**CATHOLIC LEADERSHIP INSTITUTE**

**FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2023 AND 2022**

CPAs | CONSULTANTS | WEALTH ADVISORS

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**CATHOLIC LEADERSHIP INSTITUTE**
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**YEARS ENDED JUNE 30, 2023 AND 2022**

# INDEPENDENT AUDITORS' REPORT

Board of Directors
Catholic Leadership Institute
Malvern, Pennsylvania

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the accompanying financial statements of Catholic Leadership Institute (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catholic Leadership Institute as of June 30, 2023 and 2022, 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 (GAAS). 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 Catholic Leadership Institute 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.

### *Change in Accounting Principle*

As discussed in Note 1 to the financial statements, Catholic Leadership Institute adopted Accounting Standards Update (ASU) No. 2016-02, *Leases* (ASC 842). The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Our opinion is not modified with respect to this matter.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Catholic Leadership Institute's ability to continue as a going concern for one year after the date 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Catholic Leadership Institute's internal control. Accordingly, no such opinion is expressed.

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Catholic Leadership Institute'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.

CliftonLarsonAllen LLP

**CliftonLarsonAllen LLP**

King of Prussia, Pennsylvania
October 25, 2023

**CATHOLIC LEADERSHIP INSTITUTE**
**STATEMENTS OF FINANCIAL POSITION**
**JUNE 30, 2023 AND 2022**

| | 2023 | 2022 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS** | | |
| Cash and Cash Equivalents | $ 14,098,165 | $ 14,347,336 |
| Accounts Receivable, Net | 306,737 | 134,591 |
| Pledges Receivable, Net | 3,481,497 | 2,924,418 |
| Grants Receivable | - | 929,500 |
| Deposits | 11,504 | - |
| Prepaid Expenses | 140,628 | 215,952 |
| Total Current Assets | 18,038,531 | 18,551,797 |
| **PLEDGES RECEIVABLE, NET OF ALLOWANCE AND DISCOUNT** | 4,092,996 | 3,756,190 |
| **RIGHT OF USE ASSET** | 466,865 | - |
| **EQUIPMENT** | 21,020 | 29,162 |
| Total Assets | $ 22,619,412 | $ 22,337,149 |
| **LIABILITIES AND NET ASSETS** | | |
| **CURRENT LIABILITIES** | | |
| Accounts Payable | $ 167,294 | $ 99,672 |
| Accrued Expenses and Other Liabilities | 291,622 | 329,509 |
| Lease Liability, Current Portion | 111,147 | - |
| Contract Liabilities | 51,696 | 180,587 |
| Refundable Advances | 75,000 | 1,075,000 |
| Total Current Liabilities | 696,759 | 1,684,768 |
| **LEASE LIABILITY, NET OF CURRENT PORTION** | 360,418 | - |
| Total Liabilities | 1,057,177 | 1,684,768 |
| **NET ASSETS** | | |
| Without Donor Restrictions | 5,221,735 | 5,519,586 |
| With Donor Restrictions | 16,340,500 | 15,132,795 |
| Total Net Assets | 21,562,235 | 20,652,381 |
| Total Liabilities and Net Assets | $ 22,619,412 | $ 22,337,149 |

*See accompanying Notes to Financial Statements.*

# CATHOLIC LEADERSHIP INSTITUTE
# STATEMENTS OF ACTIVITIES
# YEARS ENDED JUNE 30, 2023 AND 2022

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| **SUPPORT AND REVENUE** | | | | | | |
| Participant Fees, Net of Scholarships | $ 1,456,348 | $ - | $ 1,456,348 | $ 1,522,311 | $ - | $ 1,522,311 |
| Contributions | 3,023,661 | 4,952,195 | 7,975,856 | 842,150 | 6,365,140 | 7,207,290 |
| In-Kind Donations | - | - | - | 48,807 | - | 48,807 |
| Investment and Other Income | 440,322 | - | 440,322 | 37,785 | - | 37,785 |
| Net Assets Released from Restrictions | 3,744,490 | (3,744,490) | - | 4,439,692 | (4,439,692) | - |
| Total Support and Revenue | 8,664,821 | 1,207,705 | 9,872,526 | 6,890,745 | 1,925,448 | 8,816,193 |
| **EXPENSES** | | | | | | |
| Program Services | 5,287,811 | - | 5,287,811 | 3,232,975 | - | 3,232,975 |
| Management and General | 1,048,920 | - | 1,048,920 | 726,570 | - | 726,570 |
| Fundraising | 2,625,941 | - | 2,625,941 | 2,032,667 | - | 2,032,667 |
| Total Expenses | 8,962,672 | - | 8,962,672 | 5,992,212 | - | 5,992,212 |
| **CHANGE IN NET ASSETS** | (297,851) | 1,207,705 | 909,854 | 898,533 | 1,925,448 | 2,823,981 |
| Net Assets - Beginning of Year | 5,519,586 | 15,132,795 | 20,652,381 | 4,621,053 | 13,207,347 | 17,828,400 |
| **NET ASSETS - END OF YEAR** | $ 5,221,735 | $ 16,340,500 | $ 21,562,235 | $ 5,519,586 | $ 15,132,795 | $ 20,652,381 |

*See accompanying Notes to Financial Statements.*

# CATHOLIC LEADERSHIP INSTITUTE
## STATEMENT OF FUNCTIONAL EXPENSES
## YEAR ENDED JUNE 30, 2023

| | Program Services | Management and General | Fundraising | Total Expenses |
|---|---|---|---|---|
| Payroll | $ 3,110,146 | $ 571,830 | $ 1,099,429 | $ 4,781,405 |
| Payroll Taxes | 237,808 | 41,588 | 71,070 | 350,466 |
| Employee Benefits | 169,683 | 59,277 | 68,709 | 297,669 |
| Insurance | - | 36,724 | - | 36,724 |
| Program Expenses | 114,329 | - | - | 114,329 |
| Program Materials | 149,408 | - | - | 149,408 |
| Program Development/Quality | 116,971 | - | - | 116,971 |
| Bishop's Program | 110,598 | 8,934 | 195,854 | 315,386 |
| Staff Training | - | - | 77,733 | 77,733 |
| Travel | 464,921 | - | 62,069 | 526,990 |
| Technology | 149,355 | 75,282 | 34,843 | 259,480 |
| Communications and Stewardship | 345,360 | 14,063 | 102,802 | 462,225 |
| Major Donor Event | - | - | 843,793 | 843,793 |
| Bad Debt Expense | - | 42,210 | - | 42,210 |
| Office and General | 21,578 | 146,647 | - | 168,225 |
| Supplies | 40,215 | 11,200 | 17,636 | 69,051 |
| Professional Fees | 211,046 | 20,100 | 31,653 | 262,799 |
| Rent | 46,393 | 12,923 | 20,350 | 79,666 |
| Depreciation | - | 8,142 | - | 8,142 |
| Total Functional Expenses | $ 5,287,811 | $ 1,048,920 | $ 2,625,941 | $ 8,962,672 |

*See accompanying Notes to Financial Statements.*

# CATHOLIC LEADERSHIP INSTITUTE
## STATEMENT OF FUNCTIONAL EXPENSES
## YEAR ENDED JUNE 30, 2022

| | Program Services | Management and General | Fundraising | Total Expenses |
|---|---|---|---|---|
| Payroll | $ 1,814,098 | $ 371,013 | $ 930,077 | $ 3,115,188 |
| Payroll Taxes | 136,655 | 22,521 | 64,812 | 223,988 |
| Employee Benefits | 115,270 | 43,640 | 60,269 | 219,179 |
| Insurance | - | 26,464 | - | 26,464 |
| Program Expenses | 9,583 | - | - | 9,583 |
| Program Materials | 154,676 | - | - | 154,676 |
| Program Development/Quality | 35,607 | - | - | 35,607 |
| Bishop's Program | 18,149 | 18,326 | 66,081 | 102,556 |
| Staff Training | - | - | 36,493 | 36,493 |
| Travel | 213,179 | - | 318,373 | 531,552 |
| Technology | 217,981 | 63,201 | 28,202 | 309,384 |
| Communications and Stewardship | 34,737 | 11,238 | 83,330 | 129,305 |
| Major Donor Event | - | - | 330,144 | 330,144 |
| Bad Debt Expense | - | 90,857 | - | 90,857 |
| Office and General | 57,098 | 12,806 | 20,291 | 90,195 |
| Supplies | 39,379 | 10,967 | 17,269 | 67,615 |
| Professional Fees | 319,533 | 30,433 | 47,924 | 397,890 |
| Rent | 67,030 | 18,671 | 29,402 | 115,103 |
| Depreciation | - | 6,433 | - | 6,433 |
| Total Functional Expenses | $ 3,232,975 | $ 726,570 | $ 2,032,667 | $ 5,992,212 |

*See accompanying Notes to Financial Statements.*

## CATHOLIC LEADERSHIP INSTITUTE
## STATEMENTS OF CASH FLOWS
## YEARS ENDED JUNE 30, 2023 AND 2022

| | 2023 | 2022 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Change in Net Assets | $ 909,854 | $ 2,823,981 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities: | | |
| Depreciation | 8,142 | 6,433 |
| Bad Debt Expense | 42,210 | 90,857 |
| (Increase) Decrease in Assets: | | |
| Accounts Receivable | (172,146) | (95,351) |
| Deposits | (11,504) | - |
| Pledges Receivable | (936,095) | 1,109,349 |
| Grants Receivable | 929,500 | (263,741) |
| Prepaid Expenses | 75,324 | 10,529 |
| Right of Use Asset | (466,865) | - |
| Increase (Decrease) in Liabilities: | | |
| Accounts Payable | 67,622 | 57,385 |
| Accrued Expenses | (37,887) | 62,819 |
| Contract Liabilities | (128,891) | 40,768 |
| Refundable Advances | (1,000,000) | 1,000,000 |
| Lease Liability | 471,565 | - |
| Net Cash Provided (Used) by Operating Activities | (249,171) | 4,843,029 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchases of Equipment | - | (35,595) |
| Net Cash Used by Investing Activities | - | (35,595) |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | (249,171) | 4,807,434 |
| Cash and Cash Equivalents - Beginning of Year | 14,347,336 | 9,539,902 |
| **CASH AND CASH EQUIVALENTS - END OF YEAR** | $ 14,098,165 | $ 14,347,336 |

*See accompanying Notes to Financial Statements.*

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Nature of Operations

Catholic Leadership Institute (the Institute) is a nonprofit corporation organized in 1991 under the Commonwealth of Pennsylvania nonprofit laws. The Institute provides bishops, priests, religious, deacons, and laity in the Roman Catholic Church with world-class, pastoral, leadership formation, and consulting services that strengthen their confidence and competence in ministry, enabling them to articulate a vision for their local church, to call forth the gifts of those they lead, and to create more vibrant faith communities rooted in Jesus Christ. The Institute offers multi-day, multi-year leadership formation and consulting services in over 120 dioceses throughout the United States and Canada. Programs and initiatives include the following:

*Next Generation Parish:* This is a four-year pilot program with a cohort of six parishes within a diocese which accompanies pastors, religious, and lay leaders in defining models of the next generation parish for today and the future.

*Custom Training:* Customized training or planning solution to meet the needs of the diocese or parish. This may include the Disciple Maker Index survey which measures, tracks, and draws correlations among 75 factors that influence the spiritual development of the parish.

*Consulting:* Consulting services are unique and varied and are structured to facilitate strong, collaborative relationships between key staff and team members. These services emphasize a common vision for future ministry, respectful communication, and unified support for accompanying decisions.

*Standard Training:* Leadership formation and skill building training for priests, bishops, religious, lay leaders, and seminarians.

*Bishops Training:* Annual training offered to bishops on relevant topics providing skill building and coaching as they envision a strong future for their local churches and respond to the leadership challenges they encounter.

*Called for More:* A service which revolutionizes the preparation, support, and development of priests for transitions for new assignments with a comprehensive decision platform that transforms priest placement.

### Classification of Net Assets

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

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

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Classification of Net Assets (Continued)

*Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed written restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Institute had no net assets held in perpetuity or board-designated net assets as of June 30, 2023 and 2022.

### Contributions With Donor Restrictions and Without Donor Restrictions

Contributions received, including unconditional promises to give, are evaluated using the decision tree in ASC 958-605-55-1A to determine the applicable accounting model.

A decision tree is also used to determine whether grants and contributions received are conditional or unconditional. Both, barriers and right of return/release, need to exist in order to designate a contribution as conditional. Once designated, a refundable advance is created which reflects the unrecognized revenue. When the conditions are met, the amount recognized is reclassed out of refundable advance to their respective revenue accounts.

Contributions, including unconditional promises to give, are recorded as those with donor restrictions or without donor restrictions depending on the existence of donor-imposed restrictions, typically limiting purpose or timing of the grant or contribution. Contributions that are restricted by the donor are reported as an increase in net assets without donor restriction if the restriction expires in the reporting period in which these grants and contributions are recognized.

Contributed assets are valued at the fair market value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support.

Absent donor stipulations regarding how long those donated assets must be maintained, the Institute reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Institute reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Consulting Services Revenue

The majority of the Institute’s contracts have elements of both, an exchange and nonexchange revenue transactions. The exchange portion of a contract is considered to be a portion funded by an engaging party. The nonexchange portion of a contract is considered to be a portion funded by donations solicited and obtained from various third parties. Consequently, the Institute bifurcates a contract revenue and accounts for a nonexchange portion as described in Contribution with Donor Restrictions and Without Donor Restrictions section of this note.

For the contract revenue that is considered an exchange transaction, the Institute considers all the services and deliverables provided to constitute one performance obligation as they are all interdependent one on another and performed in a logical order. The value of this portion of a contract is fixed as presented in the contract. As the result, the Institute satisfies this performance obligation over the term of a contract. In identifying a reasonable method of recognizing revenue over the life of a contract, the Institute determined that percentage of completion method measured on the basis of efforts extended is the best available measure of the progress on the contracts. For some of the contracts, the Institute will bill the engaging party on a pre-set schedule and will record a deferred revenue (as a contract liability) for the payment received in advance of satisfying a portion of the performance obligation. For other contracts, a portion of the performance obligation may be satisfied before payment is received and as the result, the Institute records a contract receivable.

The Institute has recognized the exchange portion of consulting service revenue of $1,219,251 and $1,291,787 for the years ended June 30, 2023 and 2022, respectively, under Participant Fees, Net of Scholarships on the statement of activities.

### Training Services Revenue

The Institute recognizes revenue for training services provided to the engaging party. The performance obligation of delivering the training sessions is satisfied over time of the delivery and the corresponding revenue is recognized over that time. All amounts received prior to the training session taking place are deferred and recorded as contract liability until the training session takes place.

The Institute has recognized training services revenues of $237,097 and $230,524 for the years ended June 30, 2023 and 2022, respectively, under Participant Fees, Net of Scholarships on the statement of activities.

### Cash and Cash Equivalents

For purposes of reporting, the Institute considers all highly liquid debt instruments with an initial maturity of one year or less and any money market fund that invests in government or corporate securities to be cash equivalents. Bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At times, cash in bank may exceed FDIC insurable limits. The Institute has not experienced any losses in these accounts.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Accounts Receivable

Program revenues include all amounts that are billed or are billable to contracts for training programs and consulting services. Revenues are recognized as services are performed based on the terms of the contract. The Institute provides an allowance for bad debts using the allowance method, which is based on management judgment considering historical information. Accounts receivable are individually analyzed for collectability and when all collection possibilities are exhausted or the receivable is greater than 180 days and the client has not communicated a revised payment date in agreement with management, the accounts are written off against the allowance. The allowance was $17,000 and $4,000 at June 30, 2023 and 2022, respectively.

### Pledges Receivable

Pledges receivable are recorded as with donor restrictions or without donor restrictions based on the presence or absence of donor-imposed restrictions. Pledges to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. The present value discount applied in fiscal year 2023 was 7.4%, which is based on the 2-year Treasury rate at the mid-point of the fiscal year, plus an additional 3%.

An allowance for uncollectible pledge receivables is provided based upon management's judgment, including such factors as collection history, type of pledge, and nature of fundraising activity. As of both the years ended June 30, 2023 and 2022, the allowance percentage was 2.5%. Pledge payments are individually analyzed for collectability. Pledge payments lapsed 90 days from expected payment date on an account with no activity in over 12 months are written off against the allowance when all collection possibilities have been exhausted and the donor has not communicated a revised payment date in agreement with management. The allowance was $201,000 and $183,790 as of June 30, 2023 and 2022, respectively.

In addition, as of June 30, 2023, the Institute has promises to give totaling $2,006,667 that do not meet the criteria for recognition and are not included in the accompanying financial statements. These promises to give are subject to conditions which have not been met as of June 30, 2023.

### Equipment

Acquisitions of equipment in excess of $2,500 are capitalized. Equipment is carried at cost, less accumulated depreciation. Depreciation of equipment is computed using the straight-line method over the estimated useful asset lives between 3 and 5 years. Expenditures for repairs and maintenance are charged to expense as incurred, while major renewals and betterments are capitalized.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### In-Kind Contributions

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Institute. Donated fixed assets are recognized as contributions in the period received. As more fully described in Note 8, the Institute received in-kind contributions in the amount of $-0- and $48,807 for the years ending June 30, 2023 and 2022, respectively.

### Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. The financial statements report certain categories of expenses that are attributable to one or more areas of the Institute. Those expenses include staff training, technology, postage, phone, office equipment, depreciation, rent, professional fees, and supplies. These costs are allocated based on the full-time equivalent staff (FTEs) for each of the areas: program, fundraising, and management and general.

### Income Taxes

The Institute is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal income taxes has been made in the accompanying financial statements.

The Institute follows the income tax standard for uncertain tax positions. This standard has no impact on Catholic Leadership Institute's financial statements, as management has not taken any uncertain tax positions. The Institute has not been audited by any taxing authority in recent years. Therefore, all years are subject to examination by the Internal Revenue Service in the event that the Institute's tax-exempt status is challenged.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Change in Accounting Principle

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, *Leases* (ASC 842). The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Change in Accounting Principle (Continued)**

The Institute adopted the requirements of the guidance effective July 1, 2022 and has elected to apply the transition provisions of ASC 842 at the beginning of the period of adoption, while continuing to present the comparative period in accordance with the guidance under the lease standard in effect during that period.

The Institute has elected to adopt the package of practical expedients available in the year of adoption. The Institute has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Institute's ROU assets.

**Subsequent Events**

In preparing these financial statements, the Institute has evaluated events and transactions for potential recognition or disclosure through October 25, 2023, the date the financial statements were available to be issued.

## NOTE 2 PLEDGES RECEIVABLE

Pledges that are expected to be collected are recorded at their net realizable value. As of June 30, pledges receivable consisted of:

| | 2023 | 2022 |
|---|---|---|
| Current: | | |
| Pledges Receivable | $ 3,567,417 | $ 3,000,206 |
| Less: Allowance for Doubtful Accounts | (85,920) | (75,788) |
| Net Current Pledges Receivable | $ 3,481,497 | $ 2,924,418 |
| Long-Term: | | |
| Pledges Receivable | $ 4,778,146 | $ 4,275,441 |
| Less: Allowance for Doubtful Accounts | (115,080) | (108,002) |
| Less: Present Value Discount | (570,070) | (411,249) |
| Net Long-Term Pledges Receivable | $ 4,092,996 | $ 3,756,190 |

Pledges receivable as of June 30, 2023 are due to be collected as follows:

| Year Ending June 30, | Amount |
|---|---|
| 2024 | $ 3,567,417 |
| 2025 | 2,840,946 |
| 2026 | 779,200 |
| 2027 | 658,000 |
| 2028 | 500,000 |
| Total | $ 8,345,563 |

As of June 30, 2023 and 2022, included in the above pledges are $1,967,158 and $1,694,543, respectively, from current board members and employees.

## NOTE 3 LINE OF CREDIT

Catholic Leadership Institute had an available line of credit in the amount of $500,000 as of June 30, 2023. This line of credit is secured by the assets of Catholic Leadership Institute. Interest on this line is charged at 1% above the prime lending rate (9.5% at June 30, 2023). There was no outstanding balance on the line of credit at June 30, 2023 or 2022, nor has the Institute drawn down funds during the years ended June 30, 2023 and 2022. This line is subject to renewal on May 1, 2024.

## NOTE 4 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods.

| | 2023 | 2022 |
|---|---|---|
| Subject to Expenditure for Specific Purpose: | | |
| Program Activities: | | |
| Next Generation Diocese | $ 5,717,658 | $ 7,020,469 |
| Next Generation Parish | 7,778,486 | 4,354,334 |
| Custom Training | 108,205 | 247,238 |
| Standard Training | 57,955 | 56,215 |
| Priest Placement | 890,883 | 648,507 |
| Total | 14,553,187 | 12,326,763 |
| Development Activities: | | |
| Product Development/Research | 346,313 | 290,603 |
| Total | 346,313 | 290,603 |
| Subject to the Passage of Time: | | |
| For Periods after June 30, 2023 and 2022 | 1,441,000 | 2,515,429 |
| Total | 1,441,000 | 2,515,429 |
| Total Net Assets with Donor Restrictions | $ 16,340,500 | $ 15,132,795 |

## NOTE 5 CONTRACT LIABILITIES

The following table provides information about changes in the contract liabilities for the years ended June 30, 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| Contract Liability, Beginning of Year | $ 180,587 | $ 139,819 |
| Revenue Recognized That was Included in Contract Liability, Beginning of Year | (228,476) | (77,076) |
| Increase in Contract Liability Due to Cash Received During the Year | 99,585 | 117,844 |
| Contract Liability, End of Year | $ 51,696 | $ 180,587 |

## NOTE 6 LIQUIDITY

Catholic Leadership Institute's financial assets available for general expenditure within one year of the statement of financial position date, comprise the following:

| | 2023 | 2022 |
|---|---|---|
| Cash and Cash Equivalents | $ 14,098,165 | $ 14,347,336 |
| Accounts Receivable, Net | 306,737 | 134,591 |
| Current Pledges Receivable, Net of Allowance | 3,481,497 | 2,924,418 |
| Grants Receivable | - | 929,500 |
| Net Assets With Donor Restrictions | (11,050,662) | (9,947,034) |
| Total | $ 6,835,737 | $ 8,388,811 |

The Institute has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet four and a half to six months of normal operating expenses, which are, on average, approximately $750,000/month. As part of its liquidity management, the Institute invests in various short-term investments including corporate or government money market mutual funds. As more fully described in Note 4, the Institute also has a committed line of credit in the amount of $500,000 which it could draw upon in the event of an unanticipated liquidity need.

## NOTE 7 IN-KIND DONATIONS

Donated goods and services for the fiscal years ended June 30, 2023 and 2022, included in the financial statements, were as follows:

| | 2023 | 2022 |
|---|---|---|
| Furniture, Fixtures, and Equipment | $ - | $ 27,925 |
| Donated Royalties and Other Services | - | 20,882 |
| Total | $ - | $ 48,807 |

There were no donor restrictions associated with these donated goods and services. The Institute values donated goods and services using the fair market value of services rendered or goods received. These donated goods and services were utilized during the year ended June 30, 2022, primarily for operations, training and consulting services.

## NOTE 8 LEASES

The Institute determines if an arrangement is a lease at inception. Operating leases are included as right-of-use (ROU) assets and lease liability in the statement of financial position.

## NOTE 8 LEASES (CONTINUED)

ROU assets represent the Institutes' right to use an underlying asset for the lease term and lease liabilities represent the Institutes' obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of leases do not provide an implicit rate, the Institute uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Institute will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

ROU assets as of June 30, 2023, consisted of one operating lease of $425,376 for the Institute's office space.

The Institute has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

The following table provides quantitative information concerning the Institute's leases, as of June 30, 2023:

| | |
|---|---|
| Lease Costs: | |
| Operating Lease Costs | $ 79,666 |
| Total Lease Costs | $ 79,666 |
| | |
| Other Information: | |
| Weighted-Average Remaining Lease Term | 4 Years |
| Weighted-Average Discount Rate | 1.75% |

The Institute classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2023 is as follows:

| Year Ending June 30, | Amount |
|---|---|
| 2024 | $ 118,504 |
| 2025 | 120,855 |
| 2026 | 123,205 |
| 2027 | 125,556 |
| Total Lease Payments | 488,120 |
| Less: Interest | (16,555) |
| Present Value of Lease Liabilities | $ 471,565 |