

Lafayette Diocesan Foundation, Inc.

**Financial Statements
December 31, 2024 and 2023
With Independent Auditors' Report**

LAFAYETTE DIOCESAN FOUNDATION, INC.
December 31, 2024 and 2023

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Independent Auditors' Report

To the Board of Directors of
Lafayette Diocesan Foundation, Inc.

Opinion

We have audited the accompanying financial statements of Lafayette Diocesan Foundation, Inc. (the Foundation), which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our 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 financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

**Independent Auditors' Report
(Continued)**

In performing an audit in accordance with generally accepted auditing standards, we:

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

Barnes, Dennig & Co., Ltd.

June 11, 2025
Indianapolis, Indiana

LAFAYETTE DIOCESAN FOUNDATION, INC.

**Statement of Financial Position
December 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Assets		
Cash	\$ 442,955	\$ 222,686
Investments	<u>28,322,334</u>	<u>23,655,581</u>
Total assets	<u><u>\$ 28,765,289</u></u>	<u><u>\$ 23,878,267</u></u>
Liabilities		
Grants payable	\$ 2,883,809	\$ 2,548,303
Gift annuities payable		
Annual payment obligations	103,421	108,927
Residual payable	175,866	157,655
Charitable remainder trusts payable		
Annual payment obligations	509,796	505,959
Residual payable	77,838	70,730
Other	<u>41,319</u>	<u>22,341</u>
Total liabilities	<u><u>3,792,049</u></u>	<u><u>3,413,915</u></u>
Net assets		
Without donor restrictions		
Undesignated	2,131,018	2,058,293
Designated	<u>96,148</u>	<u>96,148</u>
Total net assets without donor restrictions	2,227,166	2,154,441
With donor restrictions	<u>22,746,074</u>	<u>18,309,911</u>
Total net assets	<u><u>24,973,240</u></u>	<u><u>20,464,352</u></u>
Total liabilities and net assets	<u><u>\$ 28,765,289</u></u>	<u><u>\$ 23,878,267</u></u>

See accompanying notes to financial statements

LAFAYETTE DIOCESAN FOUNDATION, INC.

Statement of Activities
For the Year Ended December 31, 2024
With Summarized Comparative Information For the Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	2024 Total	2023 Total
Revenue, gains and other support				
Contributions	\$ -	\$ 2,317,805	\$ 2,317,805	\$ 397,565
In-kind contributions	59,190	-	59,190	59,202
Investment return (loss), net	203,893	3,044,915	3,248,808	3,436,916
Change in value of gift annuities payable	-	22,760	22,760	34,087
Change in value of charitable remainder trusts	-	74,269	74,269	99,848
Net assets released from restrictions	1,023,586	(1,023,586)	-	-
Total revenues, gains and other support	<u>1,286,669</u>	<u>4,436,163</u>	<u>5,722,832</u>	<u>4,027,618</u>
Expenses				
Grants	1,129,938	-	1,129,938	1,034,192
General and administrative	84,006	-	84,006	80,364
Total functional expenses	<u>1,213,944</u>	<u>-</u>	<u>1,213,944</u>	<u>1,114,556</u>
Change in net assets	72,725	4,436,163	4,508,888	2,913,062
Net assets, beginning of year	<u>2,154,441</u>	<u>18,309,911</u>	<u>20,464,352</u>	<u>17,551,290</u>
Net assets, end of year	<u>\$ 2,227,166</u>	<u>\$ 22,746,074</u>	<u>\$ 24,973,240</u>	<u>\$ 20,464,352</u>

See accompanying notes to financial statements

LAFAYETTE DIOCESAN FOUNDATION, INC.

**Statement of Activities
For the Year Ended December 31, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support			
Contributions	\$ 38,377	\$ 359,188	\$ 397,565
In-kind contributions	59,202	-	59,202
Investment return, net	175,853	3,261,063	3,436,916
Change in value of gift annuities payable	-	34,087	34,087
Change in value of charitable remainder trusts	-	99,848	99,848
Net assets released from restrictions	911,845	(911,845)	-
Total revenues, gains and other support	<u>1,185,277</u>	<u>2,842,341</u>	<u>4,027,618</u>
Expenses			
Grants	1,034,192	-	1,034,192
General and administrative	80,364	-	80,364
Total expenses	<u>1,114,556</u>	<u>-</u>	<u>1,114,556</u>
Change in net assets	70,721	2,842,341	2,913,062
Net assets, beginning of year	<u>2,083,720</u>	<u>15,467,570</u>	<u>17,551,290</u>
Net assets, end of year	<u><u>\$ 2,154,441</u></u>	<u><u>\$ 18,309,911</u></u>	<u><u>\$ 20,464,352</u></u>

See accompanying notes to financial statements

LAFAYETTE DIOCESAN FOUNDATION, INC.

**Statements of Cash Flows
For the Years Ended December 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Change in net assets	\$ 4,508,888	\$ 2,913,062
Adjustments to reconcile change in net assets to net cash flows provided by (used in) operating activities		
Change in value of gift annuities payable	(22,760)	(34,087)
Change in value of charitable remainder trusts payable	(74,269)	(99,848)
Net realized and unrealized gain on investments	(3,084,306)	(3,303,506)
Donated stock	(37,274)	(22,192)
<i>Increase (decrease) in operating liabilities</i>		
Grants payable	335,506	377,854
Other	18,978	(49,233)
<i>Total adjustments</i>	<u>(2,864,125)</u>	<u>(3,131,012)</u>
Net cash provided by (used in) operating activities	<u>1,644,763</u>	<u>(217,950)</u>
Cash flows from investing activities		
Purchase of investments	(9,819,471)	(2,427,426)
Proceeds from sales of investments	8,468,356	2,672,693
Net cash provided by (used in) investing activities	<u>(1,351,115)</u>	<u>245,267</u>
Cash flows from financing activities		
Payments on annuity obligations	(73,379)	(67,982)
Net change in cash	220,269	(40,665)
Cash, beginning of year	<u>222,686</u>	<u>263,351</u>
Cash, end of year	<u><u>\$ 442,955</u></u>	<u><u>\$ 222,686</u></u>
Noncash operating activities		
In-kind contributions	<u>\$ 59,190</u>	<u>\$ 59,202</u>
Noncash investing activities		
Donated stock	<u><u>\$ 37,274</u></u>	<u><u>\$ 22,192</u></u>

See accompanying notes to financial statements

LAFAYETTE DIOCESAN FOUNDATION, INC.

Notes to Financial Statements

NOTE 1 NATURE OF ACTIVITIES

The Lafayette Diocesan Foundation, Inc. (the Foundation) was incorporated as a not-for-profit organization under the laws of the State of Indiana. The Foundation was organized exclusively for religious, charitable, educational and scientific purposes. The Foundation's main sources of revenue are from contributions and investment market returns.

The mission of the Foundation is to encourage and facilitate the growth and development of the Catholic Church in the Diocese of Lafayette-in-Indiana by:

- Promoting and assisting in securing new endowment funds.
- Providing information to prospects contemplating charitable gifts.
- Serving as advisors for the management of endowment funds to maximize returns with prudent investment practices.
- Encouraging responsible stewardship through regular communications with the Pastoral Office for Stewardship and Development, and Marketing.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Use of Estimates

The financial statements of the Foundation have been prepared on the accrual basis of accounting. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (US GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support and expenses during the reporting period. Actual results could vary from the estimates that were used.

Cash and Cash Equivalents

The Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents at December 31, 2024 and 2023. The Foundation maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation believes it is not exposed to any significant credit risk on cash.

Investments and Investment Return

Investments are carried at fair value for financial reporting purposes. Contributed investments are recorded at the fair value of each investment on the date it is received. Changes in fair value of investments are reflected in the statements of activities in the period in which such changes occur. Realized gains or losses upon the sale of investments are based on the cost of specifically identified securities. Interest and dividend income is recorded when earned.

LAFAYETTE DIOCESAN FOUNDATION, INC.

Notes to Financial Statements (Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and Investment Return (Continued)

Investment return is recorded as an increase or decrease in net assets without donor restrictions unless its use is restricted by donors to a specified purpose or future period.

Grants Payable

The Foundation holds funds for various Diocesan entities for the purpose of investment and return. The spending rate for these endowment funds is no more than 6% of average total investable assets on a rolling 3-year basis. The allocable earnings are reported as grants payable and are due within one year.

Charitable Gift Annuities

The Foundation has established a gift annuity program whereby donors may contribute assets to the Foundation in exchange for the right to receive a predetermined annual return during their lifetime or they may assign that right to a designated beneficiary. A portion of the original transfer amount is considered to be a charitable contribution for income tax purposes. The difference between the amount provided for the gift annuity and the present value of the liability for future payments, determined on an actuarial basis, is recognized as a contribution with donor restrictions at the date of the gift. There were no charitable gift annuity donations in 2024 or 2023.

The calculation of the present value of the future benefits to be distributed to the beneficiaries is performed using discount rates ranging from 1.4% to 6.0% and the applicable mortality table. Payments are made quarterly, semi-annually or annually. The annuity liability is revalued annually based upon actuarially computed present values. The resulting actuarial gain (loss) is recorded as an increase or decrease in revenues, gains or other support with donor restrictions in the statements of activities.

Also, as part of the Foundation's gift annuity program, the donor is given the right to name an outside third party (an organization other than the Foundation) as the final beneficiary. When the Foundation is not named as the final beneficiary, the difference between the amount provided for the gift annuity and the present value of the liability for future payments, determined on an actuarial basis, is recorded as a residual payable.

At December 31, 2024 and 2023, \$103,421 and \$108,927, respectively, is recorded in the statements of financial position at fair value as the annual payment obligations of gift annuities payable. The final amount of the gift annuities that are expected to be paid out to organizations other than the Foundation upon the death of the annuitant at December 31, 2024 and 2023, is \$175,866 and \$157,655, respectively, and is recorded in the statements of financial position at fair value as the residual payable of gift annuities payable.

The fair value of the investments held for the future payment of the annuity liabilities was \$349,037 and \$328,299 at December 31, 2024 and 2023, respectively, and is included in investments in the statements of financial position.

LAFAYETTE DIOCESAN FOUNDATION, INC.

Notes to Financial Statements (Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Charitable Remainder Trusts

The Foundation, serving as the trustee, administers two charitable remainder trusts. Both were created during 2014. The trusts provide for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (designated by the beneficiary's lifetime). At the end of the trusts' terms, the remaining assets are available for the Foundation's use.

The portion of the charitable remainder trust attributable to the present value of future benefits to be received by the Foundation is reported in the statements of activities as contributions with donor restrictions in the period the trust is established.

In one of the trusts, the donor also named outside third parties (organizations other than the Foundation) as additional final beneficiaries for 50% of the residual trust amount. The difference between the assets provided for the trust and the present value of the liability for future payments, determined on an actuarial basis, multiplied by the third-party beneficiaries' 50% interest, is recorded as a residual payable.

Assets held in trust total \$1,027,268 and \$985,999 at December 31, 2024 and 2023, respectively, and are included in investments in the statements of financial position. On an annual basis, the Foundation revalues the liability for distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments to beneficiaries at December 31, 2024 and 2023 amounts to \$509,796 and \$505,959, respectively, and is recorded in the statements of financial position as the annual payment obligations of charitable remainder trusts payable. The final amount of the charitable remainder trusts that is expected to be paid out to organizations other than the Foundation upon the death of the beneficiaries at December 31, 2024 and 2023 is \$77,838 and \$70,730, respectively, and is recorded on the statements of financial position as the residual payable of charitable remainder trusts. The fair value of the estimated future payments is calculated using a discount rate of 2.2% and the applicable mortality tables.

Net Assets

The Foundation maintains the following classifications of net assets:

Without Donor Restrictions: Net assets without donor restrictions are resources available to support operations. The only limits on the use of this category of net assets are the broad limits resulting from the nature of the Foundation, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. The Foundation maintains two funds in the net assets without donor restrictions class, as follows:

Undesignated - Funds used for general operations.

Designated - Funds that have been designated for use as directed by the Bishop or Board of Directors. See Note 4.

LAFAYETTE DIOCESAN FOUNDATION, INC.

Notes to Financial Statements (Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

With Donor Restrictions: Net assets with donor restrictions are resources that are restricted by the donor for use for a particular purpose or in a particular future period. The Foundation's unspent contributions are classified in this class if the donor limited their use, as is the unspent appreciation of its donor restricted endowment fund. See Note 5.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as contributions with donor restrictions until the specified asset is placed in service by the Foundation, unless the donor provides more specific directions about the period of its use.

Contributions

Contributions are recognized as support in the period promised.

Support that is not restricted by the donor is reported as an increase in net assets without donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions.

Donated Services

Contributions of services are recognized as revenue at their estimated fair value 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.

The Foundation's accounting and general management functions are performed by the Central Administration of the Roman Catholic Diocese of Lafayette-in-Indiana, Inc. (Administration) and the value of the in-kind services was \$59,190 and \$59,202 in 2024 and 2023, respectively. Donated services are valued at the salary and wage rates of the employees performing these functions. These services are considered general and administrative in nature.

LAFAYETTE DIOCESAN FOUNDATION, INC.

Notes to Financial Statements (Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expense Allocation

Expenses have been classified based on the actual direct expenditures as well as cost allocation based on estimates of time and usage by the Foundation's programs. Expenses are allocated between grants and general and administrative. The grant programmatic expenses were 93.1% and 92.8% of the total expenses for 2024 and 2023, respectively. The Foundation had the following expense allocations for the years ended December 31:

	2024		
	Grants	General and Administrative	Total
Grants and annuity payments	\$ 1,129,938	\$ -	\$ 1,129,938
Professional fees	-	24,800	24,800
Other	-	59,206	59,206
Total expenses	<u>\$ 1,129,938</u>	<u>\$ 84,006</u>	<u>\$ 1,213,944</u>

	2023		
	Grants	General and Administrative	Total
Grants and annuity payments	\$ 1,034,192	\$ -	\$ 1,034,192
Professional fees	-	21,162	21,162
Other	-	59,202	59,202
Total expenses	<u>\$ 1,034,192</u>	<u>\$ 80,364</u>	<u>\$ 1,114,556</u>

Income Taxes

The Foundation is organized as a not-for-profit corporation and is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and similar state law and has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code.

As a religious organization, the Foundation is not required to file annual Federal or state information returns.

Subsequent Events

Subsequent events have been evaluated through June 11, 2025, which is the date the financial statements were available to be issued.

LAFAYETTE DIOCESAN FOUNDATION, INC.

Notes to Financial Statements (Continued)

NOTE 3 AVAILABLE RESOURCES AND LIQUIDITY

The Foundation strives to maintain sufficient operating cash to cover annual grant, gift annuity, and remainder trust obligations. Due to the irregular nature of cash flow as a result of fundraising and the investment market, cash reserves can vary significantly throughout the year.

The following table reflects the Foundation's financial assets as of December 31, 2024 and 2023, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor restrictions or internal board designations. Amounts not available include a board-designated endowment fund that is intended to fund annual grant activities to various Diocesan entities. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through the action of the Board of Directors.

Net assets without donor restrictions or designations represent an operating reserve of approximately 24.5 months and 24.3 months as of December 31, 2024 and 2023, respectively.

	2024	2023
Financial assets at year-end		
Cash	\$ 442,955	\$ 222,686
Investments	28,322,334	23,655,581
Total financial assets	28,765,289	23,878,267
Less amounts not available to be used within one year		
Gift annuity obligations and residuals payable	(279,287)	(266,582)
Charitable remainder trust obligations and residuals payable	(587,634)	(576,689)
Board-designated endowment funds	(96,148)	(96,148)
Net assets with donor restrictions	(22,746,074)	(18,309,911)
Financial assets not available to be used with one year	(23,709,143)	(19,249,330)
Financial assets available to meet cash needs for general expenditures within one year	\$ 5,056,146	\$ 4,628,937

LAFAYETTE DIOCESAN FOUNDATION, INC.

Notes to Financial Statements (Continued)

NOTE 4 NET ASSETS

Designated for Endowment

Included in net assets without donor restrictions are six funds which have been designated at the request of the Bishop. Each fund was established with an initial balance of \$10,000. The investment return from each fund is designated for a specific purpose.

The portion of the funds that will be utilized annually for the purposes for which the fund was established is up to 5% of the beginning of the year balance, determined by the market value on a rolling 36-month average. The total of the six funds is \$96,148 at December 31, 2024 and 2023.

With Donor Restrictions

Net assets with donor restrictions are available to support the following purposes at December 31:

	2024	2023
Charitable remainder trusts and gift annuities	\$ 518,795	\$ 505,760
Endowment funds	21,629,959	17,350,990
Purpose restrictions	249,086	253,465
	<u>\$ 22,397,840</u>	<u>\$ 18,110,215</u>

Released From Restrictions

Net assets were released from donor restrictions as follows during the years ended December 31:

	2024	2023
Grants and awards from endowment funds	\$ 1,003,373	\$ 892,575
Administrative fees allocated to endowment funds	18,156	18,576
Purpose restrictions met	2,057	694
	<u>\$ 1,023,586</u>	<u>\$ 911,845</u>

NOTE 5 ENDOWMENT FUNDS

The Foundation's endowment consists of board designated and donor restricted funds established to support a variety of charitable purposes. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

LAFAYETTE DIOCESAN FOUNDATION, INC.

Notes to Financial Statements (Continued)

NOTE 5 ENDOWMENT FUNDS (CONTINUED)

Application of UPMIFA

Management has interpreted the 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 the interpretation, the Foundation classifies as net assets held in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulation to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulations are added to the fund. At the present time, the Foundation does not have any endowments held in perpetuity.

The Foundation does have a number of funds with donor restrictions that are restricted for particular purposes and that have been designated by the Board of Directors to function as endowments. These are classified as donor restricted endowment funds.

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

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

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for assets held for endowment that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the fair value of the endowment assets. Assets held for endowment funds include those assets of donor restricted funds designated to function as endowment (term endowment funds), as well as funds without donor restrictions designated to function as endowment (board designated endowment funds). Under this policy, as approved by the Board of Directors, the endowed investments are invested in a manner that is intended to produce a total return which protects the purchasing power of the endowed investments and which allows a spending rate of up to 6.0% of the market value on a rolling 36 month average. The Foundation evaluates its investments by comparing actual investment performance to various applicable benchmarks. The Foundation expects its endowment investments to meet or exceed these benchmarks over time. Actual returns in any given year may vary from these benchmarks.

LAFAYETTE DIOCESAN FOUNDATION, INC.

Notes to Financial Statements (Continued)

NOTE 5 ENDOWMENT FUNDS (CONTINUED)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation 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 Foundation targets a diversified asset allocation that places a greater emphasis on equity fixed income and investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy for its donor restricted endowment funds of appropriating for distribution each year up to 5.0% of the market value on a rolling 36-month average and up to 1% for administrative expenses. In establishing this policy, the Foundation considered the long-term expected return on its assets held for endowment funds. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment funds to grow.

This is consistent with the Foundation's objective to maintain the fair value of the endowment fund assets as well as to provide additional real growth through new gifts and investment return.

The change in endowment net assets and composition are as follows for the years ended December 31:

	2024		
	Designated	Restricted	Total
Endowment net assets, beginning of year	\$ 96,148	\$ 17,350,990	\$ 17,447,138
Contributions	-	2,317,805	2,317,805
Investment return, net	-	2,935,721	2,935,721
Distributions and other changes	-	(974,557)	(974,557)
Endowment net assets, end of year	<u>\$ 96,148</u>	<u>\$ 21,629,959</u>	<u>\$ 21,726,107</u>

	2023		
	Designated	Restricted	Total
Endowment net assets, beginning of year	\$ 96,148	\$ 14,860,508	\$ 14,956,656
Contributions	-	359,138	359,138
Investment return, net	-	3,054,708	3,054,708
Distributions and other changes	-	(923,364)	(923,364)
Endowment net assets, end of year	<u>\$ 96,148</u>	<u>\$ 17,350,990</u>	<u>\$ 17,447,138</u>

LAFAYETTE DIOCESAN FOUNDATION, INC.

Notes to Financial Statements (Continued)

NOTE 6 FAIR VALUE MEASUREMENTS

Accounting Standards for Fair Value Measurement define fair value as the price that would be received for an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. Those standards also establish a three-level fair value hierarchy for disclosure that prioritizes valuations based on whether the significant inputs used to estimate fair value are observable, giving highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and lowest priority to valuations primarily based on unobservable inputs (level 3 measurements). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2024 and 2023.

- *Common stocks*: Valued at the closing price reported on the active market on which the individual securities are traded.
- *Mutual funds*: Valued at the daily closing prices as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds registered with the Securities and Exchange Commission.
 - These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.
- *Common trust funds*: Valued at the NAV reported by the fund. The NAV, as provided by the trustee, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund, less its liabilities. While transactions may occur daily, were the Foundation to initiate a full redemption of the collective trust, the investment advisor reserves the right to temporarily delay withdrawal from the trust in order to ensure that securities liquidations will be carried out in an orderly business manner.
- *Gift annuities payable*: Valued at the present value of the future benefits expected to be distributed to beneficiaries using applicable mortality tables and discount rates commensurate with the expected terms of the agreements.
- *Charitable remainder trusts payable*: Valued at the present value of the future benefits expected to be distributed to beneficiaries using applicable mortality tables and discount rates commensurate with the expected terms of the agreements.

LAFAYETTE DIOCESAN FOUNDATION, INC.

Notes to Financial Statements (Continued)

NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements at the reporting date.

Pursuant to Accounting Standards Update 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value Per Share*, investments in common trust funds, if any, are valued at their respective net asset value and are not classified within the fair value hierarchy.

The following table sets forth, within the hierarchy, the Foundation's assets and liabilities measured at fair value on a recurring basis as of December 31, 2024:

2024	Level 1	Level 2	Level 3	Total
Investments				
Common stocks				
Large cap value	\$ 1,197,010	\$ -	\$ -	\$ 1,197,010
Other US equities	73,742	-	-	73,742
Mutual funds				
PIMCO – ESG fund	6,618,642	-	-	6,618,642
Common trust funds				
MSCI ACWI screened index fund				5,097,486
Russell 3000 screened index fund				14,569,670
	7,889,394	-	-	27,556,550
Cash and cash equivalents				765,784
Total investments	\$ 7,889,394	\$ -	\$ -	\$ 28,322,334
Liabilities				
Gift annuities payable				
Annual payment obligations	\$ -	\$ -	\$ 103,421	\$ 103,421
Residual payable	-	-	175,866	175,866
Total gift annuities payable	-	-	279,287	279,287
Charitable remainder trusts payable				
Annual payment obligations	-	-	509,796	509,796
Residual payable	-	-	77,838	77,838
Total charitable remainder trusts payable	-	-	587,634	587,634
Total liabilities	\$ -	\$ -	\$ 866,921	\$ 866,921

LAFAYETTE DIOCESAN FOUNDATION, INC.

Notes to Financial Statements (Continued)

NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth, within the hierarchy, the Foundation's assets and liabilities measured at fair value on a recurring basis as of December 31, 2023:

2023	Level 1	Level 2	Level 3	Total
Investments				
Common stocks				
Large cap value	\$ 1,178,874	\$ -	\$ -	\$ 1,178,874
Other US equities	50,955	-	-	50,955
Mutual funds				
PIMCO – ESG fund	5,385,995	-	-	5,385,995
Common trust funds				
MSCI ACWI screened index fund				4,353,998
Russell 3000 screened index fund				12,348,331
Total investments	6,615,824	-	-	23,318,153
Cash and cash equivalents				337,428
Total investments	<u>\$ 6,615,824</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,655,581</u>
Liabilities				
Gift annuities payable				
Annual payment obligations	\$ -	\$ -	\$ 108,927	\$ 108,927
Residual payable	-	-	157,655	157,655
Total gift annuities payable	-	-	266,582	266,582
Charitable remainder trusts payable				
Annual payment obligations	-	-	505,959	505,959
Residual payable	-	-	70,730	70,730
Total charitable remainder trusts payable	-	-	576,689	576,689
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 843,271</u>	<u>\$ 843,271</u>

The Foundation's policy is to recognize transfers between levels as of the end of the reporting period. There were no transfers among levels during 2024 and 2023. In addition, all cash held as a part of the investment portfolio is for long term investing purposes and recorded at cost.

LAFAYETTE DIOCESAN FOUNDATION, INC.

**Notes to Financial Statements
(Continued)**

NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)

The change in financial assets and liabilities with significant unobservable (Level 3) inputs is as follows for the years ended December 31:

	2024	
	Gift Annuities Payable	CRT's Payable
Beginning balance	\$ 266,582	\$ 576,688
Payments made to annuitants	(10,055)	(63,324)
Change in value of split-interest agreements	22,760	74,269
Ending balance	<u>\$ 279,287</u>	<u>\$ 587,633</u>
	2023	
	Gift Annuities Payable	CRT's Payable
Beginning balance	\$ 243,090	\$ 534,227
Payments made to annuitants	(10,595)	(57,387)
Change in value of split-interest agreements	34,087	99,848
Ending balance	<u>\$ 266,582</u>	<u>\$ 576,688</u>