Financial Statements
June 30, 2023 and 2022

Catholic Education Arizona

Independent Auditor's Report

The Board of Directors
Catholic Education Arizona
Phoenix, Arizona

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Catholic Education Arizona, 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 accompanying financial statements referred to above present fairly, in all material respects, the financial position of Catholic Education Arizona 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 Auditor's Responsibilities of the Audit of the Financial Statements section of our report. We are required to be independent of Catholic Education Arizona 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 Education Arizona has adopted the provisions of FASB Accounting Standards Codification Topic 842, *Leases*, as of July 1, 2022, using the modified retrospective approach with an adjustment at the beginning of the adoption period. 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; 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.

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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 Education Arizona's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities of 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 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 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 Education Arizona'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 Education Arizona'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.

Eide Bailly LLP

Phoenix, Arizona
December 7, 2023

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	$ 29,451,670	$ 28,725,353
Investments	6,998,202	3,355,676
Scholarship refunds receivable	465,917	173,422
Prepaid expenses and other assets	12,037	11,795
	36,927,826	32,266,246
Property and Equipment		
Furniture and equipment	48,497	46,609
Computer equipment	49,209	45,784
Leasehold improvements	107,941	107,941
	205,647	200,334
Less accumulated depreciation	(127,137)	(91,201)
Total property and equipment	78,510	109,133
Investments, Less Current	601,052	-
Operating Lease Right-of-Use Asset	135,156	-
Total assets	$ 37,742,544	$ 32,375,379
Liabilities and Net Assets		
Current Liabilities		
Scholarship awards payable	$ 33,259,375	$ 29,545,217
Accounts payable and accrued expenses	41,507	35,444
Current maturities of operating lease liability	88,550	-
	33,389,432	29,580,661
Deferred Rent	-	15,409
Lease Incentive Obligation, Net	-	55,434
Operating Lease Liability, Less Current Maturities	104,086	-
Total liabilities	33,493,518	29,651,504
Net Assets		
Without donor restrictions	3,648,011	2,723,875
With donor restrictions	601,015	-
Total net assets	4,249,026	2,723,875
Total liabilities and net assets	$ 37,742,544	$ 32,375,379

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Support, and Gains			
Contributions - individual	$ 9,813,854	$ -	$ 9,813,854
Contributions - corporate	14,424,525	-	14,424,525
Contributions - Changing Lives	-	586,825	586,825
Other contributions	297,870	-	297,870
Net investment return	686,656	14,190	700,846
Total revenue, support, and gains	25,222,905	601,015	25,823,920
Expenses			
Program services	22,603,053	-	22,603,053
Supporting services expenses			
Management and general	1,015,307	-	1,015,307
Fundraising	680,409	-	680,409
Total supporting services expenses	1,695,716	-	1,695,716
Total expenses	24,298,769	-	24,298,769
Change in Net Assets	924,136	601,015	1,525,151
Net Assets, Beginning of Year	2,723,875	-	2,723,875
Net Assets, End of Year	$ 3,648,011	$ 601,015	$ 4,249,026

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Support, and Gains			
Contributions - individual	$ 10,438,255	$ -	$ 10,438,255
Contributions - corporate	13,684,100	-	13,684,100
Other contributions	371,944	-	371,944
Net investment return	31,060	-	31,060
Total revenue, support, and gains	24,525,359	-	24,525,359
Expenses			
Program services	22,517,311	-	22,517,311
Supporting services expenses			
Management and general	773,934	-	773,934
Fundraising	629,074	-	629,074
Total supporting services expenses	1,403,008	-	1,403,008
Total expenses	23,920,319	-	23,920,319
Change in Net Assets	605,040	-	605,040
Net Assets, Beginning of Year	2,118,835	-	2,118,835
Net Assets, End of Year	$ 2,723,875	$ -	$ 2,723,875

	2023			
	Program Services	Management and General	Fundraising	Total
Scholarship Awards				
Individual	$ 5,390,471	$ -	$ -	$ 5,390,471
Switcher	3,440,730	-	-	3,440,730
Corporate	12,063,792	-	-	12,063,792
Disabled/Displaced	918,281	-	-	918,281
Employer matching and donations	164,512	-	-	164,512
Discretionary awards	50,000	-	-	50,000
Total scholarship awards	22,027,786	-	-	22,027,786
Other Expenses				
Compensation, other salaries and wages, and benefits	321,437	378,824	321,437	1,021,698
Pension plan contributions	30,492	31,416	30,492	92,400
Payroll taxes	20,946	21,580	20,946	63,472
Professional services	87,156	1,120	59,676	147,952
Legal fees	-	6,036	-	6,036
Accounting fees	7,467	7,467	7,467	22,401
Advertising and promotion	32,010	150,981	82,968	265,959
Office expenses	52	44,544	-	44,596
Information technology	4,873	4,873	19,614	29,360
Rent	22,570	22,570	22,569	67,709
Travel	-	8,259	525	8,784
Conventions and meetings	-	25,194	-	25,194
Depreciation and amortization	11,978	11,979	11,978	35,935
Insurance	4,843	4,843	4,842	14,528
Printing	140	4,892	3,808	8,840
Credit card fees	-	169,435	-	169,435
Continuing professional education	-	10,131	-	10,131
Postage and delivery	1,394	2,220	3,806	7,420
Miscellaneous expenses	29,909	108,943	90,281	229,133
Total other expenses	575,267	1,015,307	680,409	2,270,983
Total expenses	$ 22,603,053	$ 1,015,307	$ 680,409	$ 24,298,769

	2022			
	Program Services	Management and General	Fundraising	Total
Scholarship Awards				
Individual	$ 5,737,994	$ -	$ -	$ 5,737,994
Switcher	3,658,006	-	-	3,658,006
Corporate	11,415,690	-	-	11,415,690
Disabled/Displaced	900,000	-	-	900,000
Employer matching and donations	207,665	-	-	207,665
Discretionary awards	97,321	-	-	97,321
Total scholarship awards	22,016,676	-	-	22,016,676
Other Expenses				
Compensation, other salaries and wages and benefits	272,361	279,125	272,361	823,847
Pension plan contributions	24,363	25,101	24,363	73,827
Payroll taxes	15,477	15,946	15,477	46,900
Professional services	84,234	-	74,686	158,920
Legal Fees	-	3,329	-	3,329
Accounting fees	6,745	6,745	6,745	20,235
Advertising and promotion	30,608	114,348	93,133	238,089
Office expenses	53	37,506	-	37,559
Information technology	2,639	2,929	5,513	11,081
Rent	22,086	22,086	22,086	66,258
Travel	-	2,458	4,869	7,327
Conventions and meetings	-	14,740	222	14,962
Depreciation and amortization	11,906	11,909	11,906	35,721
Insurance	4,502	4,502	4,502	13,506
Printing	-	3,356	-	3,356
Credit card fees	-	179,521	-	179,521
Moving expense	-	-	-	-
Continuing professional education	-	800	-	800
Postage and delivery	167	6,721	189	7,077
Miscellaneous expenses	25,494	42,812	93,022	161,328
Total other expenses	500,635	773,934	629,074	1,903,643
Total expenses	$ 22,517,311	$ 773,934	$ 629,074	$ 23,920,319

	2023	2022
Operating Activities		
Change in net assets	$ 1,525,151	$ 605,040
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	35,935	35,721
Amortization of lease incentive obligation	-	(19,565)
Loss on sale of property and equipment	-	116
Realized and unrealized gain on investments	(14,227)	-
Contributions restricted to endowment	(251,825)	-
Changes in operating assets and liabilities		
Scholarship refunds receivable	(292,495)	(27,668)
Prepaid expenses and other assets	(242)	(527)
Operating lease assets and liabilities	(13,363)	-
Scholarship awards payable	3,714,158	5,879,478
Accounts payable and accrued expenses	6,063	16,385
Deferred rent	-	(3,101)
Net Cash from Operating Activities	4,709,155	6,485,879
Investing Activities		
Purchases of property and equipment	(5,312)	(6,447)
Purchases of investments	(4,558,383)	(10,492)
Sales of investments	329,032	-
Net Cash used for Investing Activities	(4,234,663)	(16,939)
Financing Activities		
Collections of contributions restricted to endowment	251,825	-
Net Change in Cash and Cash Equivalents	726,317	6,468,940
Cash and Cash Equivalents, Beginning of Year	28,725,353	22,256,413
Cash and Cash Equivalents, End of Year	$ 29,451,670	$ 28,725,353

Note 1 - Principal Business Activity and Significant Accounting Policies

Principal Business Activity

Catholic Education Arizona (the Organization) was founded in 1998 and provides educational scholarships and tuition grants to eligible families to use at any qualified Catholic school in the State of Arizona. The Organization is a school tuition organization as defined in Arizona Revised Statute 43-1089, and as such, must allocate at least 90% of its qualifying annual revenue for educational scholarships or tuition grants.

Basis of Accounting

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

Cash and Cash Equivalents

The Organization maintains its available cash at multiple financial institutions. Deposits at each financial institution are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor, per insurance bank, for each account ownership category. At June 30, 2023, the Organization had approximately $831,000 in cash accounts in excess of FDIC limits.

For purposes of the statements of cash flows, the Organization considers all highly-liquid investments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents held within the investment portfolio are excluded from this definition.

Property and Equipment

Property and equipment are stated at historical cost, or if donated, at the fair market value at the date of the gift. It is the Organization's policy to capitalize property and equipment with a useful life greater than one year and a cost or fair market value in excess of $500. Depreciation and amortization of property and equipment is computed using the straight-line method over the estimated useful lives of the assets, which range from three to ten years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation and amortization is removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. The Organization has determined that for the years ended June 30, 2023 and 2022 there were no indicators of asset impairment.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

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.

Net Assets with Donor Restrictions – Net assets subject to donor (or certain grantor) imposed 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. The Organization reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. 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 statements of activities as net assets released from restrictions.

Revenue and Revenue Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is 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. 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. Consequently, at June 30, 2023 and 2022, conditional contributions approximating $425,000 and $0, respectively, for which no amounts have been received in advance, have not been recognized in the accompanying financial statements.

Scholarship Awards

Annually, the Organization's board of directors approves the scholarship amounts funded by individual and corporate contributions qualifying for the state tax credit that will be paid in the succeeding year. Scholarship awards were $21,813,274 and $21,711,690 for the years ended June 30, 2023 and 2022, respectively, which represents 90% of total scholarship contributions for both years. Scholarship awards are allocated as contributions are received during the year and paid out to the schools in the following year resulting in scholarship awards payable.

In addition, the Organization's board of directors approved discretionary scholarships in the amount of $126,146 and $304,986 for the years ended June 30, 2023 and 2022, respectively. Funds for these discretionary scholarships are used from the remaining 10% of contributions received in past years, as well as other contributions received.

At times, the Organization is not the first to award scholarships to students resulting in an overfunded award recipient. Thus, the Organization is refunded any amounts awarded in excess of recipient's tuition limit. Receivables from scholarship refunds were $465,917 and $173,422 as of June 30, 2023 and 2022, respectively.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation, other salaries and wages, and benefits, payroll taxes, pension plan contributions, professional services, accounting fees, advertising and promotion, office expenses, information technology, rent, depreciation and amortization, insurance, printing, postage and delivery, and miscellaneous expenses, which are allocated based on a defined allocation plan as determined by management.

Advertising Costs

The Organization uses various forms of advertising to solicit contributions and promote its programs among the public. Advertising costs are expensed as incurred. Advertising expenses were $74,823 and $53,866 for the years ended June 30, 2023 and 2022, respectively.

Income Taxes

The Organization is organized as an Arizona non-profit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contributions deduction under Section 170, and has been determined not to be a private foundation under Sections 509(a)(3). The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS.

In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The Organization has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Management believes that it has appropriate support for any tax positions taken affecting the Organization's annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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 and those differences could be material.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Adoption of Accounting Standards Codification 842

Effective July 1, 2022, the Organization adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, *Leases* (Topic 842). The Organization elected to apply the guidance as of July 1, 2022, the beginning of the adoption period. The comparative financial information and disclosures presented are in accordance with the legacy standard, ASC 840. The standard requires the recognition of right-of-use assets and lease liabilities for lease contracts with terms greater than 12 months. Operating lease costs are recognized as a single lease cost and finance lease costs are recognized in two components, interest expense and amortization expense. The Organization has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Organization accounted for its existing leases as either finance or operating lease under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the operating lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in ASC Topic 842 at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on July 1, 2022, the beginning of the adoption period, an operating lease liability of $276,664, and an operating right-of-use asset of $196,123. The adoption of the new standard did not materially impact the Organization's Statements of Activities or Statements of Cash Flows. See Note 4 for further disclosure of the Organization's lease contracts.

Recent Accounting Pronouncements

In June 2016, the FASB issued Accounting Standards Update 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13), which replaces the incurred loss method of estimated credit losses with an expected credit loss method referred to as the current expected credit loss (CECL) model. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including trade and loan receivables. Under the CECL model, an entity measures all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The standard expands the disclosure requirements regarding an entity's assumptions, models, and methods for estimating the allowance for loan and leases losses. ASU 2016-13 is effective for the Organization in its annual reporting period beginning July 1, 2023. The Organization is currently evaluating the impact the new standard will have on its financial statements and related disclosures.

Subsequent Events

The Organization has evaluated subsequent events through December 7, 2023, the date that these financial statements were available to be issued.

Note 2 - Liquidity and Availability

The Organization's financial assets at June 30, 2023 and 2022 available to meet cash needs for general expenditures within 12 months of the statement of financial position date are as follows, which are free of internal and external restrictions:

	2023	2022
Cash and cash equivalents	$ 29,451,670	$ 28,725,353
Investments	7,599,254	3,355,676
Scholarship refunds receivable	465,917	173,422
	37,516,841	32,254,451
Less net assets with donor restrictions	(601,015)	-
	$ 36,915,826	$ 32,254,451

The Organization manages its exposure to liquidity risk by regularly monitoring the liquidity required to meet its operating needs. The Organization has contractual commitments to fund scholarships for 90% of qualifying contributions received as a result of the Organization's Student Tuition Organization status. Awards payable from the Organization were $33,259,375 and $29,545,217 for the years ended June 30, 2023 and 2022, respectively. The Organization prepares an annual budget to manage liquidity and to determine general expenditures over the next 12 months and anticipates collecting revenue sufficient to cover general expenditures during that period.

Note 3 - Fair Value Measurements and Disclosures

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity.

Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, considering factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Organization's assessment of the quality, risk, or liquidity profile of the asset.

A portion of investment assets are classified within Level 1 because they comprise open-end exchange traded funds with readily determinable fair values based on daily redemption values. The Organization also invests in CDs traded in the financial markets. Those CDs are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions and are classified within Level 2.

The following table presents assets and liabilities measured at fair value on a recurring basis at June 30, 2023:

		Fair Value Measurements at Report Date Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and money market accounts	$ 363,607	$ -	$ -	$ -
Certificates of deposit	6,998,202	-	6,998,202	-
Exchange-traded funds	237,445	237,445	-	-
	$ 7,599,254	$ 237,445	$ 6,998,202	$ -

The following table presents assets and liabilities measured at fair value on a recurring basis at June 30, 2022:

		Fair Value Measurements at Report Date Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of deposit	$ 3,355,676	$ -	$ 3,355,676	$ -

Note 4 - Operating Leases

The Organization leases office space and equipment for various terms under long-term non-cancelable operating lease agreements. The leases expire at various dates through 2026. The Organization includes in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised.

The Organization elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate.

The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recorded on straight-line basis. The Organization elected the practical expedient to not separate lease and non-lease components for building and equipment leases.

Total lease costs for the year ended June 30, 2023 were as follows:

Operating lease cost	$ 67,552
Short-term lease cost	2,046

Total lease expense was $77,062 for the year ended June 30, 2022.

The following table summarized the supplemental cash flow information for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	$ 90,614

The following summarizes the weighted-average remaining lease term and weighted-average discount rate as of June 30, 2023:

Weighted-average remaining lease term in years:	
Operating leases	2.13
Weighted-average discount rate:	
Operating leases	2.85%

The future minimum lease payments under noncancellable operating leases with terms greater than one year are listed below as of June 30, 2023:

Years Ending June 30,	Amount
2024	$ 92,710
2025	90,900
2026	14,790
Total lease payments	198,400
Less interest	(5,764)
Present value of lease liabilities	$ 192,636

Future minimum payments determined under the guidance in Topic 840 are listed below as of June 30, 2022.

Years Ending June 30,	Amount
2023	$ 91,076
2024	92,808
2025	90,949
2026	14,790
	$ 289,623

Note 5 - Employee Benefits

Defined Benefit Pension Plan

The Organization participates in the Retirement Plan for Lay Employees of the Roman Catholic Church of the Diocese of Phoenix (Employer Identification Number 86-0223974) (the Plan), a multiemployer defined benefit plan that covers substantially all lay employees and provides annual pension benefits beginning at normal retirement age. The Plan is noncontributory.

The financial risks of participating in a multiemployer plan are different from single-employer plans in the following respects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer discontinues contributions to a plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the Organization chooses to stop participating in a plan, a withdrawal liability may be created based on the unfunded vested benefits for all employees in the plan.

Contributions to the plan were $85,492 and $68,843 for the years ended June 30, 2023 and 2022. Based on information as of December 31, 2022, the year end of the Plan, the Organization's contributions to the Plan represent less than 5 percent of total contributions received by the Plan.

The Plan is not required to file Form 5500; therefore, certain information is not required to be made publicly available. If the School withdraws its participation in the Plan, the School could, under the terms of the Plan and under certain other conditions, be liable to the Plan for a portion of the underfunded status, if any.

The following information is based on the financial statements of the Plan as of December 31, 2022:

Total Plan assets	$ 204,711,858
Actuarial present value of accumulated plan benefits	262,928,725
Total contributions received by the Plan	13,166,159
Indicated level of funding	77.9%

An assumed rate of 6.5 percent as of December 31, 2022 was used to determine the actuarial present value of accumulated plan benefits.

Defined Contribution Plan

The Organization participates in a 403(b) plan. Under the terms of the 403(b) plan, the Organization may elect to make discretionary contributions to the Plan. Participants are 100% vested in all contributions made by the Organization on their behalf. The Organization made contributions of $6,098 and $4,984 to the 403(b) plan during the years ended June 30, 2023 and 2022, respectively.

Note 6 - Concentrations

The following table summarizes the Organization's concentrations of expense, excluding scholarships, salaries, and payroll tax expense as of June 30:

	2023	2022
Vendor A	8%	11%
Vendor B	9%	10%

The following table summarizes the Organization's concentrations of corporate contributions as of June 30:

	2023	2022
Contributor A	5%	15%
Contributor B	4%	18%

Note 7 - Endowment

The Organization's endowment (the Endowment) consists of a fund established by donors to provide annual funding for specific activities.

The Board of Directors has interpreted the Arizona Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2023 and 2022, there were no such donor stipulations. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the Endowment and (b) any accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

As of June 30, 2023, endowment net asset composition by type of fund is as follows:

	Without Donor Restriction	With Donor Restrictions	Total
Donor restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ -	$ 251,825	$ 251,825
Accumulated investment gains	-	14,190	14,190
	$ -	$ 266,015	$ 266,015

There were no endowment net assets as of June 30, 2022.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were on underwater endowments at June 30, 2023.

Investment and Spending Policies

Investment and spending policies for the Endowment were adopted that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets to provide the necessary capital to fund the spending policy and to cover the costs of managing the Endowment investments. The target minimum rate of return is the Consumer Price Index plus 5 percent on an annual basis. Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are invested to seek growth of principal over time.

An endowment spending-rate formula is used to determine the maximum amount to spend from the Endowment, including those endowments deemed to be underwater, each year. The rate, determined and adjusted from time to time by the Board of Directors, is applied to the average fair value of the Endowment investments for the prior 12 quarters at June 30 of each year to determine the spending amount for the upcoming year. During 2023, the spending rate maximum was 4.5 percent. In establishing this policy, the Board of Directors considered the long-term expected return on the Endowment and set the rate with the objective of maintaining the purchasing power of the Endowment over time.

Changes in Endowment net assets for the year ended June 30, 2023 are as follows:

	Without Donor Restriction	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	$ -	$ -
Contributions	-	251,825	251,825
Investment return, net	-	14,190	14,190
Endowment net assets, end of year	$ -	$ 266,015	$ 266,015

Note 8 - Net Assets with Donor Restrictions

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

	2023
Subject to Expenditure for Specified Purpose	
Scholarships	$ 10,000
Changing Lives Division	325,000
	335,000
Endowment	
Subject to appropriation and expenditure when a specified event occurs	
Restricted by donors for scholarships	14,190
Perpetual in nature, earnings from which are subject to endowment spending policy appropriation	
Scholarships	251,825
Total endowment	266,015
	$ 601,015

The Organization had no restricted net assets at June 30, 2022. No net assets with donor restrictions were released during the year ended June 30, 2023.