

Seeds of Hope of Northern Colorado, Inc.

Consolidated Financial Statements

June 30, 2024 and 2023

(With Independent Auditor's Report Thereon)



Independent Auditor's Report

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

Opinion

We have audited the accompanying consolidated financial statements of Seeds of Hope of Northern Colorado, Inc. and affiliate, which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Seeds of Hope of Northern Colorado, Inc. and affiliate as of June 30, 2024 and 2023, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

In performing an audit in accordance with GAAS, we:

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

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

Kundinger, Corder & Montoya, P.C.

October 21, 2024

Seeds of Hope of Northern Colorado, Inc.
Consolidated Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
Assets		
Cash and cash equivalents	\$ 3,309,554	5,813,112
Short-term investments	846,350	–
Parish assessments receivable, net of allowance of \$3,790 in 2024 and \$36,188 in 2023	193,359	321,123
Prepaid expenses	52,432	27,021
Contributions receivable (note 3)	223,012	218,516
Investments (note 4)	10,853,532	8,576,318
Total assets	\$ 15,478,239	14,956,090
 Liabilities and net assets		
Accounts payable and accrued expenses	\$ 53,775	46,715
Unearned event advances	10,000	–
Total liabilities	63,775	46,715
 Net assets (notes 5 and 6):		
Without donor restrictions—undesignated	5,337,829	5,319,870
Without donor restrictions—board designated	345,000	345,000
Total net assets without donor restrictions	5,682,829	5,664,870
With donor restrictions	9,731,635	9,244,505
Total net assets	15,414,464	14,909,375
 Commitments (note 7)		
Total liabilities and net assets	\$ 15,478,239	14,956,090

See the accompanying notes to the consolidated financial statements.

Seeds of Hope of Northern Colorado, Inc.
Consolidated Statement of Activities
Year Ended June 30, 2024

	Without donor restrictions	With donor restrictions	Total
Revenue, gains and support			
Contributions and grants	\$ 268,667	1,340,564	1,609,231
Special events	928,522	85,500	1,014,022
Less direct expenses	(158,648)	–	(158,648)
Parish assessments	673,485	–	673,485
Investment return, net (note 4)	258,169	852,236	1,110,405
Net assets released from restrictions (note 5)	1,791,170	(1,791,170)	–
Total revenue, gains and support	<u>3,761,365</u>	<u>487,130</u>	<u>4,248,495</u>
Expenses			
Program services			
Grants to schools and students	2,826,305	–	2,826,305
Grant making expenses	435,137	–	435,137
Total program services	<u>3,261,442</u>	<u>–</u>	<u>3,261,442</u>
Supporting services			
Management and general	173,659	–	173,659
Fundraising	308,305	–	308,305
Total supporting services	<u>481,964</u>	<u>–</u>	<u>481,964</u>
Total expenses	<u>3,743,406</u>	<u>–</u>	<u>3,743,406</u>
Change in net assets	17,959	487,130	505,089
Net assets at beginning of year	<u>5,664,870</u>	<u>9,244,505</u>	<u>14,909,375</u>
Net assets at end of year	<u>\$ 5,682,829</u>	<u>9,731,635</u>	<u>15,414,464</u>

See the accompanying notes to the consolidated financial statements.

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

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

See the accompanying notes to the consolidated financial statements.

Seeds of Hope of Northern Colorado, Inc.
Consolidated Statement of Functional Expenses
Year Ended June 30, 2024

	Program services	Manage- ment and general	Fund- raising	Total
Grants to schools and students	\$ 2,826,305	–	–	2,826,305
Salaries and related expenses	289,355	28,313	115,522	433,190
Service fee (note 7)	82,714	66,000	151,286	300,000
Fundraising and donor appreciation expenses	69	95	187,947	188,111
Professional fees	32,565	30,858	–	63,423
Operational services fee (note 9)	2,435	45,152	2,213	49,800
Office equipment and supplies	12,764	1,018	100	13,882
Miscellaneous expenses	8,050	1,454	3,114	12,618
Rent (note 9)	4,436	590	2,444	7,470
Bank and merchant fees	2,246	–	1,480	3,726
Printing and postage	503	179	2,847	3,529
Total functional expenses	3,261,442	173,659	466,953	3,902,054
Less expenses included with revenue in the statement of activities	–	–	(158,648)	(158,648)
Total expenses	<u>\$ 3,261,442</u>	<u>173,659</u>	<u>308,305</u>	<u>3,743,406</u>

See the accompanying notes to the consolidated financial statements.

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

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

See the accompanying notes to the consolidated financial statements.

Seeds of Hope of Northern Colorado, Inc.
Consolidated Statements of Cash Flows
Year Ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities		
Change in net assets	\$ 505,089	2,570,681
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Provision for doubtful accounts	(32,398)	25,613
Interest and dividends restricted for endowment	(81,549)	(74,723)
Realized and unrealized gain on investments	(856,954)	(617,063)
Change in operating assets and liabilities		
Parish assessments receivable	160,162	(198,539)
Prepaid expenses	(25,411)	(6,107)
Contributions receivable	(4,496)	35,750
Accounts payable and accrued expenses	7,060	18,134
Unearned event advances	10,000	—
Net cash (used in) provided by operating activities	(318,497)	1,753,746
Cash flows from investing activities		
Net purchases of investments	(2,611,610)	(37,347)
Distribution from endowment earnings	345,000	345,000
Net cash (used in) provided by investing activities	(2,266,610)	307,653
Cash flows from financing activities		
Interest and dividends restricted for endowment	81,549	74,723
Net (decrease) increase in cash and cash equivalents	(2,503,558)	2,136,122
Cash and cash equivalents at beginning of year	5,813,112	3,676,990
Cash and cash equivalents at end of year	\$ 3,309,554	5,813,112

See the accompanying notes to the consolidated financial statements.

Seeds of Hope of Northern Colorado, Inc.
Notes to Consolidated Financial Statements
June 30, 2024 and 2023

(1) Summary of Significant Accounting Policies

(a) Organization

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

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

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

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

(b) Basis of Accounting

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

(c) Financial Statement Presentation

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

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

Seeds of Hope of Northern Colorado, Inc.
Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(c) Financial Statement Presentation, Continued

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

(d) Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less, and which are not held by investment managers as part of an investment portfolio, to be cash equivalents. Included in cash and cash equivalents at June 30, 2024 and 2023, are amounts held in a savings deposit account at the Archdiocese of Denver Irrevocable Revolving Fund Trust totaling \$2,387,703 and \$4,750,895, respectively (see note 9).

(e) Short-term Investments

Short-term investments consist of money market accounts administered by The Catholic Foundation of Northern Colorado (“The Catholic Foundation”). Short-term investments are not part of the investment portfolio as the resources are readily available for daily operating purposes. The money market funds are stated at fair value.

(f) Concentrations of Credit Risk

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

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

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

Seeds of Hope of Northern Colorado, Inc.
Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(g) Investments

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

(h) Fair Value Measurements

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

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

In addition, certain investments are reported using the "practical expedient" method. The practical expedient method allows net asset value per share or its equivalent to represent fair value for reporting purposes when the criteria for using this method are met. Investments valued using net asset value per share or its equivalent are not categorized within the hierarchy. At June 30, 2024 and 2023, the Organization's investments are valued using the net asset value per share; and accordingly, are not classified within the three-level hierarchy. The short-term investments are stated at fair value using Level 1 inputs.

(i) Furniture and Equipment

Furniture and equipment is recorded at cost or, if donated, at fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from three to five years. The Organization capitalizes all fixed asset purchases over \$1,000 with an estimated useful life of three or more years. At June 30, 2024 and 2023, furniture and equipment are fully depreciated and have been removed from the accounting records. Certain furniture and equipment are being provided to the Organization by the Archdiocese of Denver as part of the service fee paid to the Mission Advancement Office. See note 7.

Seeds of Hope of Northern Colorado, Inc.
Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(j) Revenue Recognition

Parish Assessments

The Archdiocese bills and collects parish assessments on behalf of the Organization to support Catholic education and then periodically remits the collected amounts to the Organization. The allowance for credit losses is based on historical experience, current conditions, and reasonable and supportable forecasts about collectability. Parish assessments are considered to be past due based on contractual terms.

Contributions and Grants

Contributions are recognized when cash, securities, and an unconditional promise to give are received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Payments received in advance of conditions being met are recorded as a refundable advance in the consolidated statements of financial position.

Unconditional contributions receivable are recognized as revenue in the period the pledge is received. Unconditional contributions receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional contributions receivable are recognized when the conditions on which they depend are substantially met. The Organization uses the allowance method to determine uncollectible contributions receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. There was no allowance for uncollectible contributions receivable at June 30, 2024 and 2023.

All donor restricted support, including pledges, is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a donor restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from donor restrictions.

Special Events

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

(k) In-kind Donations

Donated services and materials are recorded as contributions and corresponding expenses at their estimated fair values at the date of donation. No in-kind donations were received during 2024 or 2023. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific program tasks and with fund raising events, but these were not recognized in the consolidated financial statements because they did not meet the criteria for recognition under generally accepted accounting principles (GAAP). Contributed auction items are valued at gross selling price received, and the proceeds are included in special events revenue.

Seeds of Hope of Northern Colorado, Inc.
Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(l) Functional Allocation of Expenses

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

(m) Program Grants

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

(n) Estimates

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

(o) Income Taxes

The Trust and SOH Inc. are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code through their inclusion in the United States Conference of Catholic Bishops (USCCB) group ruling and listing in the Official Catholic Directory. Accordingly, the Trust and SOH Inc. qualify for the charitable contribution deduction. Income from activities not directly related to the Organizations' tax-exempt purpose is subject to taxation as unrelated business income. There was no unrelated business income subject to tax during the years ended June 30, 2024 and 2023.

The Trust and SOH Inc. follow the *Accounting for Uncertainty in Income Taxes* accounting standard which requires management to determine whether a tax position (and the related tax benefit) is more likely than not to be sustained upon examination by the applicable taxing authority, based solely on the technical merits of the position. Management believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are significant to the financial statements. The federal Forms 990, Return of Organization Exempt from Income Tax, for the years ended June 30, 2021 through 2023 are subject to examination by the IRS, generally for three years after they were filed.

(p) Subsequent Events

The Organization has evaluated subsequent events through October 21, 2024, the date the financial statements were available to be issued.

Seeds of Hope of Northern Colorado, Inc.
Notes to Consolidated Financial Statements, Continued

(2) Liquidity and Availability of Financial Assets

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

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 3,309,554	5,813,112
Short-term investments	846,350	–
Parish assessments receivable, net	193,359	321,123
Contributions receivable (note 3)	223,012	218,516
Investments not subject to donor restrictions (note 4)	<u>2,041,170</u>	<u>262,547</u>
Financial assets available to meet cash expenditures over the next twelve months	<u>\$ 6,613,445</u>	<u>6,615,298</u>

The Organization’s financial assets available to meet cash needs for general expenditures within one year represent funding for ongoing operational requirements. Investments totaling \$8,812,362 and \$8,313,771 at June 30 2024 and 2023, respectively, represent the Organization’s donor-restricted endowment funds, which are subject to an annual spending policy and the income from which is restricted for specific purposes as described in notes 5 and 6. In the normal course of operations, the Organization receives significant contributions that are available to meet cash needs for general expenditures throughout the year. As part of its liquidity management, cash in excess of daily requirements is invested in interest bearing checking, sweep, savings accounts (see note 9), short-term investments, and investment funds that provide immediate liquidity.

(3) Contributions Receivable

Contributions receivable total \$223,012 and \$218,516 as of June 30, 2024 and 2023, respectively, and are due in less than one year.

At June 30, 2024, the Organization has conditional grants totaling \$325,000 that are subject to specific milestones, matching requirements, and conditions that give the donors the right, at their sole discretion, to reduce the amount of funds granted or to request the return of any unexpended funds. One grant agreement contains a matching requirement; the total grant amount is not to exceed \$100,000 and funds scholarship awards for academic years 2024-2025 and 2025-2026 for income-eligible families and their children. The second conditional grant totals \$225,000 and is contingent upon the Organization meeting specific milestones. Revenue under these grant agreements is not recognized until these conditions are met.

(4) Investments

Investments are held by The Catholic Foundation and total \$10,853,532 and \$8,576,318 at June 30, 2024 and 2023, respectively.

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

Seeds of Hope of Northern Colorado, Inc.
Notes to Consolidated Financial Statements, Continued

(4) Investments, Continued

At June 30, 2024, the portfolio managed by The Catholic Foundation was allocated among the following strategies:

Cash	.72%
Fixed income	14.60%
Multi-strategy	11.80%
Real assets	7.42%
Total equity	65.46%

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

	<u>2024</u>	<u>2023</u>
Net assets without restrictions	\$ 2,041,170	262,547
Net assets with restrictions	<u>8,812,362</u>	<u>8,313,771</u>
Total investments	\$ <u>10,853,532</u>	<u>8,576,318</u>

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

	<u>2024</u>	<u>2023</u>
Interest and dividends	\$ 322,780	208,236
Net realized and unrealized gains	856,954	617,063
Less investment fees	<u>(69,329)</u>	<u>(63,136)</u>
Net investment return	\$ <u>1,110,405</u>	<u>762,163</u>

(5) Net Assets

Net assets without donor restrictions

At both June 30, 2024 and 2023, a portion of net assets without restrictions totaling \$345,000 is designated by the Board of Directors for tuition assistance grants and operating expenses for the upcoming school year.

Net assets with donor restrictions

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

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specific purpose		
Scholarships/tuition assistance/grants to schools	\$ 550,610	522,071
Adopt-a-Student Program	145,651	190,147
Subject to passage of time		
Contributions receivable (note 3)	<u>223,012</u>	<u>218,516</u>
Total subject to purpose and time restrictions	<u>919,273</u>	<u>930,734</u>
Endowments subject to spending policy and appropriation (note 6)		
Gifts restricted in perpetuity	8,731,555	8,272,643
Unspent earnings on endowment funds	<u>80,807</u>	<u>41,128</u>
Total endowment funds	<u>8,812,362</u>	<u>8,313,771</u>
Total net assets with donor restrictions	\$ <u>9,731,635</u>	<u>9,244,505</u>

Seeds of Hope of Northern Colorado, Inc.
Notes to Consolidated Financial Statements, Continued

(5) Net Assets, Continued

Net assets with donor restrictions, continued

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

	<u>2024</u>	<u>2023</u>
Satisfaction of purpose and time restrictions		
Scholarships/tuition assistance/grants to schools	\$ 1,208,775	1,218,825
Adopt-a-Student Program	<u>228,750</u>	<u>215,500</u>
Total purpose and time restrictions released	1,437,525	1,434,325
Distributions from endowments in support of grants to schools and students	<u>353,645</u>	<u>351,897</u>
Total net assets released from restrictions	\$ <u>1,791,170</u>	<u>1,786,222</u>

(6) Endowment Funds

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

	<u>2024</u>	<u>2023</u>
William Randolph Hearst Endowment	\$ 200,000	200,000
Tuition Assistance Endowment:		
Hearts on Fire Fund	5,961,612	5,690,615
Elementary Education Fund	1,788,255	1,629,340
Catholic School Education Fund	<u>638,006</u>	<u>609,006</u>
Total Tuition Assistance Endowment	<u>8,387,873</u>	<u>7,928,961</u>
The Frank and Marie Gold Scholarship Endowment	50,000	50,000
Josephine J. Aquila Endowment	<u>93,682</u>	<u>93,682</u>
Total donor-restricted endowment funds	\$ <u>8,731,555</u>	<u>8,272,643</u>

The following is a brief description of the individual funds:

William Randolph Hearst Endowment

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

Tuition Assistance Endowment

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

The Frank and Marie Gold Scholarship Endowment

This fund was established with a gift from Richard W. Hall to provide annual scholarships to students attending Guardian Angels School in Denver, Colorado.

Seeds of Hope of Northern Colorado, Inc.
Notes to Consolidated Financial Statements, Continued

(6) Endowment Funds, Continued

Josephine J. Aquila Endowment

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

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

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

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

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

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

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

Seeds of Hope of Northern Colorado, Inc.
Notes to Consolidated Financial Statements, Continued

(6) Endowment Funds, Continued

Changes in the endowment net assets for the years ended June 30, 2024 and 2023 are as follows:

Endowment net assets at June 30, 2022	\$ 8,030,686
Investment return, net	634,982
Appropriation of endowment assets for expenditure	<u>(351,897)</u>
Endowment net assets at June 30, 2023	8,313,771
Investment return, net	852,236
Appropriation of endowment assets for expenditure	<u>(353,645)</u>
Endowment net assets at June 30, 2024	\$ <u>8,812,362</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the amount of the original donation. At June 30, 2024 and 2023, there were no deficiencies.

Return Objectives and Risk Parameters

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

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization's spending policy allows for appropriating the investment earnings for distribution based upon a maximum of 5% of the twelve-quarter trailing average of the fair market value of investments held in the Hearts on Fire and Catholic School Education Funds. In establishing the distribution policy, the Organization considers the long-term expected return on its endowment funds. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow, net of spending, at the rate of inflation or greater over the investment horizon thus maintaining the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment returns. The annual distribution for the year ended June 30, 2024, totaled \$345,000. This amount has been designated by the Board for tuition assistance and/or operating expenses for fiscal year 2025. See note 5. In addition, during the years ended June 30, 2024 and 2023, the Board voted to take no distributions from the William Randolph Hearst, Frank and Marie Gold, and Josephine J. Aquila endowments to avoid these funds falling below the amount of the original donations and to allow these funds to grow.

Seeds of Hope of Northern Colorado, Inc.
Notes to Consolidated Financial Statements, Continued

(7) Administration and Donor Service Agreement

For a base annual fee, the Archdiocese's Mission Advancement Office (MAO) provides fundraising and related development services and resources to the Organization that include donor communications and relations, donor solicitation, event assistance, grant application and reporting, and graphic design. The agreement is renewed on an annual basis. For each of the years ended June 30, 2024 and 2023, fees incurred in connection with this service agreement totaled \$300,000. The fees have been allocated on a functional basis in the consolidated statements of functional expenses based on estimates of how the MAO staff spent their time performing services under the agreement.

(8) Retirement Plans

Until March 31, 2024, the employees of the Organization participated in the Archdiocese of Denver Lay Employees' Money Purchase Pension Plan and Trust (the Lay Pension Plan) sponsored by the Archdiocese. The Lay Pension Plan was a defined contribution plan, qualified as a Church plan, and was funded by contributions from its participating employers, including the Organization. Third-party administrators of the Lay Pension Plan collected and invested contributions and paid benefits in accordance with plan provisions. Under the Lay Pension Plan the organization contributed 6% of participants' eligible annual compensation, which was credited to each participant's account along with earnings from the participant's self-directed investments. Effective March 31, 2024, the Archdiocese adopted an amendment to freeze the Lay Pension Plan such that there were no further contributions to this plan with respect to employee compensation received after this date.

Effective April 1, 2024, the Archdiocese established the Archdiocese of Denver Retirement Plan (the New Plan), a new Church 403(b) plan. Effective June 1, 2024, all participant amounts and accounts included in the Lay Pension Plan became fully vested and were merged into the New Plan. Under the New Plan and beginning June 1, 2024, participants may contribute a specified percentage or specified amount of their compensation, subject to 403(b) pretax contribution limits set forth by IRS regulations.

Under the New Plan, the Organization's contribution is discretionary and is allocated pro-rata to each participant's account. Starting June 1, 2024, the Organization contributes 6% of participants' eligible compensation. Third-party administrators of the New Plan collect and invest contributions and pay benefits in accordance with plan provisions.

Retirement expense incurred by the Organization during the years ended June 30, 2024 and 2023 was \$19,479 and \$18,817, respectively. At June 30, 2024 and 2023, the Organization recorded a payable totaling \$5,244 and \$4,878, respectively, for the fourth quarter contribution to the New Plan.

(9) Other Transactions with Archdiocesan Entities

The Archdiocese of Denver Irrevocable Revolving Fund Trust ("Revolving Fund Trust") provides a secure means for the Archdiocese of Denver, the parishes within the Archdiocese and other related ecclesiastical organizations to support one another by depositing surplus funds with the Revolving Fund Trust, which funds can be loaned to parishes and related ecclesiastical organizations for specific needs. The Organization has saving deposit accounts at the Revolving Fund Trust, the balance of which was \$2,387,703 at June 30, 2024 and \$4,750,895 at June 30, 2023. These amounts are included in cash and cash equivalents in the consolidated statements of financial position. Interest income earned on these savings deposit accounts totaled \$137,169 and \$107,680 during the years ended June 30, 2024 and 2023, respectively.

Seeds of Hope of Northern Colorado, Inc.
Notes to Consolidated Financial Statements, Continued

(9) Other Transactions with Archdiocesan Entities, Continued

The Archdiocese of Denver Management Corporation (the “Management Corporation”) performs certain administrative and operational services which may include payroll and Human Resources, risk management and insurance, marketing/communications, legal, building/facilities, and IT and data processing for the Organization. Fees paid to the Management Corporation for these services totaled \$49,800 and \$46,600 for the years ended June 30, 2024 and 2023, respectively.

The Archdiocese of Denver Welfare Benefits Trust administers a self-funded employee benefit plan (the Benefits Trust) for the employee participants of the Archdiocese, certain related entities, and the parishes within the territory of the Archdiocese. The Benefits Trust purchases health insurance coverage for claims in excess of certain amounts. The coverage is also effective if aggregate cash payments exceed defined limits. Participants covered under the Benefits Trust have access to various healthcare facilities through a contracted managed care network. The Organization paid \$50,589 and \$25,580 to the Benefits Trust during the years ended June 30, 2024 and 2023, respectively.

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

SOH Inc. subleases office space from the Archdiocese under an agreement that is subject to renewal on an annual basis. Rent paid to the Archdiocese totaled \$7,470 for each of the years ended June 30, 2024 and 2023.