furniture	5-10 years
Equipment	5-10 years

Long-lived Asset Impairment

The Foundation evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds it fair value.

Contributions Payable – Parishes and Affiliates

The Foundation receives funds on behalf of local parishes and schools that have collected contributions for capital projects. These amounts are held until paid to the affiliates for capital acquisitions.

Annuity Obligations

Annuity obligations are based on the present value of the future annuity payments.

Grants Payable and Grants Expense

Grants payable represents grants that have been authorized and met any conditions prior to year-end but remain unpaid as of the consolidated statement of financial position date. Grant expense is recognized in the period in which the Foundation notifies the grantee and substantially all conditions have been met.

At June 30, 2024, there were no conditional grants awarded and outstanding.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions are subject to donor restrictions. Some 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 restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity.

Contributions

Contributions are provided to the Foundation either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
Conditional gifts, with or without restriction	
Gifts that depend on the Foundation overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, *i.e.* the donor-imposed barrier is met
Unconditional gifts, with or without restriction	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor-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 statement of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Conditional contributions having donor stipulations which are satisfied in the period the gift and the investment income is earned are recorded as revenue with donor restrictions and then released from restriction.

Contributed Services

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. Contributions of services also include services received from personnel of an affiliate. No amounts have been reflected in the consolidated statement of activities for donated services because this criterion has not been met; however, a substantial number of volunteers have donated significant amounts of their time to the Foundation.

Lease Revenue

The Foundation's leases with its tenants are accounted for as operating leases and lease revenue is recognized as it is earned.

Income Taxes

The Advancement Foundation is exempt from income taxes under Section 501 of the Internal Revenue Code ("IRC") and a similar provision of state law. However, the Advancement Foundation is subject to federal income tax on any unrelated business taxable income. The Advancement Foundation did not have any unrelated business income tax liability during the year ended June 30, 2024.

TSU is a disregarded entity for federal income tax purposes. Therefore, TSU's income is reported on the income tax return of the Advancement Foundation, and no provision or liability for federal income taxes related to TSU has been included in the consolidated financial statements.

LTCU, TIM and IWP elected under the IRC to be taxed as partnerships. In lieu of corporate income taxes, the members of a partnership are taxed on their proportionate share of the partnership's taxable income. Therefore, no provision or liability for federal income taxes for LTCU, TIM or IWP has been included in the consolidated financial statements.

Spiritus had a book and tax loss in its first partial year of operation. No provision or liability for federal income taxes related to Spiritus has been included in the consolidated financial statements.

Income taxes are computed utilizing the asset and liability method. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the payable or refundable amount for the period plus or minus the change during the period in deferred tax assets and liabilities.

The federal and state income tax returns of the Advancement Foundation, TSU, LTCU, Spiritus, TIM and IWP, as applicable, are subject to possible examination by the taxing authorities until the expirations of the related statutes of limitations on those tax returns. In general, the federal income tax returns have a three-year statute of limitations and the state income tax returns have a four year statute of limitations.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among supporting services by specific identification of costs or approximate percentage of time expended.

Note 2: Contributions Receivable

Contributions receivable are measured at the present value of the estimated future cash flows using a discount rate equal to the risk-free borrowing rate (ranging from .29% to 4.13%) applicable to the year the pledge was made, resulting in an unamortized discount of $329,795 at June 30, 2024. Based on historical collection rates on similar campaigns of the Diocese and current collection history, management determined that an allowance for doubtful contributions receivable of $4,164,793 is considered necessary at June 30, 2024.

Due in one year	$	8,468,534
Due in two years		4,561,934
Due in three years		1,388,388
Due In four years		360,660
	$	14,779,516
Less allowance for uncollectible contributions		4,164,973
Less unamortized discount		329,795
Contributions receivable, net		$10,284,748

Note 3: Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying consolidated statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2024:

	Total Fair Value	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inpurts (Level 3)
Cash equivalents	$ 19,494,406	$ 19,494,406	$ -	$ -
United States Treasury Obligations	5,449,530	5,449,530	-	-
Stocks	11,949,673	11,949,673	-	-
Private fund	22,942,712	-	22,942,712	-
Limited partnerships	3,268,000	-	3,268,000	-
Notes receivable	2,718,181	-	2,718,181	-
Real Estate	4,651,658	-	4,651,658	-
Minority non-controlling interests - limited liability companies	650,000	-	650,000	-
Futures	831,131	831,131	-	-
Mineral interests	3,420,107	-	2,260,108	1,159,999
Debt fund	695,420	-	695,420	-
Minority controlling interests - limited liability companies	100	-	100	-
Mortgage loans	400,000	-	400,000	-
Options	84,965	84,965	-	-
Exchange traded funds	326,446	326,446	-	-
Collateralized mortgage obligations	993	993	-	-
	$ 76,883,322	$ 38,137,144	$ 37,586,179	$ 1,159,999
United States Treasury Obligations	$ 14,251,023	$ 14,251,023	$ -	$ -
Securities sold short	$ 8,726,348	$ 8,726,348	$ -	$ -

Reconciliation of Investments to Consolidated Statement of Financial Position

Investments	$ 37,964,324
Endowment investments	15,976,186
Equity method investments	22,942,812
	$ 76,883,322

Investment return activity for the fiscal year ended June 30, 2024, consists of the following:

Dividends and interest	$	1,429,049
Unrealized and realized gains		644,304
Less investment management fees		(687,405)
	$	1,385,948

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying consolidated statement of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2024. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Equity Method Investments

Catholic Bonds

On December 23, 2020, the Foundation served as a party to a financing transaction, whereby Nolan Catholic High School ("School"), acting as conduit borrower, borrowed $15,750,000 under revenue bonds (collectively, the "Series 2020-1 Bonds") to fund capital projects and to refinance existing debt. The School, a Texas nonprofit association, is a separate canonical public juridic person operating within the Catholic Diocese of Fort Worth.

The financing transaction included (i) $9,000,000 of Tax-Exempt Revenue Notes, Series 2020-1X, issued by Arlington Higher Education Finance Corporation ("AHEFC") and sold to a single bank in a direct private placement transaction and (ii) $1,000,000 of Taxable Senior Revenue Bonds, Series 2020-1A and $5,750,000 of Taxable Junior Revenue Bonds, Series 2020-1B, issued by the Foundation, and also sold to the Foundation by a placement agent pursuant to a prospectus. The Series 2020-1A and Series 2020-1B Bonds are public bonds with a CUSIP which are exempt from registration under the federal securities laws ("CUSIP Bonds"). The CUSIP Bonds may be sold through the placement agent for the offering, who has indicated its intention to make a market for such bonds. The CUSIP Bonds are expected to be thinly traded.

On September 22, 2021, the Foundation entered into an agreement with a third-party to form Brick Wall General Partner, LLC ("Brick Wall GP"). Brick Wall GP, a Delaware Limited Liability Company, was established for the express and sole purpose of serving as the general partner for the Catholic Financial Ecosystem™ Flexible Income Fund, LP ("CFE"), a Delaware limited partnership. The general partnership provides for three membership classes: Class A membership interests, which exclusively entitle holders to vote, provide consent, or approve any matters requiring such action; Class B membership interests, which entitle holders to first priority distributions pro rata to ownership of such interests and currently represent the entirety of general partner's capital contribution and purchase of units in the fund; and Class C membership interests, which entitle holders to second priority distributions pro rata to ownership of aggregate membership interests. The Foundation maintains a 50% interest in Class A membership interests and 100% interest in Class B membership interests, totaling $769,270. No Class C membership interests are currently outstanding. The limited partnership agreement provides for semi-annual redemption periods, and further caps such redemptions subject to certain constraints and the discretion of the general partner. The Foundation's chief executive officer serves as the president of Brick Wall GP.

The Class A Membership interest is included in minority interests in limited partnership and accounted for under the equity method.

On October 1, 2021, the Foundation contributed the CUSIP Bonds into the CFE in exchange for Class B Membership Interests. On April 1, 2022, the Foundation purchased an additional $2,000,000 of Class B Membership Interests.

During June 30, 2022, the Foundation contributed bonds with a net book value of $6,750,000 in exchange for a 90% ownership of the partnership interest in CFE as a limited partner. The general partner of CFE is Brick Wall GP which owns the remaining 10% of the partnership interests and serves as the general partner. During the year ended June 30, 2024, the Foundation recorded income of $169,196 to reflect its portion of CFE's net income in accordance with the equity method.

On July 1, 2023, the Foundation contributed investments in various notes receivable and non-controlling private equity investments of $6,924,331 to the CFE in exchange for Class B Membership interests. On July 1, 2023, the Foundation purchased additional $1,230,000 of Class B Membership Interests.

On July 6, 2023 the CFE changed its name to the Trinity FFV Alternative Income Fund, LP (FFV).

The Foundation's investment in the FFV is accounted for under the equity method. At June 30, 2024, the fair value of the Foundation's investment in the FFV Class B Membership Interests was $22,173,493.

The Foundation's investments accounted for under the equity method of accounting total $22,942,712 as of June 30, 2024, representing investments in Brick Wall Advisors, FFV and Brick Wall GP.

Summarized financial information related to the Foundation's equity method investments as of and for the year ended June 30, 2024, is as follows:

Current assets	$	230,254
Noncurrent assets		22,835,653
Total assets	$	23,065,907
Current liabilities	$	257,604
Partners' equity		22,808,303
Total liabilities and partners' equity	$	23,065,907
Total revenues	$	795,829
Total expenses		528,184
Net income	$	267,645

Notes Receivable and Mortgage Loans

The Foundation has mortgage loans and promissory notes receivable that are recorded at principal balances which management believes approximates fair value.

Real Estate

The Foundation purchased a building from a Catholic school in Fort Worth, Texas and subsequently entered into a lease agreement whereby the school will lease the building through 2028. The Foundation carries the building at its original cost of $4,000,000. The Foundation purchased a property adjacent to the property held by its wholly owned subsidiary TSU Catholic. The Foundation carries the property at its original cost of $610,100. The Foundation maintains positions totaling less than $50,000 in various real estate investment trusts. Management believes that there has been no impairment, and that cost approximates fair value for both properties as of June 30, 2024.

Minority Interest in Limited Partnerships and Debt Fund

The Foundation invests in limited partnerships and has a noncontrolling limited partnership interest in each. Four of the partnerships have investments in multi-family developments. The three limited partnerships are carried at $650,000, the original cost. During the year ended June 30, 2024 impairment of $200,000 was recognized related to non-controlling interests in limited partnerships. The Foundation has two additional investments in limited partnerships that invest in operating companies. These two limited partnerships are carried at $3,268,000, the original cost.

Investments in private limited partnerships and limited liability companies where ownership is between 20% and 50% are accounted for under the equity method. Including the Class A Membership Interest noted in Catholic Bonds, the Foundation has three investments in which it controls 50% of the companies. These were carried at a value of $769,320.

The Foundation also has a non-controlling investment in a limited partnership investment private debt fund and is carried at cost of $695,420.

Management believes that there has been no impairment, and that cost and the net equity approximate fair value as of June 30, 2024.

The Foundation invests in mineral interests. Purchases of certain mineral interests are recorded at cost. Management believes that there have been no impairments and that cost approximates fair value as of June 30, 2024.

Other

The Foundation's investments in cash equivalents are valued using $1 for the net asset value. The Foundation's investments in United States Treasury Bonds are valued at cost as it is the intent to hold such bonds to maturity. The bonds mature within one year. The Foundation's investments in stocks, exchange traded funds, asset loaded securities, options, collateralized mortgage obligations and securities sold short are valued at the closing price reported on the active market on which the individual securities are traded.

Level 3 Valuation Process

Mineral Interests

The Foundation has mineral rights which have been donated. Donated mineral rights and purchased mineral rights are classified as Level 3 investments. The fair value of these donated mineral rights has been estimated based on discounted projected future cash flows. Management reviews the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with GAAP.

The following is a reconciliation of the beginning and ending balances of the mineral interests valued using Level 3 inputs and the recurring fair value measurements recognized in the accompanying consolidated statement of financial position using significant unobservable inputs:

Balance, beginning of year		$1,500,000.00
Unrealized gain (loss)		(592,723)
Income		252,722
Balance, end of year	$	1,159,999
Total losses in the period included in change in net assets attributable to the change in unrealized losses related to assets and liabilites still held at the reporting date		(592,723)

Unobservable (Level 3) Inputs

The following table presents quantitative information about unobservable inputs used in recurring Level 3 fair value measurements at June 30, 2024:

	Fair Value at 6/30/24	Valuation Technique	Unobservable inputs	Range (Weighted Average)
Mineral Interest	$ 1,159,999	Market comparables	Cash flow multiople	6x

The following table presents the Foundation's individual investments which represent 10% or more of total investments on June 30, 2024:

Wells Fargo cash equivalents	21%
United States Treasury Obligations	22%

The Foundation has committed to invest $800,432 in limited partnerships over the next year.

Note 4: Property and Equipment

Property and equipment as of June 30, 2024, consists of:

Land	$ 39,669
Furniture and equipment	81,798
	121,467
Less: accumulated depreciation	(54,687)
	$ 66,780

Depreciation expense for the year ended June 30, 2024 totaled $10,124.

Note 5: Funds Held for Others

Funds held for others primarily relate to amounts that the Foundation manages for the Schools Trust, the Cemeteries Trust, and various parishes and affiliated entities of the Diocese.

These amounts are recorded at their determinable fair values and reported as a component of investments in the accompanying consolidated financial statements. Funds held for others consist of the following at June 30, 2024:

The Schools Trust	$	16,331,784
The Cemetaries Trust		2,704,832
Parishes and Schools of the Diocese		14,007,060
Other		27,410
	$	33,071,086

Note 6: Annuity Obligations

The Foundation has been the recipient of several gift annuities which require future payments to the donor or their named beneficiaries. The Foundation has recorded a liability at June 30, 2024, of $180,047, which represents the present value of the future annuity obligations. The liability has been determined by using a discount rate that reflects the life expectancy of the annuitant and the applicable federal rate at the date of the gift. This liability is remeasured annually, and any adjustment necessary is recognized in the consolidated statement of activities.

For the year ended June 30, 2024, there was net loss from the annuities of $63,558.

Note 7: Contributions Payable – Parishes and Affiliates

As part of the *Capital Projects Campaign Funds,* the Foundation collects one-time donations and pledges on behalf of local parishes and schools that are undergoing building construction or renovations. The *All Things Possible* campaign began in 2011 and is substantially complete. The amounts that remain payable represent the collections by the Foundation of certain contributions on behalf of local parishes and schools that participated in the campaign, which are due within six months after completion of their campaign. The portion of unpaid pledges is reflected as contributions receivable on the consolidated statement of financial position.

The composition of contributions payable, net of discount and allowance for doubtful contributions at June 30, 2024 follows:

Contributions payable for local share of *Capital Project Campaign Fund*	$	26,858,159
Contributions payable for local share of *All Things Possible*		250,952
Contributions payable for non current local campaigns		22,627
	$	27,131,738

Payments for the contributions payable are expected to be paid out as follows as of June 30, 2024:

Due in one year	$	22,243,631
Due in two to four years		4,888,107
	$	27,131,738

Note 8: Net Assets

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at June 30, 2024:

Subject to Expenditure for Specified Purpose		
Schools Trust	$	2,594,467
Healthcare		16,890,456
All Things Possible		828,632
Other		167,162
	$	20,480,717
Endowments		
Accumulated net investment gains subject to appropriation and expenditure when a specified event occurs:		
Restricted by donors for:		
Seminarian support	$	4,609,060
Annual diocesan appeal		5,128
Schools Trust		1,028,439
	$	5,642,627
Subject to NFP endowment spending policy and appropriation		
Seminarian support	$	6,695,938
Annual diocesan appeal and campus ministry		1,228,326
Schools Trust		2,409,295
	$	10,333,559
Total Endowments	$	15,976,186
Total net assets with donor restrictions	$	36,456,903

Net Assets Without Donor Restrictions

Net assets without donor restrictions have been designated for the following purposes on June 30, 2024:

Endowment			
	Seminarians	$	114,213
	Diocesan Retreat Center		2,375,563
		$	2,489,776
Ongoing Programs			
	Schools Trust	$	1,724,760
	Healthcare		796,136
		$	2,520,896
	Total designated	$	5,010,672

The undesignated net assets without donor restrictions indicates an over designated amount of $3,665,654. The Foundation's board of directors is able to change the designated funds to undesignated for the endowment funds or the funds designated for ongoing programs to meet its obligations as necessary. The Foundation anticipates future earnings from unrestricted investments and cash flows will offset the over designated amount.

Net Assets Released from Restrictions

During the year ended June 30, 2024, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follow:

Satisfaction or purpose restriction			
	Schools Trust	$	344,101
	Healthcare		1,246,172
	Annual Diocesan Appeal		4,490,364
		$	6,080,637
Restricted purpose spending - rate distributions and appropriations			
	Seminarians		1,214,991
	Schools Trust		363,666
			1,578,657
		$	7,659,294

Note 9: Endowment

The Foundation's governing body is subject to the State of Texas Uniform Prudent Management of Institutional Funds Act (UPMIFA). As a result, the Foundation classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. All of those net assets also are subject to purpose restrictions that must be met before being reclassified as net assets without donor restrictions.

The endowed funds are restricted in perpetuity to support the education of seminarians, campus ministry and the Catholic school system. Income generated by these assets is restricted for seminarian support, ministry support and financial aid, respectively.

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

1. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Foundation
7. Investment policies of the Foundation

The Foundation's endowment consists of two individual restricted funds established for a variety of purposes. As required by GAAP, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net asset composition by type of funds at June 30, 2024 is as follows:

	Without Donor Restriction	With Donor Restriction	Total
Board designated endowment funds	$ 2,489,775	$ -	$ 2,489,775
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	10,333,560	10,333,560
Accumulated investment gains	-	5,642,626	5,642,626
	$ 2,489,775	$ 15,976,186	$ 18,465,961

The changes in the endowment for the year ended June 30, 2024, are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Balance, beginning of year	$ 2,471,136	$ 14,935,436	$ 17,406,572
Contributions	-	1,774,575	1,774,575
Investment return, net of fees	129,097	841,429	970,526
Appropriation for expenditures	(110,458)	(1,575,254)	(1,685,712)
Balance, end of year	$ 2,489,775	$ 15,976,186	$ 18,465,961

Return Objectives and Risk Parameters

The objective of the investment program is to enhance the Foundation's portfolio through capital appreciation and reinvestment of income above required needs. The Diocesan Finance Council and the Foundation's board of directors recognize that this objective can be met over time only if the purchasing power of the investment portfolio is increased on a real dollar (inflation-adjusted) basis. Therefore, the Foundation's goal is to achieve a premium of 4% over the rate of inflation as measured by the Consumer Price Index over a five-year time horizon.

Strategies Employed for Achieving Objectives

In order to meet the objectives for capital growth, the following guidelines are established with respect to the proportions of equities and fixed income securities held in the portfolio:

1. The equity exposure should be between 30% and 70% of the portfolio at market value. A high level of diversification across industry and individual holdings will be maintained. The maximum exposure to any industry shall be 30% of the total equities portfolio market value, and the maximum exposure to an individual issuer shall be 5% of the total of each portfolio's value at cost; however, no issuer should exceed 10% at any time.

   The majority of holdings shall be listed on a major exchange to take advantage of listing requirements, disclosure rules, and to improve liquidity. Prudent standards of quality will be developed and maintained by the investment manager. Companies whose securities are held should exhibit strong financial position and have a record of profitable operating results. The preference is for high quality dividend paying securities.

2. The fixed income exposure will be a minimum of 30% and a maximum of 70% of the portfolio at market value. Except for U.S. Treasury and Agency obligations, the debt portion of the portfolio shall not contain more than 5% from any given issuer (valued at cost); however, no issue should exceed 10% at any time. Maturity should be limited to 15 years or less. The average duration of the fixed income portion of the portfolio must not exceed five (5) years. Convertible securities will not be restricted to the 15-year maximum maturity. Securities with put features shall be assumed to have maturity to the put date.

   The average quality rating of the fixed income portion of the portfolio should be A rated or better by an acceptable rating agency. The total percentage of the non-convertible fixed income portion rated less than A may not exceed 20%.

It is recognized that there may be times when the investment manager wishes to hold cash equivalents based on their market outlook. The manager has the discretion to do so within the context of this longer-term allocation policy.

Spending Policy and How the Investment Objectives Relate to Spending Policy

It is anticipated that annual distributions equaling five (5%) percent of the average market value of the Endowment's assets on January 1st over the past five rolling years may be withdrawn quarterly for disbursement in accordance with donor restrictions.

Underwater Endowments

The governing body of the Foundation has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of:

a) the original value of initial and subsequent gift amounts donated to the fund and

b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

The Foundation has interpreted UPMIFA to not permit spending from underwater funds in accordance with the prudent measures required under the law.

As of June 30, 2024, funds with original gift values of $13,137,422; fair values of $8,369,145 and deficiencies of $4,768,277, were reported in net assets with donor restrictions. These deficiencies resulted from BOD approval to make $4,000,000 in distributions in excess of the annual spending rate of 5 percent as deemed necessary to support the underlying intent of the fund. In addition, unfavorable market fluctuations that occurred shortly after investment of new restricted contributions and other continued appropriation for certain purposes that was deemed prudent by the governing body contributed to the deficiencies.

Note 10: Related Parties

Substantially all of the Foundation's activities are conducted for the benefit of the Diocese and related entities and ministries, including fundraising activities and collection of contributions.

The Foundation has a management services agreement with the Diocese under which the Foundation pays a management fee to the Diocese in return for utilizing personnel employed by and for which the Foundation reimburses the Diocese. The Foundation charges the Diocese a gift processing fees for processing donations and the related donor acknowledgment and tax information. The Foundation also makes annual grants to the Diocese to support its mission. The Foundation received from and paid the Diocese for the following amounts during the year ended June 30, 2024:

	Revenue	Expense	Payable
Diocese personnel	$ -	$ 1,436,898	$ 62,000
Management fees and supplies	-	83,444	-
Diocese grants	-	1,170,500	-
Gift processing fees	8,590	-	-
	$ 8,590	$ 2,690,842	$ 62,000

Note 11: Leases

Accounting Policies

The Foundation determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of right of use ("ROU") ROU assets and lease liabilities on the consolidated statement of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Foundation determines lease classification as operating or finance at the lease commencement date. At June 30, 2024, the Foundation has no financing leases.

The Foundation combines lease and non-lease components, such as common area and other maintenance costs, in calculating the ROU asset and lease liability for its office building.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Foundation has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that the Foundation is reasonably certain to exercise. However, at June 30, 2024, the Foundation did not include the extended terms as it is not reasonably certain to exercise the options. Lease expense is generally recognized on a straight-line basis over the lease term.

Lease agreements with total payments over the term in excess of $2,500 are capitalized.

Nature of Leases

The Foundation has entered into the following lease arrangement:

Operating Lease

The Foundation has a lease for office space that expires in 2028. This lease contains renewal options for five years and requires the Foundation to pay all executory costs (property taxes, maintenance and insurance). Lease payments have an escalating fee schedule, which range from a 3.4% to 4% percent increase each year. The office lease offers a one-time option to terminate the lease effective at the end of the thirty-sixth full month of the term. The office lease payment contains a variable lease payment based on the Consumer Price Index (CPI) stipulated for the last period published prior to the commencement date (base index). In the event the CPI is in excess of the base index, the variable lease payment will be adjusted for the change in the CPI.

The Foundation has no material related-party leases.

The Foundation's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Quantitative Disclosures

The operating lease cost for the year ended June 30, 2024, was \$123,405 and operating lease payments were \$126,189.

The Foundation uses a weighted average discount rate of 1.26%.

As of June 30, 2024, the weighted average remaining lease term on the office space is approximately 4.2 years.

Future minimum lease payments for the years ended June 30th and reconciliation to the consolidated statement of financial position at June 30, 2024, are as follows:

2025	$	135,926
2026		140,795
2027		145,664
2028		146,070
2029		12,173
Total future undiscounted lease payments		580,628
Present value discount		(63,834)
Operating lease liability	$	516,794

Note 12: Notes Payable

On April 11, 2022, the Foundation entered into a note payable to Regions Bank in an amount of $1,400,000, interest at 4.15%, principal and interest payments of $10,461 payable monthly until maturity at April 11, 2027 when all unpaid interest and principal is due. The note is collateralized by real estate. On June 30, 2024, the unpaid principal balance is $1,236,980.
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Maturities of the note payable are as follows for the years ending June 30:

2025	$	73,692
2026		76,853
2027		1,086,435
	$	1,236,980

Note 13: Limited Partnerships' Assets and Liabilities

The Foundation has elected to present the assets and liabilities of the real estate limited partnerships on a non-classified basis in the consolidated statement of financial position in accordance with industry practice.

The assets and liabilities are composed of the following at June 30:

Assets		
Cash	$	269,195
Accounts receivable		17,686
Prepaid expenses and other assets		207,341
Land		3,917,023
Capitalized software development costs		1,028,952
Property and equipment, net		3,729,801
Total assets	$	9,169,998
Liabilities		
Accounts payable	$	140,849
Accrued expenses		559,006
Notes payable		4,730,826
Total liabilities	$	5,430,681

Software Development Costs

The Foundation's consolidated subsidiary IWP has incurred software development costs. Software development costs include direct costs incurred for internally developed products, as well as payments made to independent software developers under development agreements. Software development costs are capitalized once the technological feasibility of a product is established and such cost are determined to be recoverable. For products where proven technology exists, this may occur early in the development cycle. Significant management judgment and estimates are applied in assessing when capitalization commences for software development costs and the evaluation is performed on a product-by-product bases.

Capitalized costs for products that are canceled or expected by be abandoned are written off and charged to impairment.

Commencing upon internal utilization in delivering products to customers, capitalized software development costs are amortized based on a straight-line basis over the product's estimated economic life. As of June 30, 2024 the amortization period of our capitalized software cost is five years. Amortization expense was $58,814 for the year ended June 30, 2024.

During the year ended June 30, 2024, impairment of $237,962 was recognized for software development costs that were abandoned.

We evaluate the future recoverability of capitalized software development costs on an annual basis. Recoverability is evaluated based on the current and expected performance of the specific products to which the cost relate.

Significant management judgements and estimates are utilized in assessing the recoverability of capitalized costs, including expected product performance, utilization of products in delivering existing products and services and estimates of additional costs to be incurred. Material differences may result in the amount and timing of expenses for any period if matters resolve in a manner that is inconsistent with management s expectations.

Note 14: Revenue from Contracts with Parishes and Affiliates

Investment Management Fee Revenue

The Foundation manages investments and administers accounts on behalf of parishes, schools and other affiliates within the Diocese. The Foundation is entitled to an investment management fee on the value of the funds invested. Performance obligations are determined based on the nature of the services provided by the Foundation in accordance with the contract. Revenue for performance obligations satisfied over time is recognized ratably over the year based on time elapsed. The Foundation believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

Contract Balances

At June 30, 2024, the Foundation had no receivables or contract liabilities from parishes, schools and affiliates.

Performance Obligations and Transaction Price Allocated to Remaining Performance Obligations

The performance obligations for these contracts are generally completed over time for as long as the funds are invested and managed by the Foundation. The Foundation assesses the investment management fee at the end of each month as services are provided to the parishes and affiliates.

Significant Judgments

The Foundation determines the transaction price based on standard charges for services provided in accordance with the Foundation's policy. There are no implicit or explicit price concessions provided to parishes and affiliates.

Disaggregation of Revenue

For the year ended June 30, 2024, the Foundation recognized revenue over time from investment administrative fees charged to parishes and affiliates of $342,928 and gift processing fees charged to parishes and affiliates of $303,075.

Lease Revenue

LTCU owns rental properties providing housing to college students, other individuals and other organizations under leases with terms no longer than 12 months.

The Advancement Foundation owns property leased by a Catholic high school expiring April 2028. The lease has a provision giving the school the right of first refusal for purchasing the property under certain circumstances.

Future minimum lease payments required under this agreement are as follows for the years ending June 30:

2025	$	200,000
2026		200,000
2027		204,167
2028		20,833

Lease revenue for the year June 30, 2024, totaled $493,515.

Note 15: Provision for Federal Income Taxes

The provision for federal income taxes for the year ended June 30,2024 consists of a deferred tax asset of approximately $141,000 with a corresponding change in allowance for deferred tax asset for the same amount. The deferred tax asset consists of net operating loss carryforwards. GAAP requires that when circumstances indicate that it is likely that the deferred tax asset may not be realized in future years, a valuation allowance must be estimated to reduce the values of the deferred tax asset. Management of the Foundation has determined that a valuation allowance is necessary as of June 30, 2024 as its consolidated subsidiary IWP is in its development stage.

The Foundation's returns are subject to examination by the Internal Revenue Service and the Texas Comptroller of Public Accounts. In general, the federal income tax returns have a three-year statute of limitations and state franchise tax returns have a four year statute of limitations.

Note 16: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2024, comprise of the following

Financial assets at year end:		
Cash	$	1,917,313
United States Treasury Obligations		14,251,023
Accounts receivable		104,650
Contributions receivable, net		10,284,748
Limited partnership assets, net		3,739,317
Investments, net of securities sold short		68,156,974
Total financial assets at year end	$	98,454,025
Less amounts not available to be used within one year:		
Funds held for others	$	(33,071,086)
Contributions payable-parishes and affiliates, net		(27,131,738)
Donor imposed restrictions:		
Restricted for purpose		(20,480,717)
Endowment		(15,976,186)
Internal designations		
Endowments		(2,489,776)
Other designated		(2,520,896)
Financial assets not available to be used within one year	$	(101,670,399)
Financial deficit in assets available to meet cash needs for general expenditures within one year	$	(3,216,374)

The Foundation receives contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. Donor-restricted endowment funds are not available for general expenditure.

The Foundation considers appropriated earnings from donor-restricted endowments and contributions with donor restrictions for use in current programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, fundraising expenses and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation's fiscal year. As of June 30, 2024, restricted contributions of $963,905 were included in financial assets available to meet cash needs for general expenditures within one year.

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability
- Maintaining adequate liquid assets
- Maintaining sufficient reserves to provide reasonable assurance that long-term grant commitments and obligations under endowments with donor restrictions that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

The Foundation's grant committee ("Committee") meets annually to review and approve parish and school grant requests. In addition, the Foundation receives grant requests throughout the year from schools, parishes and other affiliated Catholic entities in the Diocese. These requests are reviewed and approved by the Foundation's chief executive officer. The majority of these grants represent disbursements from the restricted contributions of the Annual Diocesan Appeal.

The board-designated endowment of $2,489,776 is subject to an annual spending rate of 5 percent as described in *Note 9*. Although the Foundation does not intend to spend from this board designated endowment (other than amounts appropriated for general expenditure as part of the board of director's annual budget approval and appropriation), these amounts could be made available if necessary.

Note 17: Significant Estimates

Investments

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated statement of financial position.

Note 18: Risks and Uncertainties

On June 23, 2023, Advancement entered into a Loan Support Agreement for the benefit of a company from whom the Foundation has a note receivable. The Foundation pledged $3,000,000 of cash as security for a letter of credit from a third-party bank. Under the agreement, the Foundation will receive interest of 3% in addition to the interest the pledged collateral is earning. The agreement expires June 23, 2025.