

***MATER ECCLESIAE* FUND FOR VOCATIONS, INC.**

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

DUNHAM, AUKAMP & RHODES, PLC
Certified Public Accountants
Chantilly, Virginia

MATER ECCLESIAE FUND FOR VOCATIONS, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Mater Ecclesiae Fund for Vocations, Inc.
Esmont, VA

Opinion

We have audited the accompanying financial statements of *Mater Ecclesiae* Fund for Vocations, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, 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 *Mater Ecclesiae* Fund for Vocations, Inc. as of December 31, 2022 and 2021, and the changes in its net assets for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 *Mater Ecclesiae* Fund for Vocations, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility 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.

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 *Mater Ecclesiae* Fund for Vocations, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

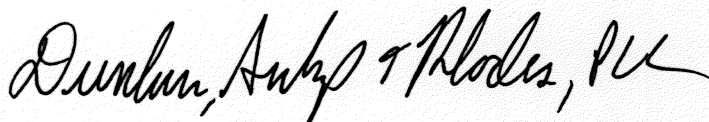
Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of *Mater Ecclesiae* Fund for Vocations, 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 financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about *Mater Ecclesiae* Fund for Vocations, 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.



Certified Public Accountants
Chantilly, Virginia

May 29, 2023

MATER ECCLESIAE FUND FOR VOCATIONS, INC.

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31,**

	2022	2021
Current Assets		
Cash and cash equivalents	\$ 1,022,106	\$ 695,374
Accounts receivable	1,887	1,704
Pledges receivable - related parties	-	18,425
Prepaid expenses	6,205	4,861
Total Current Assets	<u>1,030,198</u>	<u>720,364</u>
Property and Equipment		
Property and equipment	5,225	5,225
Less: Accumulated depreciation	(3,224)	(2,179)
Net Property and Equipment	<u>2,001</u>	<u>3,046</u>
Total Assets	<u><u>\$ 1,032,199</u></u>	<u><u>\$ 723,410</u></u>
Current Liabilities		
Accounts payable	\$ 10,179	\$ 2,479
Payroll liabilities	7,500	25,372
Contingent grant liability - See Note 2	-	-
Total Liabilities	<u>17,679</u>	<u>27,851</u>
Net Assets		
Without donor restrictions	921,495	488,411
With donor restrictions	93,025	207,148
Total Net Assets	<u>1,014,520</u>	<u>695,559</u>
Total Liabilities and Net Assets	<u><u>\$ 1,032,199</u></u>	<u><u>\$ 723,410</u></u>

See accompanying notes and independent auditor's report.

MATER ECCLESIAE FUND FOR VOCATIONS, INC.

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31,

	2022		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues			
Contributions	\$ 851,740	\$ 7,240	\$ 858,980
Investment income	2,392	-	2,392
Net assets released from restrictions	121,363	(121,363)	-
Total Revenues	<u>975,495</u>	<u>(114,123)</u>	<u>861,372</u>
Expenses			
Program	439,410	-	439,410
Management and general	40,106	-	40,106
Fundraising	62,895	-	62,895
Total Expenses	<u>542,411</u>	<u>-</u>	<u>542,411</u>
Change in Net Assets	433,084	(114,123)	318,961
Net Assets, Beginning of Year	<u>488,411</u>	<u>207,148</u>	<u>695,559</u>
Net Assets, End of Year	<u>\$ 921,495</u>	<u>\$ 93,025</u>	<u>\$ 1,014,520</u>

	2021		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues			
Contributions	\$ 820,689	\$ 48,101	\$ 868,790
Investment income	2,794	-	2,794
Net assets released from restrictions	110,882	(110,882)	-
Total Revenues	<u>934,365</u>	<u>(62,781)</u>	<u>871,584</u>
Expenses			
Program	454,799	-	454,799
Management and general	41,216	-	41,216
Fundraising	94,352	-	94,352
Total Expenses	<u>590,367</u>	<u>-</u>	<u>590,367</u>
Change in Net Assets	343,998	(62,781)	281,217
Net Assets, Beginning of Year	<u>144,413</u>	<u>269,929</u>	<u>414,342</u>
Net Assets, End of Year	<u>\$ 488,411</u>	<u>\$ 207,148</u>	<u>\$ 695,559</u>

See accompanying notes and independent auditor's report.

MATER ECCLESIAE FUND FOR VOCATIONS, INC.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,**

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ 318,961	\$ 281,217
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,045	1,045
Loss (gain) on investments	459	(1,882)
Contributed securities	(22,890)	(69,677)
Changes in assets and liabilities:		
Decrease (Increase) in pledges receivable	18,425	(18,425)
Increase in accounts receivable	(183)	(1,704)
(Increase) Decrease in prepaid expense	(1,344)	543
Increase (Decrease) in accounts payable	7,700	(5,252)
(Decrease) Increase in payroll liabilities	(17,872)	19,114
Net cash provided by operating activities	<u>304,301</u>	<u>204,979</u>
Cash Flows from Investing Activities		
Proceeds on sales of investments	<u>22,431</u>	<u>92,127</u>
Net cash provided by investing activities	<u>22,431</u>	<u>92,127</u>
Net change in cash and cash equivalents	326,732	297,106
Cash and Cash Equivalents		
Beginning of year	<u>695,374</u>	<u>398,268</u>
End of year	<u>\$ 1,022,106</u>	<u>\$ 695,374</u>

MATER ECCLESIAE FUND FOR VOCATIONS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES FOR THE YEARS ENDED DECEMBER 31,

2022					
	Program	Support Services			Total
		Management and General	Fund-raising	Total Support Services	
Grants	\$ 180,737	\$ -	\$ -	\$ -	\$ 180,737
Salaries and benefits	161,572	8,353	43,309	51,662	213,234
Consultants	46,067	-	6,858	6,858	52,925
Printing and reproduction	9,954	913	3,683	4,596	14,550
Payroll taxes	10,761	577	3,074	3,651	14,412
Professional fees	-	14,147	-	14,147	14,147
Travel and conferences	7,572	1,264	1,631	2,895	10,467
Events	8,504	-	-	-	8,504
Dues and subscriptions	3,838	1,037	1,424	2,461	6,299
Postage	2,826	1,441	825	2,266	5,092
License and permits	-	3,499	-	3,499	3,499
Bank service charges	-	3,457	-	3,457	3,457
Website	3,196	-	75	75	3,271
Telephone	2,026	273	497	770	2,796
Supplies	710	2,052	-	2,052	2,762
Board expenses	-	2,048	-	2,048	2,048
Advertising	1,647	-	80	80	1,727
Donor appreciation	-	-	1,439	1,439	1,439
Depreciation	-	1,045	-	1,045	1,045
Total Expenses	<u>\$ 439,410</u>	<u>\$ 40,106</u>	<u>\$ 62,895</u>	<u>\$ 103,001</u>	<u>\$ 542,411</u>

2021					
	Program	Support Services			Total
		Management and General	Fund-raising	Total Support Services	
Grants	\$ 164,521	\$ -	\$ -	\$ -	\$ 164,521
Salaries and benefits	154,680	8,563	47,406	55,969	210,649
Consultants	47,906	-	18,944	18,944	66,850
Printing and reproduction	40,670	1,173	12,784	13,957	54,627
Postage	15,490	1,881	5,030	6,911	22,401
Dues and subscriptions	10,559	875	3,665	4,540	15,099
Payroll taxes	11,330	527	3,191	3,718	15,048
Professional fees	-	13,999	-	13,999	13,999
License and permits	-	6,121	-	6,121	6,121
Travel and conferences	3,781	340	1,437	1,777	5,558
Bank service charges	-	5,311	-	5,311	5,311
Telephone	1,877	662	464	1,126	3,003
Website	1,520	-	321	321	1,841
Donor appreciation	-	-	1,060	1,060	1,060
Depreciation	-	1,045	-	1,045	1,045
Supplies	444	540	-	540	984
Total Expenses	<u>\$ 454,799</u>	<u>\$ 41,216</u>	<u>\$ 94,352</u>	<u>\$ 135,568</u>	<u>\$ 590,367</u>

See accompanying notes and independent auditor's report.

MATER ECCLESIAE FUND FOR VOCATIONS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Organization and Summary of Significant Accounting Policies

The *Mater Ecclesiae* Fund for Vocations, Inc. (the Fund) is a nonprofit organization incorporated under the laws of the Commonwealth of Virginia in November 2006. The purpose of the Fund is to relieve individuals with vocations to the priesthood or religious life of the Roman Catholic Church of the burden of their pre-existing student loans, and enable them to begin their formation immediately, rather than after the many years it would take them to repay the loans on their own. The Fund accomplishes its purpose by making the required payments on its grant recipients' student debts throughout their period of formation with the agreement that the debts will be fully paid by the fifth anniversary of ordination or final vows. The Fund's support comes primarily from contributions and grants.

The following is a summary of significant accounting policies followed in the preparation of these financial statements:

- (a) **Basis of Presentation** – The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Consequently, revenue is recognized when earned and expense is recognized when the obligation is incurred.
- (b) **Financial Statement Presentation** – The Fund is required to report information regarding its financial position and activities according to two classes of net assets; without donor restrictions and with donor restrictions.

Without donor restrictions – includes unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the general operation of the Fund.

With donor restrictions – includes revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the Fund and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions.

- (c) **Support and Expenses** – Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Fund reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reported in the statement of activity as net assets released from restrictions.
- (d) **Statements of Cash Flows** – The Fund considers substantially all highly liquid investments with an initial maturity of three months or less when purchased to be cash equivalents.
- (e) **Investments** – Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

MATER ECCLESIAE FUND FOR VOCATIONS, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 – Organization and Summary of Accounting Policies (Continued)

- (f) Accounts Receivable and Pledges Receivable – Accounts receivable and pledges receivable are presented at net realizable value. Management periodically reviews the status of receivable balances for collectability. Each receivable balance is assessed based on management's knowledge of and relationship with the donor and the age of the receivable balance. No allowance for doubtful accounts was deemed necessary for the years ended December 31, 2022 and 2021.
- (g) Property and Equipment – Property and equipment in excess of \$500 are stated at cost. Depreciation expense is computed using the straight-line method over the estimated useful lives of the respective assets, generally five years. Expenditures for maintenance and repairs are charged against income as incurred; betterments that increase the value or materially extend the life of the related assets are capitalized.
- (h) Income Taxes – The Fund is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code on all income other than unrelated business income. Accordingly, no provision for income tax has been provided in the accompanying financial statements. The Fund has been determined not to be a private foundation as defined under Section 509(a).
- (i) Uncertain Tax Positions – As of December 31, 2022, the Fund had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The tax years subject to examination by the taxing authorities are the years ended December 31, 2019 through 2021.
- (j) Use of 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 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.
- (k) Concentrations of Credit and Market Risk – Financial instruments that potentially expose the Fund to concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at a high-quality financial institutions and credit exposure is limited at any one institution. The Fund occasionally maintains bank balances in excess of Federal Depositary Insurance Corporation limits. The Fund has not experienced any losses on its cash equivalents. The Fund's investments do not represent a significant concentration of market risk.
- (l) Advertising Costs – Advertising costs are expensed as incurred.

MATER ECCLESIAE FUND FOR VOCATIONS, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 – Grants and Contingent Payables

Payment on grants awarded by the Fund is contingent on the grant recipients remaining in formation for the priesthood or religious life. If the recipient leaves formation, grant payments cease immediately. It is not possible to determine if an individual grant recipient will persevere in formation or when he might leave. Therefore, no liability is recognized in the financial statements for future grant payments. Grant payments totaling \$180,737 and \$164,521 were made in the years ended December 31, 2022 and 2021, respectively.

The Fund awarded new grants in 2022 with an outstanding principal balance of \$399,857. Cumulatively, the Fund has awarded and is contingently liable for grants with a combined principal balance of \$839,140 as of December 31, 2022. Interest rates on the grants vary from approximately 3% to 8.75%. These grants are payable over the next ten years.

NOTE 3 – Net Assets with Donor Restrictions

Net assets were restricted for the following specific program services as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Deo Gratias Campaign	\$90,138	\$205,803
Abbey of St. Walburga	1,542	-
A Trappistine Novice	<u>1,345</u>	<u>1,345</u>
Total	<u>\$93,025</u>	<u>\$207,148</u>

The Deo Gratias Fund was established in 2020 for the purposes of awarding new grants and helping to pay off the balances of grant recipients who have made their final vows.

Funds have also been received to support the grant of an individual recipient, for her formation as a Trappistine nun. These contributions are not considered deductible for individual income tax.

Net assets restricted for the following specific program and support services were released from restrictions during the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Deo Gratias Campaign	\$115,665	\$ 83,927
Donor Acquisition	-	18,425
A Trappistine Novice	-	2,975
Members of the Following Communities		
Abbey of St. Walburga	458	-
Carmel of Port Tobacco	1,200	1,200
Priestly Fraternity of St. Peter	540	1,140
Sister Servants of the Home of the Mother	300	500
Servants of the Lord and the Virgin of Matara	-	50
Advertising and Promotion	3,200	1,965
Men in Priestly Formation	<u>-</u>	<u>700</u>
Total	<u>\$121,363</u>	<u>\$110,882</u>

MATER ECCLESIAE FUND FOR VOCATIONS, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 – Related Party Transactions

The Fund was established to continue the work of the *Mater Ecclesiae* Debt Relief Grant Program of the Fraser Family Foundation (FFF), a private foundation with several Board members in common with the Fund. In 2022 and 2021, the FFF contributed \$20,300 and \$38,425, respectively, to the Fund. As of December 31, 2022 and 2021, the FFF pledged \$-0- and \$18,425, respectively.

During the years ended December 31, 2022 and 2021, members of the Fund's Board of Directors made contributions totaling \$300,650 and \$265,740, respectively.

NOTE 5 – Investment Income

Investment income for the years ended December 31, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$2,851	\$ 912
Gain (loss) on donated investments	<u>(459)</u>	<u>1,882</u>
Total	<u>\$2,392</u>	<u>\$2,794</u>

NOTE 6 – Functional Allocation of Expenses

The Fund's operating costs have been allocated between program, management and general, and fundraising expenses based on direct identification when possible, and allocation if a single expenditure benefits more than one program or function. Expenditures that require allocation are allocated on a personnel-cost basis.

NOTE 7 – Allocation of Joint Costs

The Fund had a direct mailing campaign that included appeals for contributions, as well as program components. These activities included joint costs which have been allocated as follows:

	<u>2022</u>	<u>2021</u>
Public Education	\$ 9,799	\$48,307
Fundraising	<u>4,005</u>	<u>19,810</u>
Total	<u>\$13,804</u>	<u>\$68,117</u>

MATER ECCLESIAE FUND FOR VOCATIONS, INC.

NOTES TO FINANCIAL STATEMENTS **(Concluded)**

NOTE 8 – Liquidity and Availability of Financial Assets

The Fund has \$930,968 and \$508,355 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures as of December 31, 2022 and 2021, respectively. The Fund monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The Fund has a goal to maintain financial assets on hand to meet 90 days of normal operating expenses, which are, on average, approximately \$142,000. The Fund has the following financial assets that could readily be made available within one year of the statement of financial position date to fund expenses:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$1,022,106	\$695,374
Accounts and pledges receivable	1,887	20,129
Less: Amounts with donor restrictions	<u>(93,025)</u>	<u>(207,148)</u>
Total	<u>\$ 930,968</u>	<u>\$508,355</u>

NOTE 9 – Evaluation of Subsequent Events

The Fund has evaluated subsequent events through May 29, 2023 the date on which the financial statements were available to be issued.

At its January 2023 annual meeting, the Board of Directors awarded grants to six individuals with an aggregate balance of \$211,889 and estimated 2023 payment obligations of \$28,848. Additionally, at its May 2023 board meeting the Board of Directors awarded grants to ten individuals with an aggregate balance of \$304,827 and estimated 2023 payment obligations of \$14,119.