

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

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023



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, 2023, and the related statements 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, 2023, 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 30, 2023

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

Statement of Financial Position

June 30, 2023

<u>Assets</u>	
Cash and cash equivalents	\$ 279,828
Other current receivables	1,234
Promises to give, Seminarian Partnership Program	16,875
Charitable gift annuity receivable	264,661
Investments, endowments	70,749,043
Investments, charitable gift annuities	1,261,916
Operating right-to-use leased assets	39,146
Property and equipment, net	13,227
Total assets	<u>\$ 72,625,930</u>

<u>Liabilities and Net Assets</u>	
Accrued expenses	\$ 26,600
Operating lease liabilities	39,732
Charitable gift annuity obligations	938,164
Total liabilities	<u>1,004,496</u>
Net Assets:	
Without donor restrictions:	
Designated for endowments	32,473,678
Designated for charitable gift annuities	742,690
Invested in leased assets, and property and equipment	12,641
Undesignated	265,929
Total without donor restrictions	<u>33,494,938</u>
With donor restrictions:	
Restricted in perpetuity - endowments	15,208,263
Restricted subject to the Foundation's spending policy - endowments	23,054,841
Underwater endowments	(6,132)
Charitable gift annuities	(147,351)
Seminarian partnership program	16,875
Total with donor restrictions	<u>38,126,496</u>
Total net assets	<u>71,621,434</u>
Total liabilities and net assets	<u>\$ 72,625,930</u>

THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF RALEIGH, INC.
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support:			
Gifts and bequests	\$ 1,017,026	\$ 977,457	\$ 1,994,483
Investment income, net	2,334,281	2,697,404	5,031,685
Net assets released from restrictions	1,796,650	(1,796,650)	-
Total revenue, gains and other support	<u>5,147,957</u>	<u>1,878,211</u>	<u>7,026,168</u>
Expenses:			
Program Areas:			
Grant disbursements	2,297,084	-	2,297,084
Other program expenses	99,442	-	99,442
Total program areas	<u>2,396,526</u>	<u>-</u>	<u>2,396,526</u>
Support Services:			
Management and general	322,339	-	322,339
Fundraising and development	284,869	-	284,869
Total support services	<u>607,208</u>	<u>-</u>	<u>607,208</u>
Total expenses	<u>3,003,734</u>	<u>-</u>	<u>3,003,734</u>
Change in net assets from operations	<u>2,144,223</u>	<u>1,878,211</u>	<u>4,022,434</u>
Change in value of charitable gift annuity receivable	46,073	-	46,073
Change in value of charitable gift annuity obligations	<u>(30,401)</u>	<u>(67,883)</u>	<u>(98,284)</u>
Change in net assets	2,159,895	1,810,328	3,970,223
Net assets, beginning	31,335,043	36,316,168	67,651,211
Net assets, ending	<u>\$ 33,494,938</u>	<u>\$ 38,126,496</u>	<u>\$ 71,621,434</u>

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

Statement of Functional Expenses

Year Ended June 30, 2023

	Program Areas		Support Services			Total
	Grants	Other	Management and General	Fundraising and Development	Total	
Grants Disbursed:						
Assistance for the needy	\$ 231,312	\$ -	\$ -	\$ -	\$ -	\$ 231,312
Catholic charities	108,000	-	-	-	-	108,000
Catholic schools and education initiatives	97,170	-	-	-	-	97,170
Cemetery maintenance	6,183	-	-	-	-	6,183
Child and family programs	1,800	-	-	-	-	1,800
Church expansion	92,369	-	-	-	-	92,369
Diocesan support and assistance	135,300	-	-	-	-	135,300
Lay formation and education	88,400	-	-	-	-	88,400
Parish support and assistance	181,397	-	-	-	-	181,397
Seminarian education and welfare	461,584	-	-	-	-	461,584
Seminarian Partnership Program	208,721	-	-	-	-	208,721
Special ministries	122,981	-	-	-	-	122,981
Tuition assistance and scholarships	298,224	-	-	-	-	298,224
Other	263,643	-	-	-	-	263,643
Salaries and fringe benefits	-	64,797	123,304	237,778	361,082	425,879
Supplies and office expenses	-	253	2,025	2,778	4,803	5,056
Travel and training	-	2,863	22,904	31,492	54,396	57,259
Purchased services	-	13,032	117,288	-	117,288	130,320
Occupancy expenses	-	17,425	29,041	11,616	40,657	58,082
Depreciation	-	588	1,470	882	2,352	2,940
Bad debt expense	-	-	25,500	-	25,500	25,500
Other expenses	-	484	807	323	1,130	1,614
	<u>\$ 2,297,084</u>	<u>\$ 99,442</u>	<u>\$ 322,339</u>	<u>\$ 284,869</u>	<u>\$ 607,208</u>	3,003,734
Nonoperating Expenses:						
Change in value of charitable gift annuity receivable						(46,073)
Change in value of charitable gift annuity obligations						98,284
Total functional expenses						<u>\$ 3,055,945</u>

See Notes to Financial Statements

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

Statement of Cash Flows

Year Ended June 30, 2023

Cash flows from operating activities:

Cash received from contributions, net of amounts restricted for endowment	\$ 489,221
Cash payments to employees and vendors	(682,665)
Grants disbursed	(2,297,084)
Charitable gift annuity payments	(126,524)
Net cash used in operating activities	<u>(2,617,052)</u>

Cash flows from investing activities:

Proceeds from the sale of investments	2,859,596
Purchase of investments	(1,633,737)
Net cash provided in investing activities	<u>1,225,859</u>

Cash flows from financing activities:

Contributions restricted for investment in endowment	<u>1,583,599</u>
Net cash provided by financing activities	<u>1,583,599</u>

Net increase in cash and cash equivalents	192,406
Cash and cash equivalents, beginning	<u>87,422</u>
Cash and cash equivalents, ending	<u><u>\$ 279,828</u></u>

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.

Changes in Financial Accounting and Reporting

For the year ended June 30, 2023, the Foundation implemented Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842). The objective of this ASU is to increase transparency and comparability in financial reporting by requiring balance sheet recognition of leases and note disclosure of certain information about lease arrangements.

ASU No. 2016-02 increases the usefulness of the financial statements by requiring recognition of certain leased assets and related liabilities for all leases, including those that previously were classified as operating leases and recognized as income by lessors and expenses by lessees. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and in certain instances a lessor is required to recognize a lease receivable and a deferred lease revenue, thereby enhancing the relevance and consistency of information about the Foundation's leasing activities.

Under ASU No. 2016-02, the Foundation applied a modified retrospective transition in which the standard is applied to the beginning of the period of adoption, July 1, 2022.

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.

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

Notes to Financial Statements

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Right-To-Use Leased Assets

Leases that provide the Foundation the right to use an asset for a period of more than one year are considered a right-to-use leased asset. Right-to-use leased assets are recorded at the initial measurement of the lease liability which equals the present value of all payments expected to be made during the lease term. The right-to-use leased assets are amortized over the term of the lease(s).

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.

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 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 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.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Promises to give expected to be collected within one year are recorded at net realizable value. Promises to give 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 amount 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, 2023, the Foundation had \$13,600 accrued for compensated absences.

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.

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

Notes to Financial Statements

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2023.

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 2023 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.

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	\$ 279,828
Other current receivables	1,234
	<u>\$ 281,062</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.

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

Notes to Financial Statements

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, 2023, 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.

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

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
Cash equivalents	\$ 1,154,824	\$ 1,154,824	\$ -
Fixed income	19,162,772	17,328,556	(1,834,216)
Equities	41,484,125	40,021,204	(1,462,921)
Real Assets	8,519,319	7,562,244	(957,075)
Private funds	5,887,732	5,944,131	56,399
	<u>\$ 76,208,772</u>	<u>\$ 72,010,959</u>	<u>\$ (4,197,813)</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 FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF RALEIGH, INC.

Notes to Financial Statements

NOTE E - FAIR VALUE MEASUREMENTS (Continued)

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.

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	\$ 17,328,556	\$ -	\$ 17,328,556	\$ -
Equities	40,021,204	40,021,204	-	-
Real Assets	7,562,244	-	7,562,244	-
Private funds	2,585,021	-	-	2,585,021
Charitable gift annuity receivable	264,661	-	-	264,661
Total assets	<u>\$ 67,761,686</u>	<u>\$ 40,021,204</u>	<u>\$ 24,890,800</u>	<u>\$ 2,849,682</u>
Liabilities:				
Charitable gift annuity obligations	\$ 938,164	\$ -	\$ -	\$ 938,164
Total liabilities	<u>\$ 938,164</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 938,164</u>

The investment balance reported on the statement of financial position includes money market funds of \$1,154,824 at June 30, 2023, 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 \$3,359,110 at June 30, 2023, 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, 2023:

Private funds:	
Beginning balance	\$ 2,721,008
Change in value	<u>(135,987)</u>
Ending balance	<u>\$ 2,585,021</u>

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

Notes to Financial Statements

NOTE E - FAIR VALUE MEASUREMENTS (Continued)

Reconciliation of Level 3 (Continued):

Charitable gift annuity receivable:

Beginning balance	\$	231,973
Receipts		(13,385)
Change in estimate of commitment to fund underwater CGA by the Diocese of Raleigh		46,073
Ending balance	\$	<u>264,661</u>

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, 2023:

Charitable gift annuity obligations:

Beginning balance	\$	(955,001)
Additions		(24,788)
Distributions		139,909
Change in value		(98,284)
Ending balance	\$	<u>(938,164)</u>

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

	<u>Fair Value</u>	<u>Redemptions Frequency</u>	<u>Notice Period (Days)</u>	<u>Redemption Restriction Terms</u>
TrueBridge Seed & Micro VC Fund I	\$ 720,000	N/A	N/A	N/A
BP Transtrend Diversified Fund	\$ 2,636,386	Allowed monthly	5 business days	N/A
Other	\$ 2,724	N/A	N/A	N/A

TrueBridge Seed & Micro-VC Fund I (Cayman), L.P. (the "Fund") is a Cayman Islands exempted limited partnership (LP). The Fund primarily invests its assets through TrueBridge Seed & Micro-VC Fund I, L.P. (the "Holdings Fund"), a Cayman Islands exempted limited partnership (LP), which was organized with the purpose of investing in venture capital and growth-related private equity funds, and direct investments into start-up and development stage companies. The Foundation's investment in the Fund is a long-term investment and the Foundation may not assign, transfer, encumber, or otherwise redeem, its interest in the Fund. The Foundation bears the economic risk of its investment until termination of the fund Partnership.

BP Transtrend Diversified Fund, LLC is a Delaware limited liability company, which utilizes an adaptive trend based strategy following major developments in the world. The fund seeks to identify underlying trends through analysis of price trends in multiple markets and its portfolio is based on being positioned in different underlying trends based on a defined risk tolerance.

As of June 30, 2023, the Foundation has an unfunded commitment of \$280,000 for TrueBridge Seed & Micro VC Fund I. The Foundation has no other unfunded commitments as of June 30, 2023.

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

Notes to Financial Statements

NOTE E - FAIR VALUE MEASUREMENTS (Continued)

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 162 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:

- 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.

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

Notes to Financial Statements

NOTE F - ENDOWMENTS (Continued)

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 \$676,209 for the year ended June 30, 2023.

Endowment composition by type of fund is as follows as of June 30, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment funds with donor restrictions:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 11,663,297	\$ 11,663,297
Accumulated investment gains	-	3,538,834	3,538,834
Amounts held in term endowments	-	23,054,841	23,054,841
Board-designated endowment and other funds	<u>32,473,678</u>	<u>-</u>	<u>32,473,678</u>
Total	<u>\$ 32,473,678</u>	<u>\$ 38,256,972</u>	<u>\$ 70,730,650</u>

Changes in endowment for the period of asset transfer through June 30, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment, beginning of year	\$ 30,374,454	\$ 36,390,115	\$ 66,764,569
Contributions	1,017,026	566,573	1,583,599
Net investment income	1,958,838	2,320,060	4,278,898
Amounts expended	<u>(876,640)</u>	<u>(1,019,776)</u>	<u>(1,896,416)</u>
Total	<u>\$ 32,473,678</u>	<u>\$ 38,256,972</u>	<u>\$ 70,730,650</u>

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

Notes to Financial Statements

NOTE F - ENDOWMENTS (Continued)

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, 2023 that were underwater by \$6,132. These endowments had a fair value of \$96,625 and an associated corpus maintenance requirement of \$102,757 as of June 30, 2023.

NOTE G - PROPERTY AND EQUIPMENT, NET

The following is a summary of property and equipment as of June 30, 2023:

Furniture and fixtures	\$ 23,516
Computer equipment	3,709
	<u>27,225</u>
Less accumulated depreciation	(13,998)
	<u>\$ 13,227</u>

Depreciation expense for the year ended June 30, 2023 totaled \$2,940.

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, 2023:

Release of appropriated endowment amounts:	
Disbursements	\$ 1,019,776
Management fee retained by Foundation	366,564
	<u>1,386,340</u>
Seminarian Partnership Program	234,221
Other	176,089
	<u>\$ 1,796,650</u>

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2023:

Subject to appropriation and expenditure for a specific purpose:

Restricted by donors for:

Assistance for the needy	\$ 555,982
Capital improvements	496
Catholic education	110,251
Child and family programs	1,294,607

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

Notes to Financial Statements

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2023:

Subject to appropriation and expenditure for a specific purpose (Continued):

Restricted by donors for (Continued):

Lay formation and education	\$ 3,283,220
Parish assistance	1,667,538
Purchase of land for new parishes	3,332,241
Religious purposes outside of Diocese	137,448
Seminarian education	3,223,641
Seminarians	2,405,302
Tuition assistance and scholarships	3,097,711
Various ministry programs	2,686,184
Other	1,260,220
	<u>\$ 23,054,841</u>

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

Assistance for the needy	\$ 230,172
Capital improvements	187,242
Catholic Charities of the Diocese of Raleigh	54,689
Catholic education	570,925
Child and family programs	42,756
Parish assistance	240,921
Seminarian and servers education	59,897
Seminarian education	4,236,977
Tuition assistance and scholarships	7,676,992
Various ministry programs	733,571
Other	1,167,989
	<u>\$ 15,202,131</u>

Subject to the passage of time and for a specified purpose:

Charitable gift annuities	<u>\$ (147,351)</u>
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Subject to expenditure for a specified purpose:

Seminarian partnership program	<u>\$ 16,875</u>
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THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF RALEIGH, INC.

Notes to Financial Statements

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, 2023:

Subject to appropriation and expenditure for a specific purpose:

For the benefit of:

Assistance for the needy	\$ 4,933,479
Capital improvements	101,564
Catholic Charities of the Diocese of Raleigh	1,887,404
Catholic education	6,845,408
Cemetery maintenance	1,661,289
Clergy and religious welfare	6,820,863
Diocesan support and assistance	3,230,919
Cathedral operations	654,623
Parish assistance	631,465
Purchase of land for new parishes	1,866,703
Seminarian education	2,303,207
Tuition assistance and scholarships	916,519
Other	620,235
	<u>\$ 32,473,678</u>

Charitable gift annuities	<u>\$ 742,690</u>
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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, 2023 totaled \$12,831.

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, 2023, fundraising expense totaled \$284,869.

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

Notes to Financial Statements

NOTE M - RIGHT-TO-USE LEASED ASSETS AND RELATED LEASE LIABILITIES

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.

Operating lease expense for the year ending June 30, 2023 totaled \$39,880 and is included in occupancy expenses in the accompanying statement of functional expenses.

Other lease information for the year ended June 30, 2023:

Operating lease liability cash payments	\$	39,079
Right-to-use leased assets obtained in exchange for operating lease liabilities	\$	77,196
Remaining lease term in years for operating lease		1
Discount rate for operating lease		2.84%

Maturity analysis:

<u>Year ending June 30,</u>	<u>Operating</u>
2024	\$ 40,251
Thereafter	-
Total undiscounted cash flows	40,251
Less: present value discount	(519)
Total lease liabilities	<u>\$ 39,732</u>

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, 2023, the Foundation received \$25,213 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, 2023, the Diocese paid \$13,385. As of June 30, 2023, the estimated commitment to fund underwater charitable gift annuities totaled \$264,661 and is included in the accompanying statement of financial position as Charitable gift annuity receivable.

The Foundation had charitable gift annuities that were underwater at June 30, 2023 totaling \$283,979.

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	\$ 1,261,916	\$ 264,661	\$ (938,164)	\$ 588,413

NOTE O - PROMISES TO GIVE

As of June 30, 2023, the Foundation had promises to give totaling \$16,875, as shown on the Statement of Financial Position. Promises to give due within one year totaled \$5,100 and the remaining amount of \$11,775 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, 2023, the charitable gift annuity receivable, owed by the Diocese to the Foundation, was valued at \$264,661.

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, 2023 totaling \$1,360,237.

For the year ended June 30, 2023, the Foundation made grant distributions to its affiliates including the Diocese, parishes, schools, and other-related organizations totaling \$2,297,084.

The Diocese provides certain software and IT services for the Foundation. For the year ended June 30, 2023, the Diocese charged the Foundation \$32,300 for these services. As of June 30, 2023, 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, 2023, the Foundation has contributed \$720,000 with a remaining capital commitment of \$280,000.

NOTE R - SUBSEQUENT EVENTS

The Foundation evaluated the effect of subsequent events through October 30, 2023, which is the date the financial statements were available to be issued. The Foundation entered into an additional investment subscription agreement with a required capital contribution of \$1,000,000. As of the date of this report, the Foundation has contributed \$160,000 and has a remaining capital commitment of \$840,000.

In 2023, the Bishop authorized a study regarding fundraising among the various entities in the Diocese, including the Foundation. In September 2023, the Foundation's board of directors resigned to allow for a wholesale change in expediting and streamlining the planning for a rebranding of fundraising efforts to be initiated across the Diocese. A new three-person board was appointed by the Bishop to oversee the work of the Foundation.

No other events were identified that would require recognition or disclosure in the financial statements.