

THE FOUNDATION OF THE ROMAN
CATHOLIC DIOCESE OF RALEIGH, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022



THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF RALEIGH, INC.

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Independent Auditor's Report

To the Board of Directors
The Foundation of the Roman Catholic Diocese of Raleigh, Inc.
Raleigh, North Carolina

Opinion

We have audited the accompanying financial statements of The Foundation of the Roman Catholic Diocese of Raleigh, Inc. (the "Foundation"), which comprise the statement of financial position as of June 30, 2022, and the related statement of activities and changes in net assets, functional expenses, and cash flows for the year 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 The Foundation of the Roman Catholic Diocese of Raleigh, Inc. as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in conformity 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 Financial Statements section of our report. We are required to be independent of the Foundation 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 the Foundation'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 Responsibility for the Audit of 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 auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America, 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 the Foundation'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 the Foundation'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.

Bernard Robinson & Company, L.L.P.

Raleigh, North Carolina
October 3, 2022

THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF RALEIGH, INC.

Statement of Financial Position

June 30, 2022

<u>Assets</u>	
Cash and cash equivalents	\$ 87,422
Accounts receivable	843
Prepaid expenses	3,272
Promises to give	70,815
Charitable gift annuity receivable	231,973
Investments, endowments	66,945,093
Investments, charitable gift annuities	1,260,040
Property and equipment, net	16,167
Total assets	<u>\$ 68,615,625</u>

Liabilities and Net Assets

Accounts payable	\$ 1,433
Accrued expenses	7,980
Charitable gift annuity obligations	955,001
Total liabilities	<u>964,414</u>

Net Assets:

Without donor restrictions:

Designated for endowments	30,374,454
Designated for charitable gift annuities	681,774
Invested in property and equipment	16,167
Undesignated	262,648
Total without donor restrictions	<u>31,335,043</u>

With donor restrictions:

Restricted in perpetuity - endowments	14,279,951
Restricted subject to the Foundation's spending policy - endowments	22,135,146
Underwater endowments	(24,982)
Charitable gift annuities	(144,762)
Seminarian partnership program	70,815
Total with donor restrictions	<u>36,316,168</u>
Total net assets	<u>67,651,211</u>

Total liabilities and net assets	<u>\$ 68,615,625</u>
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THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF RALEIGH, INC.
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support:			
Gifts and bequests	\$ 2,311,273	\$ 2,046,215	\$ 4,357,488
Investment income, net	(4,139,518)	(4,875,726)	(9,015,244)
Other revenue	105	-	105
Net assets released from restrictions	1,719,470	(1,719,470)	-
Total revenue, gains and other support	<u>(108,670)</u>	<u>(4,548,981)</u>	<u>(4,657,651)</u>
Expenses:			
Program Areas:			
Grant disbursements	2,675,617	-	2,675,617
Other program expenses	88,638	-	88,638
Total program areas	<u>2,764,255</u>	<u>-</u>	<u>2,764,255</u>
Support Services:			
Management and general	289,115	-	289,115
Fundraising and development	179,222	-	179,222
Total support services	<u>468,337</u>	<u>-</u>	<u>468,337</u>
Total expenses	<u>3,232,592</u>	<u>-</u>	<u>3,232,592</u>
Change in net assets from operations	<u>(3,341,262)</u>	<u>(4,548,981)</u>	<u>(7,890,243)</u>
Change in value of charitable gift annuity receivable	(14,438)	-	(14,438)
Change in value of charitable gift annuity obligations	<u>(31,387)</u>	<u>(44,393)</u>	<u>(75,780)</u>
Change in net assets	<u>(3,387,087)</u>	<u>(4,593,374)</u>	<u>(7,980,461)</u>
Net assets, beginning	34,722,130	40,909,542	75,631,672
Net assets, ending	<u>\$ 31,335,043</u>	<u>\$ 36,316,168</u>	<u>\$ 67,651,211</u>

THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF RALEIGH, INC.

Statement of Functional Expenses

Year Ended June 30, 2022

	Program Areas		Support Services			Total
	Grants	Other	Management and General	Fundraising and Development	Total	
Grants Disbursed:						
Assistance for the needy	\$ 64,889	\$ -	\$ -	\$ -	\$ -	\$ 64,889
Catholic schools and education initiatives	163,708	-	-	-	-	163,708
Cemetery maintenance	789,783	-	-	-	-	789,783
Child and family programs	100,700	-	-	-	-	100,700
Church expansion	78,804	-	-	-	-	78,804
Diocesan support and assistance	126,300	-	-	-	-	126,300
Lay formation and education	84,700	-	-	-	-	84,700
Parish support and assistance	69,600	-	-	-	-	69,600
Seminarian education and welfare	437,000	-	-	-	-	437,000
Seminarian Partnership Program	249,347	-	-	-	-	249,347
Special ministries	103,600	-	-	-	-	103,600
Tuition assistance and scholarships	216,222	-	-	-	-	216,222
Other	190,964	-	-	-	-	190,964
Salaries and fringe benefits	-	55,298	91,842	153,883	245,725	301,023
Supplies and office expenses	-	565	4,518	6,213	10,731	11,296
Travel and training	-	867	6,933	9,532	16,465	17,332
Purchased services	-	18,065	162,581	-	162,581	180,646
Occupancy expenses	-	12,791	21,318	8,527	29,845	42,636
Depreciation	-	712	1,779	1,067	2,846	3,558
Other expenses	-	340	144	-	144	484
	<u>\$ 2,675,617</u>	<u>\$ 88,638</u>	<u>\$ 289,115</u>	<u>\$ 179,222</u>	<u>\$ 468,337</u>	<u>3,232,592</u>
Nonoperating Expenses:						
Change in value of charitable gift annuity receivable						14,438
Change in value of charitable gift annuity obligations						75,780
Total functional expenses						<u>\$ 3,322,810</u>

THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF RALEIGH, INC.

Statement of Cash Flows

Year Ended June 30, 2022

Cash flows from operating activities:

Cash received from contributions, net of amounts restricted for endowment	\$ 991,478
Cash received from other revenue	105
Cash payments to employees and vendors	(623,430)
Grants disbursed	(2,675,617)
Charitable gift annuity payments	<u>(125,267)</u>
Net cash used in operating activities	<u>(2,432,731)</u>

Cash flows from investing activities:

Proceeds from the sale of investments	2,868,184
Purchase of investments	<u>(4,354,923)</u>
Net cash used in investing activities	<u>(1,486,739)</u>

Cash flows from financing activities:

Contributions restricted for investment in endowment	<u>3,727,449</u>
Net cash provided by financing activities	<u>3,727,449</u>

Net decrease in cash and cash equivalents (192,021)

Cash and cash equivalents, beginning 279,443

Cash and cash equivalents, ending \$ 87,422

THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF RALEIGH, INC.

Notes to Financial Statements

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Foundation of the Roman Catholic Diocese of Raleigh, Inc. (the "Foundation") was established on August 14, 2018 as a North Carolina nonprofit corporation. The Foundation, headquartered in Raleigh, North Carolina, was formed to cultivate endowed and major gifts for the long-term benefit of the administrative offices, parishes, schools, programs, and ministries of the Catholic Diocese of Raleigh while providing effective and efficient management and distribution of invested funds. Under U.S. generally accepted accounting principles, the financial statements of the Foundation are considered financially interrelated with those of the Catholic Diocese of Raleigh (the "Diocese"). Thus, under the principles of consolidation, the Diocese consolidates these separately issued financial statements with those of the Diocese.

A summary of the Foundation's significant accounting policies is as follows:

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board ("FASB") has established the Accounting Standards Codification ("ASC") as the source of authoritative accounting principles to be applied in the preparation of financial statements in accordance with U.S. GAAP.

Cash and Cash Equivalents

The Foundation considers short-term investments with original maturities of three months or less to be cash equivalents, except for those short-term investments managed as part of investment management strategies.

Property and Equipment, Net

Property and equipment acquisitions are capitalized at cost when purchased, or if received as a gift, acquisitions are capitalized at fair value on the date of donation, with a capitalization threshold of \$1,000. Expenditures for maintenance and repairs are charged against operations. Renewals and betterments that materially extend the life of the assets are capitalized. In accordance with Foundation policy, property and equipment, and proceeds from the sale of property and equipment, are categorized within net assets based on the presence or absence of donor restrictions. Depreciation on buildings and equipment is determined under the straight-line method based on the following estimated useful lives:

Furniture and fixtures	8 years
Computer equipment	3 years

Long-lived assets held and used by the Foundation are reviewed for impairment whenever changes in circumstances indicate the carrying value of an asset may not be recoverable.

THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF RALEIGH, INC.

Notes to Financial Statements

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

The Foundation reports information regarding its financial position and activities according to two net asset categories as follows:

- *Net assets without donor restrictions* - includes unrestricted resources which represent the portion of funds that are available for the operating objectives of the Foundation.
- *Net assets with donor restrictions* - consist of donor restricted contributions. Amounts restricted by donors for a specific purpose are deemed to be earned and reported as donor restricted revenue when received, and such unexpended amounts are reported as donor restricted net assets at year-end. When the donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, donor-restricted net assets are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as "net assets released from restrictions."

Revenue Recognition

Contributions are recognized when the donor makes an unconditional promise to transfer assets. Contributions received are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor stipulations. Amounts received that are designated for future periods or restricted by the donor for a specific purpose are reported as support with donor restrictions and as an increase to the related net asset class. In the event that monies both with and without donor restrictions are available for use for activities that comply with donor restrictions, the Foundation will use funds having donor restrictions first.

Promises to give that are expected to be collected within one year are recorded at net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The Foundation reviews pledge and other receivables for collectability on a recurring basis and, based on an assessment of creditworthiness, estimates the portion, if any, of the balance that will not be collected. Such amounts are recorded as an allowance, if necessary.

Conditional promises to give, which are defined as those promises to give that contain a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. If a condition related to a donor-restricted contribution is fulfilled in the same period in which the contribution is received, the Foundation reports the support as unrestricted. The Foundation is named as a beneficiary in numerous wills and testaments. These intentions to give are considered conditional as they may be changed during the lifetime of the donors and, as such, they are not recorded as revenue in the financial statements. The amounts of these intentions to give are indeterminable.

Compensated Absences

Employees are permitted to carry over up to five days of vacation time earned, but only within the calendar year. As of June 30, 2022, the Foundation had \$3,300 accrued for compensated absences.

THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF RALEIGH, INC.

Notes to Financial Statements

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services

The Foundation records contributed services if the services received create or enhance long-lived assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A number of unpaid volunteers, who serve primarily in the capacity of board members, have made significant contributions of their time in the furtherance of the Foundation's programs. The value of this contributed time is not reflected in these financial statements because it does not meet the above recognition criteria.

Charitable Gift Annuities

The Foundation is the beneficiary of several irrevocable remainder interests of one-life and two-life charitable gift annuities. These interests are measured at fair value. Annuity obligations arising from these split-interest gifts are reported as charitable gift annuity obligations in the accompanying Statement of Financial Position. The change in fair value of the annuity liabilities is reported as a change in value of charitable gift annuity obligations in the accompanying Statement of Activities and Changes in Net Assets.

The Foundation also has a charitable gift annuity receivable for underwater annuities. The charitable gift annuity receivable, as reported in the accompanying Statement of Financial Position, is measured at fair value. The change in fair value of the receivable is reported as a change in value of charitable gift annuity receivable in the accompanying Statement of Activities and Changes in Net Assets.

Income Tax Status

The Foundation is a nonprofit organization exempt from income taxes under Internal Revenue Code Section 501(c)(3). The Foundation does not have any material unrecognized tax benefits or obligations as of June 30, 2022.

It is the Foundation's policy to evaluate all tax positions to identify any that may be considered uncertain. No material uncertain tax positions were identified for 2022 that would require recognition or disclosure in the financial statements.

Expense Recognition and Functional Allocation

The cost of providing the Foundation's programs and other activities is summarized on a functional basis in the statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefitted. These expenses, excluding depreciation and grant disbursements, are allocated on the basis of estimates of time and effort except for supplies and office expenses, which are allocated based on the percentage of usage.

Use of Estimates

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

THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF RALEIGH, INC.

Notes to Financial Statements

NOTE B - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$	87,422
Accounts receivable		843
	\$	<u>88,265</u>

Endowment funds consist of donor-restricted endowments and board-designated endowments. Income from donor-restricted endowments that are restricted for specific purposes and board-designated endowments held on behalf of others are not available for general expenditure.

As part the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. To meet this objective, the Foundation has obtained the commitment of the Diocese to provide short-term cash flow assistance to address cash shortages in the event that they occur. The Foundation invests cash in excess of daily requirements in short-term investments and money market funds.

NOTE C - FINANCIAL INSTRUMENTS AND OTHER CONCENTRATIONS

The Foundation places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. During the year ended June 30, 2022, the Foundation, from time to time, may have had amounts on deposit in excess of the insured limits. The cash balances are maintained at financial institutions with high credit quality ratings and the Foundation believes no significant risk of loss exists with respect to those balances.

A substantial amount of the Foundation's support is generated through contributions and pledges from other organizations or individuals, primarily in eastern North Carolina and the surrounding area. Changes in economic conditions can directly affect a donor's ability and willingness to make future contributions to the Foundation. Also, the limited geographic area in which the Foundation's contributors reside, increases the Foundation's exposure to certain business concentrations.

NOTE D - INVESTMENTS

The Foundation maintains investments in equity, debt securities, and private equity funds. Net investment income, which consists of interest and dividends, realized gains and losses, and unrealized gains and losses, from these securities are allocated to the various funds with and without donor restrictions based on each fund's percentage ownership of total invested assets. Net investment income is reported net of investment fees on a separate line in the statement of activities and changes in net assets. Net investment income is recorded as with or without donor restrictions, depending on the existence and/or nature of any donor stipulations. Amounts received designated for future periods or restricted by the donor for a specific purpose are reported as net investment income with donor restrictions and as an increase to the related net asset class.

THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF RALEIGH, INC.

Notes to Financial Statements

NOTE D - INVESTMENTS (Continued)

Investments are carried at fair value with the following underlying asset concentration at June 30:

	Cost	Market Value	Unrealized Gain (Loss)
Cash equivalents	\$ 1,933,927	\$ 1,933,927	\$ -
Fixed income	18,941,369	17,426,515	(1,514,854)
Equities	41,386,614	34,470,117	(6,916,497)
Real Assets	8,518,482	8,328,966	(189,516)
Private funds	5,202,001	6,045,608	843,607
	<u>\$ 75,982,393</u>	<u>\$ 68,205,133</u>	<u>\$ (7,777,260)</u>

NOTE E - FAIR VALUE MEASUREMENTS

U.S. GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Foundation's assets and liabilities recorded at fair value, except certain assets for which the NAV per share is used as a practical expedient, are measured and classified in accordance with a fair value hierarchy consisting of three levels based on the observability of the inputs used in measuring the fair value. The hierarchy consists of three broad levels of inputs that may be used to measure fair value as follows:

Level 1: Inputs to the valuation methodology are quoted prices available in active markets for identical assets and are given the highest priority.

Level 2: Inputs consist of observable inputs other than quoted prices for identical assets.

Level 3: Inputs consist of unobservable inputs and are given the lowest priority.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize use of observable inputs and minimize the use of unobservable inputs.

THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF RALEIGH, INC.**Notes to Financial Statements**

NOTE E - FAIR VALUE MEASUREMENTS (Continued)

Below are the Foundation's financial instruments carried at fair value on a recurring basis by the fair value hierarchy levels:

	<u>Total Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Fixed income	\$ 17,426,515	\$ -	\$ 17,426,515	\$ -
Equities	34,470,117	34,470,117	-	-
Real Assets	8,328,966	-	8,328,966	-
Private funds	3,324,600	-	-	3,324,600
Charitable gift annuity receivable	231,973	-	-	231,973
Total assets	<u>\$ 63,782,171</u>	<u>\$ 34,470,117</u>	<u>\$ 25,755,481</u>	<u>\$ 3,556,573</u>
Liabilities:				
Charitable gift annuity obligations	\$ 955,001	\$ -	\$ -	\$ 955,001
Total liabilities	<u>\$ 955,001</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 955,001</u>

The investment balance reported on the Statement of Financial Position includes money market funds of \$1,933,927 at June 30, 2022, which are not included in the above fair value hierarchy table.

The investment balance reported on the Statement of Financial Position also includes funds that are measured at fair value using net asset value (NAV) as a practical expedient totaling \$2,721,008 at June 30, 2022, which are not included in the above fair value hierarchy table.

The following reconciles the beginning and ending balances of financial assets measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the year ended June 30, 2022:

Private funds:	
Beginning balance	\$ -
Purchases	2,886,000
Change in value	438,600
Ending balance	<u>\$ 3,324,600</u>
Charitable gift annuity receivable:	
Beginning balance	\$ 246,411
Receipts	-
Change in estimate of commitment to fund underwater CGA by the Diocese of Raleigh	(14,438)
Ending balance	<u>\$ 231,973</u>

THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF RALEIGH, INC.

Notes to Financial Statements

NOTE E - FAIR VALUE MEASUREMENTS (Continued)

The following reconciles the beginning and ending balances of financial liabilities measured at fair value on a recurring basis using significant unobservable inputs during the year ended June 30, 2022:

Charitable gift annuity obligations:

Beginning balance	\$	(674,062)
Additions		(330,426)
Distributions		125,267
Change in value		(75,780)
Ending balance	\$	<u>(955,001)</u>

The following table provides additional information for investments measured at fair value using NAV as a practical expedient:

	Fair Value	Redemptions Frequency	Notice Period (Days)
TrueBridge Seed & Micro VC Fund I	\$ 655,959	N/A	N/A
BP Transtrend Diversified Fund	\$ 2,668,640	Allowed monthly	5 business days

As of June 30, 2022, unfunded commitments for TrueBridge Seed & Micro VC Fund I and BP Transtrend Diversified Fund totaled \$430,000 and \$0, respectively.

The Foundation uses appropriate valuation techniques based on the available inputs. When available, the Foundation measures fair value using Level 1 inputs as they generally provide the most reliable evidence of fair value. Level 2 and Level 3 inputs were only used when Level 1 inputs were not available. The market approach was used for assets and liabilities classified as Level 1 and Level 2.

The Foundation relies on fair value measurement calculations performed by third party pricing services for the majority of instruments reported in Level 2. Inputs, even if determined by the Foundation, include the credit risk of the issuer, maturity, current yield, and other terms and conditions of each instrument.

NOTE F - ENDOWMENTS

The Foundation's endowments consist of approximately 147 individual funds established for a variety of purposes. The endowments include donor-restricted endowment funds and funds designated by the Diocesan Finance Council and the Board of Directors of the Foundation to function as endowments and all net assets are classified and reported based on the existence or absence of donor-imposed restrictions in the accompanying statements of financial position and activities and changes in net assets.

The Board of Directors of the Foundation has implemented policies 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 these policies, the Foundation classifies the following as net assets with donor restrictions in perpetuity:

THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF RALEIGH, INC.

Notes to Financial Statements

NOTE F - ENDOWMENTS (Continued)

- a) The original value of gifts donated to the permanent endowment;
- b) the original value of subsequent gifts to the permanent endowment; and
- c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditures by the Foundation in a manner consistent with the standard of prudence prescribed by the North Carolina Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). The Foundation considers the following factors in making decisions related to appropriations for expenditures or accumulations of donor-restricted endowment funds:

- a) The duration and preservation of the various funds;
- b) the purposes of the donor-restricted endowment funds;
- c) general economic conditions;
- d) the possible effect of inflation and deflation;
- e) the expected total return from income and the appreciation of investments;
- f) other resources of the Foundation; and
- g) the investment policies of the organization.

Investment Return Objectives, Risk Parameters, and Strategies - The Foundation has adopted investment policies, approved by the Board of Directors of the Foundation, that attempt to emphasize total return. While shorter-term investment results are monitored, adherence to the sound long-term investment policy balancing short-term spending needs with the preservation of the real inflation-adjusted value of assets is of primary importance. The Foundation expects to attain an inflation-adjusted minimum average annual return, net of fees, over a rolling ten-year period. This real return is defined as the sum of capital appreciation (loss) and current income (interest and dividends) adjusted for inflation as measured by the Consumer Price Index.

Investment policies are based on principles of responsible financial stewardship, as well as ethical and social stewardship. The Foundation is committed to a diversified asset allocation strategy, consisting primarily of domestic equities, international equities, domestic fixed income, international fixed income, and alternative investments.

Spending Policy - The Foundation's policy is the annual income distribution available from endowment funds is a maximum of 4% of the twelve-quarter average fair value of the endowment, measured as of the calendar quarter end dates for the previous 12 quarters.

Additionally, the Foundation has a policy whereby a distribution is taken from the endowment to support the operations and administration of the Foundation. This distribution is calculated annually, is not to exceed 1%, and is assessed on a quarterly basis, based on the twelve-quarter rolling average of the fair value of the assets of each endowment fund. Administrative distributions totaled \$628,900 for the year ended June 30, 2022.

THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF RALEIGH, INC.**Notes to Financial Statements**

NOTE F - ENDOWMENTS (Continued)

Endowment composition by type of fund is as follows as of June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds with donor restrictions:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 11,246,393	\$ 11,246,393
Accumulated investment gains	-	3,008,576	3,008,576
Amounts held in term endowments	-	22,135,146	22,135,146
Board-designated endowment and other funds	30,374,454	-	30,374,454
Total	<u>\$ 30,374,454</u>	<u>\$ 36,390,115</u>	<u>\$ 66,764,569</u>

Changes in endowment for the period of asset transfer through June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment, beginning of year	\$ 33,641,939	\$ 41,099,639	\$ 74,741,578
Transfers	-	-	-
Contributions	2,311,273	1,416,176	3,727,449
Net investment income	(4,276,973)	(5,142,858)	(9,419,831)
Amounts expended	(1,301,785)	(982,842)	(2,284,627)
Total	<u>\$ 30,374,454</u>	<u>\$ 36,390,115</u>	<u>\$ 66,764,569</u>

Funds with Deficiencies - From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. The Foundation had endowments as of June 30, 2022 that were underwater by \$24,982. These endowments had a fair value of \$802,549 and an associated corpus maintenance requirement of \$827,531 as of June 30, 2022.

NOTE G - PROPERTY AND EQUIPMENT, NET

The following is a summary of property and equipment as of June 30, 2022:

Furniture and fixtures	\$ 23,516
Computer equipment	3,709
	<u>27,225</u>
Less accumulated depreciation	(11,058)
	<u>\$ 16,167</u>

Depreciation expense for the year ended June 30, 2022 totaled \$3,558.

THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF RALEIGH, INC.

Notes to Financial Statements

NOTE H - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30, 2022:

Release of appropriated endowment amounts:	
Disbursements	\$ 982,842
Management fee retained by Foundation	345,637
	<u>1,328,479</u>
Seminarian Partnership Program	249,347
Other	141,644
	<u>\$ 1,719,470</u>

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30, 2022:

Subject to appropriation and expenditure for a specific purpose:

Restricted by donors for:	
Assistance for the needy	\$ 569,140
Capital improvements	466
Catholic education	88,415
Child and family programs	1,210,224
Lay formation and education	3,172,430
Parish assistance	1,611,990
Purchase of land for new parishes	3,132,931
Religious purposes outside of Diocese	129,128
Seminarian education	3,129,920
Seminarians	2,358,909
Tuition assistance and scholarships	2,955,328
Various ministry programs	2,626,372
Other	1,149,893
	<u>\$ 22,135,146</u>

THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF RALEIGH, INC.

Notes to Financial Statements

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Perpetual in nature, earnings from which are subject to endowment spending policy and appropriation:

Assistance for the needy	\$ 231,539
Capital improvements	165,476
Catholic Charities of the Diocese of Raleigh	51,378
Catholic education	507,550
Child and family programs	41,959
Parish assistance	163,729
Seminarian and servers education	53,674
Seminarian education	4,144,145
Tuition assistance and scholarships	7,045,507
Various ministry programs	706,961
Other	1,143,051
	<u>\$ 14,254,969</u>

Subject to the passage of time and for a specified purpose

Charitable gift annuities	<u>\$ (144,762)</u>
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Subject to expenditure for a specified purpose

Seminarian partnership program	<u>\$ 70,815</u>
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NOTE J - NET ASSETS WITH BOARD DESIGNATIONS

The following net assets without donor restrictions have been designated by the Board of Directors of the Foundation for the following purposes or periods as of June 30, 2022:

Subject to appropriation and expenditure for a specific purpose:

For the benefit of:

Assistance for the needy	\$ 4,803,596
Capital improvements	95,416
Catholic Charities of the Diocese of Raleigh	1,874,297
Catholic education	6,195,403
Cemetery maintenance	924,750
Clergy and religious welfare	6,407,961
Diocesan support and assistance	3,169,962
Cathedral operations	646,289
Parish assistance	728,446
Purchase of land for new parishes	1,843,283
Seminarian education	2,259,802
Tuition assistance and scholarships	897,831
Other	527,418
	<u>\$ 30,374,454</u>

Charitable gift annuities	<u>\$ 681,774</u>
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THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF RALEIGH, INC.

Notes to Financial Statements

NOTE K - INVESTMENT SAVINGS PLAN

In May 2021, the Foundation adopted a new agreement to offer its employees a pretax IRC Section 403(b) Plan ("403(b) Plan"), which was effective July 1, 2021. Under the provisions of the Foundation's 403(b) Plan, employees of the Foundation that are regularly scheduled to work at least 30 hours per week are eligible. The Foundation contributes \$1 for each \$1 invested by employees on the first 5% of qualified compensation. In addition, the Foundation may make a non-contributory deferral of an annually determine percentage of qualified compensation into accounts of all eligible employees. Participants in the 403(b) Plan are immediately vested in their employee contributions and in the basic matching contribution provided by the Foundation. Contributions to the 403(b) Plan for the year ended June 30, 2021 totaled \$8,942.

NOTE L - FUNDRAISING

The Foundation conducts certain fundraising activities to generate revenues to assist in supporting its programs and activities. For the year ended June 30, 2022, fundraising expense totaled \$179,222.

NOTE M - LEASES

The Foundation entered into a two-year noncancelable operating lease for office space beginning on July 1, 2019. On April 1, 2022, the Foundation extended the lease for a three year term beginning July 1, 2021 through June 30, 2024.

Future minimum rental commitments under the lease is as follows:

<u>Year ending June 30,</u>	
2023	\$ 39,079
2024	40,251
	<u>\$ 79,330</u>

Rent expense recorded for the year ended June 30, 2022 totaled \$37,156.

NOTE N - CHARITABLE GIFT ANNUITIES

The Foundation is the beneficiary of one-life and two-life annuities for which it is the trustee. Under terms of these split-interest agreements, the Foundation is required to pay the various donors an annuity until the donors' death at which time the remaining assets are to be distributed to the Foundation for use in accordance with the donor agreements. During the year ended June 30, 2022, the Foundation received \$269,574 in contribution revenue related to these annuities and is included as Gifts in the accompanying Statement of Activities and Changes in Net Assets.

Effective July 1, 2020, the Diocese transferred its interest in several irrevocable one-life and two-life charitable gift annuities to the Foundation and granted variance power on the charitable gift annuity net assets to the Foundation, which allows the Foundation to modify any condition or restriction, on the related net assets, for any specified charitable purpose, if, in the sole judgment of the Foundation's Board of Directors, such restrictions or conditions become unnecessary, incapable of fulfillment, or inconsistent with the charitable purposes for which the Foundation was established.

THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF RALEIGH, INC.

Notes to Financial Statements

NOTE N - CHARITABLE GIFT ANNUITIES (Continued)

As per the amended assignment and assumption agreement, the Diocese of Raleigh agrees to reimburse the Foundation for payments made to the charitable gift annuity donor when the annuity obligation is greater than its allocated investment (the annuity is underwater) for those annuities transferred on July 1, 2020. The Diocese has agreed to pay the underwater payment amounts at the time when the donor passes way and the annuity account is closed. During the year ended June 30, 2022, the Diocese paid \$0. As of June 30, 2022, the estimated commitment to fund underwater charitable gift annuities totaled \$231,973 and is included in the accompanying Statement of Financial Position as Charitable gift annuity receivable. At June 30, 2022, the underwater amount totaled \$231,973.

Actuarial assumptions published by the Department of Health and Human Services and a discount rate of 5.5% were used in calculating the present value of the amounts to be received on termination of the individual annuities.

	Assets Held in Trusts	Underwater Receivable	Liability to Donors	Net Asset (Liability)
Life annuities	\$ 1,260,040	\$ 231,973	\$ (955,001)	\$ 537,012

NOTE O - PROMISES TO GIVE

As of June 30, 2022, the Foundation had promises to give totaling \$70,815, as shown on the Statement of Financial Position. Promises to give due within one year totaled \$21,350 and the remaining amount of \$49,465 is due within five years.

NOTE P - RELATED PARTY TRANSACTIONS

Effective July 1, 2020, the Diocese transferred its interest in charitable gift annuities to the Foundation. For the transferred charitable gift annuities, the Diocese has agreed to pay the underwater payment amounts at the time when the donor passes way and the annuity account is closed. As of June 30, 2022, the charitable gift annuity receivable, owed by the Diocese to the Foundation, was valued at \$231,973.

Additionally, the Foundation received contributions to endowments from its affiliates including the Diocese, parishes, schools, and other-related organizations during the year ended June 30, 2022 totaling \$2,613,375.

For the year ended June 30, 2022, the Foundation made grant distributions to its affiliates including the Diocese, parishes, schools, and other-related organizations totaling \$2,675,617.

The Diocese performs certain administrative tasks such as payroll processing and accounting services for the Foundation. For the year ended June 30, 2022, the Diocese charged the Foundation \$31,408 for these services. As of June 30, 2022, the Foundation owed the Diocese \$0.

THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF RALEIGH, INC.

Notes to Financial Statements

NOTE Q - COMMITMENTS

The Foundation has entered into an investment subscription agreement with a required capital contribution of \$1,000,000. As of June 30, 2022, the Foundation has contributed \$570,000 and with a remaining capital commitment of \$430,000.

NOTE R - SUBSEQUENT EVENTS

The Foundation evaluated the effect of subsequent events through October 3, 2022, which is the date the financial statements were available to be issued. No events were identified that would require recognition or disclosure in the financial statements.