

CATHOLIC LEADERSHIP INSTITUTE

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024



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**CATHOLIC LEADERSHIP INSTITUTE
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2025 AND 2024**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF FUNCTIONAL EXPENSES	5
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8



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, 2025 and 2024, 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, 2025 and 2024, 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.

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
November 20, 2025

**CATHOLIC LEADERSHIP INSTITUTE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 14,633,264	\$ 12,918,567
Accounts Receivable, Net	71,373	234,032
Pledges Receivable, Net	6,919,372	4,839,250
Grants Receivable	200,000	-
Deposits	11,504	11,504
Prepaid Expenses	333,522	525,042
Total Current Assets	<u>22,169,035</u>	<u>18,528,395</u>
INVESTMENTS	80,204	-
PLEDGES RECEIVABLE, NET OF ALLOWANCE AND DISCOUNT	6,422,320	4,017,895
RIGHT-OF-USE ASSET	237,558	353,205
EQUIPMENT	<u>6,516</u>	<u>12,879</u>
Total Assets	<u><u>\$ 28,915,633</u></u>	<u><u>\$ 22,912,374</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 215,602	\$ 138,752
Accrued Expenses and Other Liabilities	583,785	603,371
Lease Liability, Current Portion	119,897	115,484
Contract Liabilities	862,477	198,443
Refundable Advances	-	75,000
Total Current Liabilities	<u>1,781,761</u>	<u>1,131,050</u>
LEASE LIABILITY, NET OF CURRENT PORTION	<u>124,742</u>	<u>244,802</u>
Total Liabilities	1,906,503	1,375,852
NET ASSETS		
Without Donor Restrictions	5,403,027	3,912,659
With Donor Restrictions	<u>21,606,103</u>	<u>17,623,863</u>
Total Net Assets	<u>27,009,130</u>	<u>21,536,522</u>
Total Liabilities and Net Assets	<u><u>\$ 28,915,633</u></u>	<u><u>\$ 22,912,374</u></u>

See accompanying Notes to Financial Statements.

**CATHOLIC LEADERSHIP INSTITUTE
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2025 AND 2024**

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Participant Fees, Net of Scholarships	\$ 912,836	\$ -	\$ 912,836	\$ 795,118	\$ -	\$ 795,118
Contributions	4,397,478	12,025,554	16,423,032	2,728,838	6,298,161	9,026,999
Investment and Other Income	676,523	-	676,523	671,219	-	671,219
Net Assets Released from Restrictions	8,043,314	(8,043,314)	-	5,014,798	(5,014,798)	-
Total Support and Revenue	14,030,151	3,982,240	18,012,391	9,209,973	1,283,363	10,493,336
EXPENSES						
Program Services	8,581,432	-	8,581,432	6,708,202	-	6,708,202
Management and General	1,199,873	-	1,199,873	1,320,576	-	1,320,576
Fundraising	2,758,478	-	2,758,478	2,490,271	-	2,490,271
Total Expenses	12,539,783	-	12,539,783	10,519,049	-	10,519,049
CHANGE IN NET ASSETS						
	1,490,368	3,982,240	5,472,608	(1,309,076)	1,283,363	(25,713)
Net Assets - Beginning of Year	<u>3,912,659</u>	<u>17,623,863</u>	<u>21,536,522</u>	<u>5,221,735</u>	<u>16,340,500</u>	<u>21,562,235</u>
NET ASSETS - END OF YEAR	<u>\$ 5,403,027</u>	<u>\$ 21,606,103</u>	<u>\$ 27,009,130</u>	<u>\$ 3,912,659</u>	<u>\$ 17,623,863</u>	<u>\$ 21,536,522</u>

See accompanying Notes to Financial Statements.

**CATHOLIC LEADERSHIP INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2025**

	Program Services	Management and General	Fundraising	Total Expenses
Payroll	\$ 3,897,631	\$ 663,359	\$ 1,306,861	\$ 5,867,851
Payroll Taxes	290,077	53,641	96,534	440,252
Employee Benefits	180,118	85,408	93,156	358,682
Insurance	-	31,256	7,362	38,618
Philadelphia Archdiocese Contract Services	1,296,863	-	-	1,296,863
Program Materials	184,686	-	-	184,686
Staff Training	11,345	2,959	2,000	16,304
Travel	1,313,135	53,497	546,633	1,913,265
Technology	568,468	41,112	44,048	653,628
Communications and Stewardship	27,500	13,059	7,382	47,941
Increase in Credit Loss Reserve	-	17,728	-	17,728
Increase in Bad Debt Reserve	-	102,000	-	102,000
Office and General	-	20,935	340	21,275
Supplies	97,211	26,131	141,711	265,053
Professional Fees	635,925	60,567	478,030	1,174,522
Rent	78,473	21,858	34,421	134,752
Depreciation	-	6,363	-	6,363
 Total Functional Expenses	 <u>\$ 8,581,432</u>	 <u>\$ 1,199,873</u>	 <u>\$ 2,758,478</u>	 <u>\$ 12,539,783</u>

See accompanying Notes to Financial Statements.

**CATHOLIC LEADERSHIP INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024**

	Program Services	Management and General	Fundraising	Total Expenses
Payroll	\$ 3,789,970	\$ 506,204	\$ 1,499,250	\$ 5,795,424
Payroll Taxes	302,998	31,649	96,062	430,709
Employee Benefits	179,059	60,040	115,212	354,311
Insurance	-	37,447	-	37,447
Program Expenses	594,266	-	-	594,266
Program Materials	191,509	-	-	191,509
Program Development/Quality	107,363	-	-	107,363
Clergy Forums	226,427	-	134,597	361,024
Staff Training	256,702	73,962	-	330,664
Travel	471,856	-	114,604	586,460
Technology	114,801	216,956	45,525	377,282
Communications and Stewardship	71,980	14,814	167,363	254,157
Increase in Credit Loss Reserve	-	96,530	-	96,530
Increase in Bad Debt Reserve	-	79,000	-	79,000
Office and General	-	135,906	42,160	178,066
Supplies	45,288	12,613	19,860	77,761
Professional Fees	282,827	26,937	223,549	533,313
Rent	73,156	20,377	32,089	125,622
Depreciation	-	8,141	-	8,141
 Total Functional Expenses	 <u>\$ 6,708,202</u>	 <u>\$ 1,320,576</u>	 <u>\$ 2,490,271</u>	 <u>\$ 10,519,049</u>

See accompanying Notes to Financial Statements.

**CATHOLIC LEADERSHIP INSTITUTE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 5,472,608	\$ (25,713)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	6,363	8,141
Credit Loss	17,728	96,530
Bad Debt Expense	102,000	79,000
Unrealized Gains	(1,000)	-
(A) Increase (Decrease) in Assets:		
Accounts Receivable	144,931	(23,825)
Pledges Receivable	(4,586,547)	(1,361,652)
Grants Receivable	(200,000)	-
Prepaid Expenses	191,520	(384,414)
Right-of-Use Asset	115,647	113,660
(A) Increase (Decrease) in Liabilities:		
Accounts Payable	76,850	(28,542)
Accrued Expenses	(19,586)	311,749
Contract Liabilities	664,034	146,747
Refundable Advances	(75,000)	-
Lease Liability	(115,647)	(111,279)
Net Cash Provided (Used) by Operating Activities	<u>1,793,901</u>	<u>(1,179,598)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(79,204)	-
Net Cash Used by Investing Activities	<u>(79,204)</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	1,714,697	(1,179,598)
Cash and Cash Equivalents - Beginning of Year	<u>12,918,567</u>	<u>14,098,165</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 14,633,264</u>	<u>\$ 12,918,567</u>

See accompanying Notes to Financial Statements.

**CATHOLIC LEADERSHIP INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

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, having served 150 dioceses throughout the United States, Canada, and Haiti. Programs and initiatives include the following:

Next Generation Parish: This is a multi-year program 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.

**CATHOLIC LEADERSHIP INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

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 \$100,000 of net assets held in perpetuity as of both June 30, 2025 and 2024.

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 reclassified 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.

**CATHOLIC LEADERSHIP INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consulting Services Revenue

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

The Institute has recognized the exchange portion of consulting service revenue of \$784,403 and \$499,174 for the years ended June 30, 2025 and 2024, 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 \$128,433 and \$295,944 for the years ended June 30, 2025 and 2024, 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.

Investments

Investments are stated at fair value. Realized and unrealized gains and losses are recognized as changes in net assets in the period in which they occur, and interest and dividends are recognized as revenue in the period earned.

Fair Value Measurements

Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels.

**CATHOLIC LEADERSHIP INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

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 credit losses 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 for credit loss was \$22,000 and \$24,000 at June 30, 2025 and 2024, 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 both fiscal year 2025 and 2024 was 7.3% which is based on the two-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. The allowance percentage was 3.25% for both the years ended June 30, 2025 and June 30, 2024, respectively. 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 \$362,000 and \$280,000 as of June 30, 2025 and 2024, respectively.

In addition, as of June 30, 2025, the Institute has intentions to give totaling \$241,200 that do not meet the criteria for recognition and are not included in the accompanying financial statements. These intentions to give are subject to conditions which have not been met as of June 30, 2025.

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.

**CATHOLIC LEADERSHIP INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

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. The Institute did not receive any in-kind contributions for the years ended June 30, 2025 or June 30, 2024.

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.

Subsequent Events

In preparing these financial statements, the Institute has evaluated events and transactions for potential recognition or disclosure through November 20, 2025, the date the financial statements were available to be issued.

**CATHOLIC LEADERSHIP INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

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:

Current:	2025	2024
Pledges Receivable	\$ 7,091,407	\$ 4,976,401
Less: Allowance for Doubtful Accounts	(172,035)	(137,151)
Net Current Pledges Receivable	<u>\$ 6,919,372</u>	<u>\$ 4,839,250</u>
Long-Term:		
Pledges Receivable	\$ 7,830,500	\$ 5,183,097
Less: Allowance for Doubtful Accounts	(189,965)	(142,848)
Less: Present Value Discount	(1,218,215)	(1,022,354)
Net Long-Term Pledges Receivable	<u>\$ 6,422,320</u>	<u>\$ 4,017,895</u>

Pledges receivable as of June 30, 2025 are due to be collected as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2026	\$ 7,091,407
2027	4,237,000
2028	1,863,500
2029	960,000
2030	550,000
Thereafter	220,000
Total	<u>\$ 14,921,907</u>

As of June 30, 2025 and 2024, included in the above pledges are \$2,325,000 and \$1,451,032, respectively, from current board members and employees.

NOTE 3 GRANTS RECEIVABLE

Grants that are expected to be collected are recorded at their net realizable value. As of June 30, 2025 grants receivable consisted of one grant due within one year. Accordingly, no allowance or present value adjustment was necessary. As of June 30, 2024, there were no grants receivable.

NOTE 4 LINE OF CREDIT

Catholic Leadership Institute had an available line of credit in the amount of \$500,000 as of June 30, 2025. 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 (7.5% at June 30, 2025). There was no outstanding balance on the line of credit at June 30, 2025 or 2024, nor has the Institute drawn down funds during the years ended June 30, 2025 and 2024. Per the terms of the line of credit, the obligation is a demand note. As such this revolving line of credit will remain available as long as Catholic Leadership Institute complies with the terms of the note and the related loan documents.

**CATHOLIC LEADERSHIP INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2025</u>	<u>2024</u>
Subject to Expenditure for Specific Purpose:		
Program Activities:		
Next Generation Diocese	\$ 1,706,017	\$ 4,844,337
Next Generation Parish	1,717,821	3,276,667
Philadelphia Strategic Planning	5,500,633	7,317,668
Equipping the Church for an Apostolic Age	6,948,002	-
Leadership Formation for Episcopal		
Leaders of the Catholic Church	1,312,653	-
Custom Training	111,871	9,575
Standard Training	42,218	75,043
Priest Placement and Wellness	1,191,433	780,434
Bishops Training	-	25,000
Total	<u>18,530,648</u>	<u>16,328,724</u>
Development Activities:		
Product Development/Research	257,035	346,313
Total	<u>257,035</u>	<u>346,313</u>
Subject to the Passage of Time:		
For Periods after June 30, 2025 and 2024	2,718,420	848,826
Total	<u>2,718,420</u>	<u>848,826</u>
Permanently Restricted:		
Endowment	100,000	100,000
Total	<u>100,000</u>	<u>100,000</u>
Total Net Assets With Donor Restrictions	<u><u>\$ 21,606,103</u></u>	<u><u>\$ 17,623,863</u></u>

NOTE 6 CONTRACT ASSETS AND LIABILITIES

The following table provides information about changes in the contract assets for the years ended June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Contract Asset, Beginning of Year	\$ 234,032	\$ 306,737
Cash Received That was Included in		
Contract Asset, Beginning of Year	(201,719)	(225,348)
Increase in Contract Asset Due to Receivable		
Recognized During the Year (Uncollected at FYE)	39,060	152,643
Contract Asset, End of Year	<u><u>\$ 71,373</u></u>	<u><u>\$ 234,032</u></u>

**CATHOLIC LEADERSHIP INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

NOTE 6 CONTRACT ASSETS AND LIABILITIES (CONTINUED)

The following table provides information about changes in the contract liabilities for the years ended June 30, 2025 and 2024:

	2025	2024
Contract Liability, Beginning of Year	\$ 198,443	\$ 51,696
Revenue Recognized That was Included in Contract Liability, Beginning of Year	(73,602)	(50,694)
Increase in Contract Liability Due to Cash Received During the Year	737,636	197,441
Contract Liability, End of Year	<u><u>\$ 862,477</u></u>	<u><u>\$ 198,443</u></u>

NOTE 7 LIQUIDITY

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

	2025	2024
Cash and Cash Equivalents	\$ 14,633,264	\$ 12,918,567
Accounts Receivable, Net	71,373	234,032
Current Pledges Receivable, Net of Allowance	6,919,372	4,839,250
Grants Receivable	200,000	-
Net Assets With Donor Restrictions, Included in Amounts Above	<u>(14,378,791)</u>	<u>(13,396,228)</u>
Total	<u><u>\$ 7,445,218</u></u>	<u><u>\$ 4,595,621</u></u>

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 \$970,000/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 revolving line of credit in the amount of \$500,000 which it could draw upon in the event of an unanticipated liquidity need.

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.

**CATHOLIC LEADERSHIP INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

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, 2025 and 2024, consisted of one operating lease 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:

	2025	2024
Lease Costs:		
Operating Lease Costs	<u>\$ 134,752</u>	<u>\$ 125,622</u>
Other Information:		
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:		
Operating Cash Flows from Operating Leases	\$ 120,855	\$ 118,504
Weighted-Average Remaining Lease Term	2 Years	3 Years
Weighted-Average Discount Rate	1.75%	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, 2025 is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2026	\$ 123,205
2027	125,556
Total Lease Payments	<u>248,761</u>
Less: Interest	(4,122)
Present Value of Lease Liabilities	<u>\$ 244,639</u>

**CATHOLIC LEADERSHIP INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

NOTE 9 ENDOWMENT

During the year ended June 30, 2024, the Institute established an endowment originating from the gift of one donor which is intended to be permanently restricted. Contributions provided for this endowment require the Institute to maintain the principal in perpetuity. The endowment held by the Institute is restricted to support the ongoing operations of the Institute. Therefore, gains, losses, interest and dividends are reported as net assets with donor restrictions until expended.

As of June 30, 2025, the following endowment net asset composition by type of fund were held:

June 30, 2025	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts	\$ -	\$ 100,000	\$ 100,000
Required to be Maintained in Perpetuity by Donor	\$ -	\$ 5,204	\$ 5,204
Accumulated Investment Gains and Interest	<hr/>	<hr/>	<hr/>
Total	<hr/> \$ -	<hr/> \$ 105,204	<hr/> \$ 105,204

Endowment Return Objectives, Risk Parameters, and Strategies

To meet its needs, the investment strategy of the Endowment Fund is to emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income. Specifically, the primary objective in the investment management of the Endowment shall be:

- Long-term growth of capital – To emphasize the long-term growth of principal while avoiding excessive risk. Short-term volatility consistent with volatility of a comparable market index is anticipated, though management should strive to contain it.
- Preservation of purchasing power – To achieve returns in excess of the rate of inflation plus spending over the investment time horizon in order to preserve purchasing power of the assets.

Interpretation of Relevant Law

The Institute follows Commonwealth of Pennsylvania law, Act 141, and its own governing documents with respect to the management of endowment funds. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable.

As a result of this interpretation, the Institute classified as net assets with donor restrictions (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 fund that is not to be maintained in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Institute.

**CATHOLIC LEADERSHIP INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

NOTE 9 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law (Continued)

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). We have interpreted Act 141 to permit spending from underwater endowments in accordance with prudent measures required under law.

At June 30, 2025, the Institute held no endowments which were underwater.

Spending Policy

The Institute follows “Total Return Policy” guidelines as established under Pennsylvania Act 141 and as adopted by the Board of Directors. The Board of Directors, with input from the finance committee, will establish annually the percentage to be adopted for distribution. During the years ended June 30, 2025 and 2024, no appropriation was elected.

Changes in Endowment net assets for the year ended June 30, 2025 is as follows:

June 30, 2025	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ -	\$ 100,000	\$ 100,000
Investment Return and Interest, Net	- -	5,204	5,204
Endowment Net Assets - End of Year	<u>\$ -</u>	<u>\$ 105,204</u>	<u>\$ 105,204</u>

NOTE 10 INVESTMENTS

Investments consist of the following as of June 30, 2025 and 2024:

Mutual Fund	2025	2024
	\$ 80,204	\$ -

Investment return consisted of the following for the years ended June 30, 2025 and 2024:

Unrealized Gains	2025	2024
	\$ 1,000	\$ -

Investments are subject to market volatility that could substantially change their carrying value in the near term.

**CATHOLIC LEADERSHIP INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

NOTE 11 FAIR VALUE MEASUREMENTS

In determining fair value, the Institute utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.

The fair value hierarchy defines three levels as follows:

Level 1 – Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2 – Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3 – Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Investments in U.S. government and agency securities and mutual funds are valued using market prices in active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

The following tables set forth by level, within the fair value hierarchy, the Institute's investments at fair value as of June 30, 2025 and 2024:

2025						
	Level 1	Level 2	Level 3	Total		
Investments						
Mutual Fund	\$ 80,204	\$ -	\$ -	\$ 80,204		
2024						
	Level 1	Level 2	Level 3	Total		
Investments						
Mutual Fund	\$ -	\$ -	\$ -	\$ -		



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