

**ST. MARY SEMINARY AND  
GRADUATE SCHOOL OF THEOLOGY  
(OUR LADY OF THE LAKE)**

**FINANCIAL REPORT**

**JUNE 30, 2025 and 2024**



**ST. MARY SEMINARY AND GRADUATE SCHOOL OF THEOLOGY  
(OUR LADY OF THE LAKE)**

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## Independent Auditors' Report

Board of Trustees  
St. Mary Seminary and Graduate School of Theology  
(Our Lady of the Lake)  
Cleveland, Ohio

### **Opinion**

We have audited the financial statements of St. Mary Seminary and Graduate School of Theology (our Lady of the Lake) (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 accompanying financial statements present fairly, in all material respects, the financial position of St. Mary Seminary and Graduate School of Theology (Our Lady of the Lake) 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 Audits of the Financial Statements section of our report. We are required to be independent of St. Mary Seminary and Graduate School of Theology 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.

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

Management is responsible for the preparation and fair presentation of the 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 St. Mary Seminary and Graduate School of Theology's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditors' Responsibilities for the Audits 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 it 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 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 St. Mary Seminary and Graduate School of Theology'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 St. Mary Seminary and Graduate School of Theology'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 audits, significant audit findings, and certain internal control related matters that we identified during the audits.

*Meloney + Novotny LLC*

Cleveland, Ohio  
October 16, 2025

ST. MARY SEMINARY AND GRADUATE SCHOOL OF THEOLOGY  
(OUR LADY OF THE LAKE)

STATEMENTS OF FINANCIAL POSITION

June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>	<u>Percent Change</u>
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and cash equivalents:			
Operating	\$ 1,167,035	\$ 1,602,717	(27.18) %
Savings	158,442	152,612	3.82
Agency cash - Rector's Fund	893,442	317,780	181.15
Agency cash - other	2	368	(99.46)
Accounts receivable, less allowance for credit losses of \$853	7,894	2,402	228.64
Affiliate receivable - Center for Pastoral Leadership	78,454	-	100.00
Prepaid expenses	8,172	16,345	(50.00)
Total current assets	<u>2,313,441</u>	<u>2,092,224</u>	10.57
EQUIPMENT, net of accumulated depreciation of \$3,485	-	-	-
LONG-TERM ASSETS			
Investments	877,552	808,058	8.60
Beneficial interest in perpetual trusts	146,984	140,155	4.87
Total long-term assets	<u>1,024,536</u>	<u>948,213</u>	8.05
TOTAL ASSETS	<u>\$ 3,337,977</u>	<u>\$ 3,040,437</u>	9.79
<u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES			
Accounts payable	\$ 25,034	\$ 31,200	(19.76)
Accrued payroll and related taxes	45,622	30,350	50.32
Affiliate payable - Center for Pastoral Leadership	-	19,900	(100.00)
Unearned revenue	-	230	(100.00)
Funds held for others - Rector's Fund	893,442	317,780	181.15
Funds held for others - other	2	368	(99.46)
Total current liabilities	<u>964,100</u>	<u>399,828</u>	141.13
NET ASSETS			
Without donor restrictions	396,609	586,653	(32.39)
With donor restrictions	1,977,268	2,053,956	(3.73)
Total net assets	<u>2,373,877</u>	<u>2,640,609</u>	(10.10)
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,337,977</u>	<u>\$ 3,040,437</u>	9.79

The accompanying notes are an integral part of these financial statements.

ST. MARY SEMINARY AND GRADUATE SCHOOL OF THEOLOGY  
(OUR LADY OF THE LAKE)

STATEMENT OF ACTIVITIES

Year Ended June 30, 2025

	<u>Without</u> <u>Donor</u> <u>Restrictions</u>	<u>With</u> <u>Donor</u> <u>Restrictions</u>	<u>Total</u>	<u>Percent</u> <u>Change</u>
<b>REVENUES, GAINS AND LOSSES</b>				
Tuition and fees	\$ 200,105		\$ 200,105	(8.51) %
Diocesan contribution	239,942		239,942	100.00
Priestly formation endowment earnings contribution	2,225,500		2,225,500	(0.94)
Priestly formation annual appeal	400,000		400,000	-
Contributions	35,846	\$ 172,458	208,304	(13.36)
Contributed services - priest, religious and lay faculty and staff	210,916		210,916	(13.80)
Investment income, net	13,953	15,773	29,726	8.71
Net realized and unrealized gain on investments	7,957	70,186	78,143	11.43
Change in value of beneficial interest in perpetual trust		6,829	6,829	4.24
Net assets released from restrictions	<u>341,934</u>	<u>(341,934)</u>	<u>-</u>	-
Total revenues, gains and losses	3,676,153	(76,688)	3,599,465	4.20
<b>EXPENDITURES</b>				
Program services	3,213,804		3,213,804	8.17
Management and general	647,679		647,679	7.19
Fundraising	<u>4,714</u>		<u>4,714</u>	3.99
Total expenditures	<u>3,866,197</u>		<u>3,866,197</u>	8.00
<b>CHANGE IN NET ASSETS</b>	(190,044)	(76,688)	(266,732)	(112.77)
<b>NET ASSETS – BEGINNING</b>	<u>586,653</u>	<u>2,053,956</u>	<u>2,640,609</u>	(4.53)
<b>NET ASSETS – ENDING</b>	<u>\$ 396,609</u>	<u>\$ 1,977,268</u>	<u>\$ 2,373,877</u>	(10.10)

The accompanying notes are an integral part of these financial statements.

ST. MARY SEMINARY AND GRADUATE SCHOOL OF THEOLOGY  
(OUR LADY OF THE LAKE)

STATEMENT OF ACTIVITIES

Year Ended June 30, 2024

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
REVENUES, GAINS AND LOSSES			
Tuition and fees	\$ 218,706		\$ 218,706
Priestly formation endowment earnings contribution	2,246,575		2,246,575
Priestly formation annual appeal	400,000		400,000
Contributions	158,706	\$ 81,719	240,425
Contributed services - priest, religious and lay faculty and staff	244,672		244,672
Investment income, net	12,877	14,467	27,344
Net realized and unrealized gain on investments	6,984	63,142	70,126
Change in value of beneficial interest in perpetual trust		6,551	6,551
Net assets released from restrictions	<u>400,869</u>	<u>(400,869)</u>	<u>-</u>
Total revenues, gains and losses	3,689,389	(234,990)	3,454,399
EXPENDITURES			
Program services	2,970,975		2,970,975
Management and general	604,252		604,252
Fundraising	<u>4,533</u>		<u>4,533</u>
Total expenditures	<u>3,579,760</u>	<u>          </u>	<u>3,579,760</u>
CHANGE IN NET ASSETS	109,629	(234,990)	(125,361)
NET ASSETS – BEGINNING	<u>477,024</u>	<u>2,288,946</u>	<u>2,765,970</u>
NET ASSETS – ENDING	<u>\$ 586,653</u>	<u>\$2,053,956</u>	<u>\$2,640,609</u>

The accompanying notes are an integral part of these financial statements.

ST. MARY SEMINARY AND GRADUATE SCHOOL OF THEOLOGY  
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STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2025 and 2024

	As of June 30, 2025			
	Program Services	Management and General	Fundraising	Total
Salaries and benefits	\$ 1,621,143	\$ 288,606	\$ 344	\$ 1,910,093
Contributed services - priest, religious and lay faculty and staff	176,115	31,637	3,164	210,916
Community grants	26,214			26,214
Student support	41,977			41,977
Spiritual formation	29,125			29,125
General office expense	52,327	94,885	1,206	148,418
Academic programming support	352,075			352,075
Student health insurance	74,671			74,671
Library books and supplies	56,977	871		57,848
Food service	88,140			88,140
Rent expense	<u>695,040</u>	<u>231,680</u>		<u>926,720</u>
Total expenses	<u>\$ 3,213,804</u>	<u>\$ 647,679</u>	<u>\$ 4,714</u>	<u>\$ 3,866,197</u>

  

	As of June 30, 2024			
	Program Services	Management and General	Fundraising	Total
Salaries and benefits	\$ 1,242,276	\$ 240,211	\$ 356	\$ 1,482,843
Contributed services - priest, religious and lay faculty and staff	204,301	36,701	3,670	244,672
Community grants	17,413			17,413
Student support	31,408			31,408
Spiritual formation	57,219			57,219
General office expense	41,767	93,825	507	136,099
Academic programming support	472,973			472,973
Student health insurance	45,389			45,389
Library books and supplies	57,564	1,835		59,399
Food service	105,625			105,625
Rent expense	<u>695,040</u>	<u>231,680</u>		<u>926,720</u>
Total expenses	<u>\$ 2,970,975</u>	<u>\$ 604,252</u>	<u>\$ 4,533</u>	<u>\$ 3,579,760</u>

The accompanying notes are an integral part of these financial statements.



ST. MARY SEMINARY AND GRADUATE SCHOOL OF THEOLOGY  
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STATEMENTS OF CASH FLOWS

Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS USED BY OPERATING ACTIVITIES		
Change in net assets	\$ (266,732)	\$ (125,361)
Adjustments to reconcile change in net assets to net cash provided by (used by) operating activities:		
Net realized and unrealized gain on investments	(78,143)	(70,126)
Change in value of beneficial interest in perpetual trust	(6,829)	(6,551)
Change in operating assets and liabilities:		
Accounts receivable	(5,492)	(833)
Affiliate receivable/payable - Center for Pastoral Leadership	(98,354)	(45,752)
Prepaid expenses	8,173	(9,312)
Accounts payable	(6,166)	17,553
Accrued payroll and related taxes	15,272	8,888
Unearned revenue	(230)	(918)
Funds held for others	<u>575,296</u>	<u>34,910</u>
Total adjustments	<u>403,527</u>	<u>(72,141)</u>
Net cash provided by (used by) operating activities	136,795	(197,502)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	<u>8,649</u>	<u>1,347</u>
CHANGE IN CASH AND CASH EQUIVALENTS	145,444	(196,155)
CASH AND CASH EQUIVALENTS – BEGINNING	<u>2,073,477</u>	<u>2,269,632</u>
CASH AND CASH EQUIVALENTS – ENDING	<u>\$2,218,921</u>	<u>\$2,073,477</u>

The accompanying notes are an integral part of these financial statements.

ST. MARY SEMINARY AND GRADUATE SCHOOL OF THEOLOGY  
(OUR LADY OF THE LAKE)

NOTES TO FINANCIAL STATEMENTS

**Note 1. Nature of Organization**

St. Mary Seminary and Graduate School of Theology (Our Lady of the Lake) (the Seminary) is incorporated as a non-profit educational institution with the Bishop of the Catholic Diocese of Cleveland as Chancellor. It receives a substantial portion of its revenues from the Diocese of Cleveland. Its basic purpose is to provide an integrated program of theological study and spiritual formation for candidates for the Roman Catholic priesthood.

**Note 2. Summary of Significant Accounting Policies**

The following significant accounting policies have been followed in the preparation of the financial statements:

- A. **Basis of Presentation** – The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Seminary has reported information regarding its financial position and activities according to two classes of assets: without donor restrictions and with donor restrictions.

A description of these classes follows:

**Net assets without donor restrictions:** Net assets available for use in general operations and not subject to donor-imposed stipulations.

**Net assets with donor restrictions:** Net assets from contributions or other inflows that are subject to donor-imposed stipulations that may or will be met either by actions of the Seminary and/or the passage of time. Also included in this category are net assets from contributions where the use is limited by donor-imposed restrictions that neither expire by passage of time nor can be fulfilled or removed by actions of the Seminary.

- B. **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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- C. **Cash and Investments** – **Cash and cash equivalents:** For purposes of the statements of cash flows, the Seminary considers all highly liquid investments with initial maturities of three months or less to be cash equivalents. The Seminary maintains its cash accounts at a national financial institution. The balance, at times, may exceed federally insured limits.

**Investments:** The Seminary's long-term investments are in a pooled investment account at the Diocese of Cleveland, and are reported at fair value. Realized and unrealized gains and losses from securities in the pooled investment are allocated to the individual funds based on the fair value of each fund to the total. Investment income, net of investment fees, has been recognized in the statements of activities in accordance with the terms of any donor restrictions.

ST. MARY SEMINARY AND GRADUATE SCHOOL OF THEOLOGY  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**Note 2. Summary of Significant Accounting Policies (Continued)**

- D. Accounts Receivable – The Seminary provides for uncollectible accounts receivable using the allowance method. Management estimates an allowance for credit losses based on their review of delinquent accounts, an assessment of the Seminary's historical evidence of collections and the current and future condition of the economy as a whole. The allowance for credit losses was \$853 at June 30, 2025 and 2024.
- E. Beneficial Interest in Perpetual Trusts – The Seminary is an income beneficiary of various trust funds. The funds are held in trust by others under legal trust instruments created by donors independent of the reporting organization. The Seminary has an irrevocable right to receive the income from the trusts' assets in perpetuity but will never receive the trusts' assets. The fund assets, which had a fair value on June 30, 2025 and 2024 of \$146,984 and \$140,155, respectively, are included in the financial statements of the Seminary as net assets with donor restrictions. Investment income, net without donor restrictions from the trusts was \$6,329 and \$8,540 in the fiscal years ending June 30, 2025 and 2024, respectively.
- F. Equipment – The Seminary capitalizes all purchases or donations of equipment exceeding \$5,000 at cost or fair market value at date of donation. Equipment is depreciated utilizing the straight-line method over their estimated useful lives ranging from five to ten years.
- G. Rector's Fund – The Rector's fund represents assets held in trust to be used for disbursement at the discretion of the Rector. Summary transactions for the fund for the years ended June 30, 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Donations received	\$ 632,583	\$ 165,510
Disbursements made	<u>(56,921)</u>	<u>(128,891)</u>
Net change in account	<u>\$ 575,662</u>	<u>\$ 36,619</u>

- H. Fair Value of Financial Instruments – The Seminary's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The carrying values of cash and cash equivalents, accounts receivable and accounts payable are reasonable estimates of fair value due to the short-term nature of these financial instruments.

The Seminary's financial instruments are measured at fair value on a recurring basis in accordance with Fair Value Measurement standards, as defined by accounting principles generally accepted in the United States of America. Fair value is defined as the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The inputs used to measure fair value are classified into three levels:

Level 1 – Quoted market prices in active markets for identical assets and liabilities

Level 2 – Observable market inputs or unobservable inputs that are corroborated by market data

Level 3 – Unobservable inputs in which little or no market data exists

ST. MARY SEMINARY AND GRADUATE SCHOOL OF THEOLOGY  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**Note 2. Summary of Significant Accounting Policies (Continued)**

**H. Fair Value of Financial Instruments (Continued)**

The financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The following tables set forth by level within the fair value hierarchy the Seminary's financial assets and liabilities that were accounted for at a fair value on a recurring basis as of June 30, 2025 and 2024:

		June 30, 2025		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets				
	Investment - pooled investment fund		\$877,552	
	Beneficial interest in perpetual trusts			\$146,984
		June 30, 2024		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets				
	Investment - pooled investment fund		\$808,058	
	Beneficial interest in perpetual trusts			\$140,155

*Investments - pooled investment fund* – The Seminary invests in a pooled investment fund managed by the Diocese of Cleveland, which invests in publicly traded fixed income and equity securities. The Diocese of Cleveland provides the fair value of the Seminary's proportionate interest in the pooled fund, therefore, it is considered to be a Level 2 input.

*Beneficial interest in perpetual trusts* – The beneficial interest in perpetual trusts is held by others, not under the direct control of the Seminary. There is not an active market for the Seminary's interest in the trusts, therefore, it is classified as a Level 3 input.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. There have been no changes in the methodologies used from 2024 to 2025. Furthermore, while the Seminary believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurement at reporting date.

- I. Revenue Recognition** – In accordance with professional accounting standards, unconditional contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions.

All contributions are considered without donor restrictions unless specifically restricted by the donor. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions.

ST. MARY SEMINARY AND GRADUATE SCHOOL OF THEOLOGY  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**Note 2. Summary of Significant Accounting Policies (Continued)**

**I. Revenue Recognition (Continued)**

When a 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.

The Seminary recognizes revenue from student tuition and fees during the year in which the related services are provided to students. The performance obligation of delivering educational services is simultaneously received and consumed by the students; therefore, the revenue is recognized ratably over the course of the academic year. Payments are generally required prior to the beginning of the school year. All amounts received prior to the commencement of the school year, including enrollment deposits, are deferred to the applicable period. All prior year unearned revenue was recognized as current year revenue.

**J. Noncash Contributions – Donated items are reflected as contributions at their estimated values at the date of contribution.**

The Seminary records the estimated fair value of contributed faculty services. The donated amount is calculated by comparing actual amounts paid to or on behalf of faculty members with standard industry figures compiled by the Association of Theological Schools. The monetary value of services contributed by the faculty of \$210,916 and \$244,672 for the years ended June 30, 2025 and 2024, respectively, has been recorded in the financial statements as a revenue from contributed services and a corresponding expense. There were no donor restrictions on the contributed services for the years ended June 30, 2025 and 2024.

**K. Income Taxes – The Seminary is a not-for-profit entity and has been granted an exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Seminary is listed in the Official Catholic Directory and, therefore, exempt from filing a federal 990 tax return. The Seminary believes that it has the appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements.**

**L. Functional Expenses – 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 expenses that are allocated include occupancy expenses, which are allocated based on square footage, as well as salaries and benefits and contributed services, which are allocated on the basis of estimates of time and effort.**

**M. Subsequent Events – The Seminary has evaluated subsequent events through October 16, 2025, which is the date financial statements were available to be issued. There are no subsequent events that require additional disclosure.**

ST. MARY SEMINARY AND GRADUATE SCHOOL OF THEOLOGY  
(OUR LADY OF THE LAKE)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**Note 3. Investments**

Long-term investments of the Seminary are held and managed by the finance office of the Catholic Diocese of Cleveland in a general fund that is part of a pooled investment fund. The pooled investment fund had investment targets of 60% equity and 40% fixed income as of June 30, 2025 and 2024. The actual allocations approximate target allocations. Investments are stated at fair value and are summarized as follows as of June 30:

	2025			2024		
	Cost	Fair Value	Unrealized Appreciation	Cost	Fair Value	Unrealized Appreciation
Pooled investments						
Mersy Fund	\$ 80,617	\$ 91,086	\$ 10,469	\$ 72,772	\$ 81,336	\$ 8,564
Outreach Trust Fund	<u>644,667</u>	<u>786,466</u>	<u>141,799</u>	<u>601,999</u>	<u>726,722</u>	<u>124,723</u>
	<u>\$ 725,284</u>	<u>\$ 877,552</u>	<u>\$ 152,268</u>	<u>\$ 674,771</u>	<u>\$ 808,058</u>	<u>\$ 133,287</u>

**Note 4. Endowment Funds**

The Board of Trustees of the Seminary has elected to invest its endowment funds with the Catholic Diocese of Cleveland, as part of the general fund. The Catholic Diocese of Cleveland has an investment policy detailing the long-term goals, asset allocation, guidelines for security selection, measurable objectives and on-going communication. The investment funds are managed to produce growth and income while controlling risk.

The Seminary's endowment consists of donor-restricted endowment funds. As required by applicable standards, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Seminary maintains in perpetuity (a) the original value of donor-restricted gifts donated to the endowment and (b) the original value of subsequent donor-restricted gifts to the endowment. Any accumulations to the endowment are included in net assets with donor restrictions until those amounts are appropriated for expenditure by the Seminary in a manner consistent with the standard prudence prescribed by UPMIFA.

Endowment funds are appropriated based on an approval process through the Board of Trustees. The Seminary appropriates for distribution each year up to 4% of its endowment fund's average fair value over the last three fiscal years.

From time to time, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Seminary to retain as a fund of perpetual duration. The Seminary has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. The Seminary had no funds with deficiencies at June 30, 2025 and 2024.

ST. MARY SEMINARY AND GRADUATE SCHOOL OF THEOLOGY  
(OUR LADY OF THE LAKE)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**Note 4. Endowment Funds (Continued)**

	June 30, 2025		
	Original Gift Amount	Accumulated Gains	Total With Donor Restrictions
Endowment net assets, beginning of year	\$400,000	\$326,722	\$726,722
Investment return:			
Investment income, net		15,773	15,773
Net appreciation (realized and unrealized)		<u>70,186</u>	<u>70,186</u>
Total investment return		85,959	85,959
Appropriation of endowment assets for expenditure		<u>(26,214)</u>	<u>(26,214)</u>
Endowment net assets, end of year	<u>\$400,000</u>	<u>\$386,467</u>	<u>\$786,467</u>
	June 30, 2024		
	Original Gift Amount	Accumulated Gains	Total With Donor Restrictions
Endowment net assets, beginning of year	\$400,000	\$266,528	\$666,528
Investment return:			
Investment income, net		14,467	14,467
Net appreciation (realized and unrealized)		<u>63,142</u>	<u>63,142</u>
Total investment return		77,609	77,609
Appropriation of endowment assets for expenditure		<u>(17,415)</u>	<u>(17,415)</u>
Endowment net assets, end of year	<u>\$400,000</u>	<u>\$326,722</u>	<u>\$726,722</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**Note 5. Pension and Annuity Plans**

The Seminary participates in the Diocese of Cleveland's pension plan for eligible lay employees. The plan provides for the vesting of benefits after five years of employment. It is the policy of the Seminary to fund pension cost accrued. The pension expense was \$76,482 and \$49,674 for the years ended June 30, 2025 and 2024, respectively.

The clergy are covered by the Priests' Retirement Trust Agreement and Plan of the Diocese of Cleveland. The total contribution to this program is paid by the Seminary. The expense was \$49,111 and \$50,897 for the years ended June 30, 2025 and 2024, respectively.

**Note 6. Transactions With Related Organizations**

The Seminary is affiliated with various religious organizations. The Seminary received a contribution of \$239,942 from the Catholic Diocese of Cleveland to defray its cost of operations during the year ended June 30, 2025. The Seminary also receives a contribution of earnings from the Catholic Diocese of Cleveland from its Priestly Formation Endowment Fund and from the Priestly Formation Annual Appeal. For the years ended June 30, 2025 and 2024, the Seminary received \$2,225,500 and \$2,246,575, respectively, from the Priestly Formation Endowment earnings and \$400,000 from the Priestly Formation Annual Appeal.

The Seminary has an ongoing informal commitment with the Center for Pastoral Leadership (CPL) calling for annual rentals. For the years ended June 30, 2025 and 2024, the Seminary paid a base rent of \$926,720.

The Seminary shares various personnel, space and operating expenses with CPL and Borromeo Seminary. At June 30, 2025 and 2024, the Seminary had a receivable from and a payable to CPL for \$78,454 and \$19,900, respectively. The advances are non-interest bearing and are repaid in the next fiscal year.

**Note 7. Net Assets With Donor Restrictions**

Net assets with donor restrictions are designated for the following purposes as of June 30:

	<u>2025</u>	<u>2024</u>
Net Assets With Donor Restrictions:		
<u>Subject to expenditure for specified purpose:</u>		
Formation support	\$ 774,010	\$ 686,794
Lilly funds - Pathway for Tomorrow Initiative	225,117	455,595
Scholarships	44,690	44,690
	<u>1,043,817</u>	<u>1,187,079</u>



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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**Note 7. Net Assets With Donor Restrictions (Continued)**

	<u>2025</u>	<u>2024</u>
Endowments:		
<u>Subject to NFP endowment spending policy and appropriation:</u>		
Unappropriated endowment earnings	386,467	326,722
Funds restricted in perpetuity	<u>400,000</u>	<u>400,000</u>
	786,467	726,722
<u>Not subject to spending policy and appropriation:</u>		
Beneficial interest in perpetual trust - operating	<u>146,984</u>	<u>140,155</u>
	<u>\$1,977,268</u>	<u>\$2,053,956</u>

**Note 8. Liquidity and Availability**

The table below presents financial assets available for general expenditures within one year at June 30:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents, less agency cash	\$1,325,477	\$1,755,329
Accounts receivable, less allowance for credit losses	7,894	2,402
Affiliate receivable - Center for Pastoral Leadership	78,454	-
Distributions from beneficial interest in perpetual trusts	6,300	8,600
Endowment spending-rate appropriations	<u>29,100</u>	<u>26,100</u>
	<u>\$1,447,225</u>	<u>\$1,792,431</u>

The Seminary's resources are primarily from tuition and earnings from endowments held at the Diocese of Cleveland to support the Seminary. The Seminary considers contributions restricted for program services which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. The Seminary also receives general operating support from the Diocese of Cleveland on an annual basis. The Seminary manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

Additionally, the Seminary has long-term investments without donor restrictions of \$91,085 and \$81,336 as of June 30, 2025 and 2024, respectively. Although the Seminary does not intend to spend from its long-term investments, amounts could be made available if necessary.