

**CATHOLIC CHARITIES OF THE
DIOCESE OF RALEIGH, INC. AND
AFFILIATE**

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES

As of and for the Year Ended June 30, 2019

And Report of Independent Auditor

Report of Independent Accountant

To the Finance Committee
Catholic Charities of the Diocese of Raleigh, Inc.
Raleigh, North Carolina

We have examined management of the Catholic Charities of the Diocese of Raleigh, Inc. (“Catholic Charities”) assertion presented below. The Catholic Charities’ management is responsible for its assertion. Our responsibility is to express an opinion on management’s assertion based on our examination.

“During the fiscal year ended June 30, 2019, no funds from Catholic Charities were provided to the Diocese of Raleigh for the purpose of settlement costs, counseling fees, or legal fees related to child sexual misconduct claims.”

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require we plan and perform the examination to obtain reasonable assurance about whether management’s assertion is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about management’s assertion. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management’s assertion, whether due to fraud or error. We believe the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, management’s assertion referred to above is fairly stated, in all material respects, based on our examination of the accounting records and based on the nature of the transactions between the Administrative Offices of the Diocese of Raleigh and Catholic Charities as of and for the year ended June 30, 2019.

Cherry Bekaert LLP

Raleigh, North Carolina
February 18, 2020

CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC. AND AFFILIATE

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Report of Independent Auditor

Board of Directors
Catholic Charities of the Diocese of Raleigh, Inc.
Raleigh, North Carolina

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Catholic Charities of the Diocese of Raleigh, Inc. and affiliate (“Catholic Charities”), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management’s Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Catholic Charities’ preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Catholic Charities’ internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Catholic Charities as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Effect of Adopting New Accounting Standard

As discussed in Note 2, Catholic Charities adopted Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The ASU has been applied prospectively and our opinion is not modified with respect to this matter.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplemental schedules as listed in the table of contents as well as the schedule of expenditures of federal awards, as required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2020, on our consideration of the Catholic Charities' internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* in considering Catholic Charities' internal control over financial reporting and compliance.

Cherry Roubert LLP

Raleigh, North Carolina
February 18, 2020

CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

ASSETS

Cash	\$ 1,972,527
Diocesan savings	432,588
Certificate of deposit and other savings	103,740
Pooled investment fund, at fair value	3,147,473
Contributions receivable, net	1,701,854
Accounts receivable	930,826
Prepaid expenses	7,404
Inventory	590,893
Property and equipment, net	1,032,710
Security deposits	30,639
Total Assets	<u>\$ 9,950,654</u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable and other liabilities	<u>\$ 606,063</u>
Total Liabilities	<u>606,063</u>

Net Assets:

Without Donor Restrictions:

Board Designated	2,292,616
Undesignated	2,495,183
Total Without Donor Restrictions	<u>4,787,799</u>

With Donor Restrictions:

Subject to endowment spending policy	961,536
Time-restricted for future periods	1,701,854
Program restrictions	1,893,402
Total With Donor Restrictions	<u>4,556,792</u>

Total Net Assets	<u>9,344,591</u>
Total Liabilities and Net Assets	<u>\$ 9,950,654</u>

CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Diocese of Raleigh allocations	\$ 1,343,970	\$ -	\$ 1,343,970
Grants received	2,044,923	1,245,439	3,290,362
Emergency Food Shelter Program/FEMA	28,443	-	28,443
Federal commodities received	955,084	-	955,084
Donated materials	3,733,454	-	3,733,454
Gifts and bequests	2,512,145	1,767,223	4,279,368
Program service fees	343,200	-	343,200
Special events	743,992	-	743,992
Investment return, net	72,181	-	72,181
Gain on sale of property and equipment	45,000	-	45,000
	<u>11,822,392</u>	<u>3,012,662</u>	<u>14,835,054</u>
Releases of Restrictions:			
Appropriation from donor endowment and subsequent satisfaction of any related donor restrictions	93,000	(93,000)	-
Expirations of time restrictions	142,233	(142,233)	-
Satisfaction of program restrictions	1,420,952	(1,420,952)	-
	<u>1,656,185</u>	<u>(1,656,185)</u>	<u>-</u>
Net Assets Released from Restrictions	<u>1,656,185</u>	<u>(1,656,185)</u>	<u>-</u>
Total Support and Revenue After Release of Restrictions	<u>13,478,577</u>	<u>1,356,477</u>	<u>14,835,054</u>

CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
(CONTINUED)

YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Expenses:			
Program Areas:			
Immigration Services	\$ 330,130	\$ -	\$ 330,130
Raleigh Office	396,620	-	396,620
Support Circles	327,844	-	327,844
Catholic Parish Outreach	3,880,158	-	3,880,158
Centro para Familias Hispanas	106,228	-	106,228
Smart Start Wake	139,947	-	139,947
Albemarle Office	111,315	-	111,315
Cape Fear Office	307,927	-	307,927
Fayetteville Office	459,646	-	459,646
Tar River Office	253,119	-	253,119
New Bern Office	115,715	-	115,715
Senior Pharmacy Program	93,310	-	93,310
Piedmont Office	600,427	-	600,427
Centro: la Comunidad	48,799	-	48,799
Disaster Response	2,078,098	-	2,078,098
Newton Grove Office	47,678	-	47,678
Homeless Services	370,398	-	370,398
Total Program Areas	<u>9,667,359</u>	-	<u>9,667,359</u>
Administrative	<u>1,383,217</u>	-	<u>1,383,217</u>
Total Expenses	<u>11,050,576</u>	-	<u>11,050,576</u>
Change in net assets	2,428,001	1,356,477	3,784,478
Net assets - beginning of year	<u>2,359,798</u>	<u>3,200,315</u>	<u>5,560,113</u>
Net assets - end of year	<u>\$ 4,787,799</u>	<u>\$ 4,556,792</u>	<u>\$ 9,344,591</u>

CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	Immigration Services	Raleigh Office	Support Circles	Catholic Parish Outreach	Centro para Familias Hispanas
Salaries and fringe benefits	\$ 268,258	\$ 280,124	\$ 144,115	\$ 210,691	\$ 63,005
Equipment and supplies	4,381	3,037	920	8,473	960
Depreciation	-	-	-	4,392	-
Repairs and maintenance	2,204	1,137	555	29,480	8,074
Telephone	1,890	3,858	898	3,535	2,055
Utilities	1,327	-	-	18,010	4,001
Rent	17,779	30,212	12,946	121,173	20,988
Auto and travel	9,752	5,454	4,585	1,702	820
Postage and printing	2,554	690	-	6,251	989
Conferences and meetings	1,663	3,193	308	1,332	60
Dues and subscriptions	-	1,066	-	-	-
Program expenses	1,410	57,281	163,007	3,454,074	3,985
Professional services	17,668	9,683	413	17,081	592
Other	1,244	885	97	3,964	699
	<u>\$ 330,130</u>	<u>\$ 396,620</u>	<u>\$ 327,844</u>	<u>\$ 3,880,158</u>	<u>\$ 106,228</u>

CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

YEAR ENDED JUNE 30, 2019

	Smart Start Wake	Albemarle Office	Cape Fear Office	Fayetteville Office	Tar River Office
Salaries and fringe benefits	\$ 125,347	\$ 25,477	\$ 127,738	\$ 142,298	\$ 113,566
Equipment and supplies	-	704	2,768	9,105	1,703
Depreciation	-	4,200	3,900	-	-
Repairs and maintenance	1,870	-	2,125	4,603	1,567
Telephone	-	2,617	7,322	6,109	2,742
Utilities	900	2,058	-	6,703	2,310
Rent	8,474	9,600	34,560	41,385	21,120
Auto and travel	1,979	1,019	925	1,608	1,779
Postage and printing	-	55	702	327	611
Conferences and meetings	-	-	930	918	1,183
Dues and subscriptions	-	65	-	410	45
Program expenses	1,377	65,259	125,039	245,490	106,247
Professional services	-	171	164	86	73
Other	-	90	1,754	604	173
	<u>\$ 139,947</u>	<u>\$ 111,315</u>	<u>\$ 307,927</u>	<u>\$ 459,646</u>	<u>\$ 253,119</u>

CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

YEAR ENDED JUNE 30, 2019

	New Bern Office	Senior Pharmacy Program	Piedmont Office	Centro: la Comunidad	Disaster Response
Salaries and fringe benefits	\$ 60,132	\$ 26,292	\$ 207,222	\$ 24,228	\$ 358,666
Equipment and supplies	1,621	-	24,359	13,344	12,048
Depreciation	-	-	8,169	-	1,018
Repairs and maintenance	3,191	-	3,357	358	-
Telephone	2,569	1,097	6,371	1,846	385
Utilities	5,679	-	6,354	-	170
Rent	10,956	2,244	97,748	2,680	-
Auto and travel	3,598	43	4,103	258	15,437
Postage and printing	396	469	3,960	833	3,590
Conferences and meetings	-	212	281	148	1,205
Dues and subscriptions	-	565	-	-	100
Program expenses	26,313	61,942	234,579	4,300	1,684,797
Professional services	965	446	1,982	347	509
Other	295	-	1,942	457	173
	<u>\$ 115,715</u>	<u>\$ 93,310</u>	<u>\$ 600,427</u>	<u>\$ 48,799</u>	<u>\$ 2,078,098</u>

CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

YEAR ENDED JUNE 30, 2019

	Newton Grove Office	Homeless Services	Administrative	Total
Salaries and fringe benefits	\$ 13,988	\$ 77,737	\$ 838,312	\$ 3,107,196
Equipment and supplies	293	100,937	40,722	225,375
Depreciation	-	8,398	13,852	43,929
Repairs and maintenance	517	207	500	59,745
Telephone	-	1,528	2,121	46,943
Utilities	2,849	35,947	1,148	87,456
Rent	20,735	130,960	43,658	627,218
Auto and travel	-	12	13,380	66,454
Postage and printing	-	439	17,594	39,460
Conferences and meetings	141	-	12,432	24,006
Dues and subscriptions	438	-	4,693	7,382
Program expenses	8,629	14,233	134,469	6,392,431
Professional services	-	-	235,165	285,345
Other	88	-	25,171	37,636
	<u>\$ 47,678</u>	<u>\$ 370,398</u>	<u>\$ 1,383,217</u>	<u>\$ 11,050,576</u>

CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2019

Cash flows from operating activities:

Cash received from grantors, donors and clients	\$ 12,627,716
Cash paid to suppliers and employees	<u>(10,230,341)</u>
Net cash from operating activities	<u>2,397,375</u>

Cash flows from investing activities:

Purchase of property and equipment	(1,009,365)
Net redemption of investments	<u>93,000</u>
Net cash from investing activities	<u>(916,365)</u>

Net change in cash	1,481,010
Cash - beginning of year	<u>1,027,845</u>
Cash - end of year	<u>\$ 2,508,855</u>

Summarized Data:

Cash	\$ 1,972,527
Diocesan savings	432,588
Certificate of deposit and other savings	<u>103,740</u>
	<u>\$ 2,508,855</u>

Supplemental disclosure of cash flow information:

Donated capital assets	<u>\$ 41,270</u>
Donated occupancy costs	<u>\$ 171,558</u>
Donated program supplies and materials	<u>\$ 4,475,710</u>

CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019

Note 1—Description of the organization

Organization – The mission of Catholic Charities of the Diocese of Raleigh, Inc. and its affiliate as described below (collectively, “Catholic Charities”) is to assist the parishes, communities, and the Catholic Diocese of Raleigh (“Diocese”) in accomplishing the social mission of the church. In its roles of servant, advocate, facilitator, and convener, Catholic Charities acts in the parish and community at-large to heighten awareness of issues and, when appropriate, provides services to fulfill unmet needs. Catholic Charities serves people in need through advocating for social and economic justice as well as addressing immediate needs with emergency resources or direct service.

The consolidated financial statements of Catholic Charities include the financial activity of its affiliate, Oak City Cares, Inc. (“Oak City Cares”), a nonprofit organization dedicated to providing a services hub for connecting individuals and families at risk of, or currently experiencing, homelessness to coordinated services that create a path to stable housing and renewed hope within Wake County, North Carolina.

Note 2—Summary of significant accounting policies

Basis of Accounting – The consolidated financial statements of Catholic Charities have been prepared on the accrual basis of accounting. The significant accounting policies are described below to enhance the usefulness of the consolidated financial statements to the reader. Significant intra-entity transactions have been eliminated in consolidation.

Basis of Presentation – Catholic Charities’ consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Accordingly, revenues, expenses, gains, and losses are classified based on the existence or absence of donor imposed restrictions. As a result, the net assets of Catholic Charities and changes therein are classified and reported as either with or without donor restrictions.

Net Assets Without Donor Restrictions – Net assets that are not subject to donor imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of Catholic Charities’ management and board of directors.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Catholic Charities or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

In August 2016, the Financial Accounting Standards Board (“FASB”) issued a new accounting standard, Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, which changes presentation and disclosure requirements to provide more relevant information about their resources to donors, grantors, creditors, and other users. These changes include qualitative and quantitative requirements within net assets classes, investment returns, expenses, liquidity and availability of resources, and presentation of operating cash flows. The new standard was effective for Catholic Charities beginning July 1, 2018.

In February 2016, the FASB issued a new accounting standard, ASU 2016-02, *Leases (Topic 842)*, which says lessees will be required to recognize a lease liability and a right-of-use asset for all leases, operating and capital, at the commencement date. Implementation of the new standard has been delayed and will be effective for Catholic Charities on July 1, 2021. Early adoption is permitted. Catholic Charities is currently evaluating the effect that the standard will have on its consolidated financial statements and related disclosures.

CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019

Note 2—Summary of significant accounting policies (continued)

In June 2018, the FASB issued a new accounting standard, ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*, which is intended to clarify issues that have been faced when characterizing grants and similar contracts with government agencies and others as reciprocal transactions or nonreciprocal transactions. The new standard is also intended to help with difficulties in distinguishing between conditional and unconditional contributions for reporting purposes. The new standard will become effective for Catholic Charities on July 1, 2019.

Cash – Catholic Charities considers temporary deposits in financial institutions, Diocesan savings and all certificates of deposit accessible with little to no penalty to be cash equivalents.

Receivables – Catholic Charities periodically evaluates the receivable balances as well as the status of any significant past due accounts to determine if any balances are uncollectible. When management determines that a receivable is uncollectible, the balance is removed from the receivables balance and is charged directly against earnings. Subsequent recoveries of amounts previously written off are credited directly to earnings.

Inventory – Catholic Charities' inventory consists of donated and purchased food as well as donated clothing and household goods on hand at the end of the fiscal year. Catholic Charities values inventory at cost or, if donated, a stated value determined by Feeding America, Inc. for food inventory and at estimated thrift shop values for clothing and household goods. The value of food, clothing, and household goods donated is recorded as a contribution when received and reported as an expense when distributed in the consolidated statement of activities and changes in net assets.

Property and Equipment – Property and equipment, primarily consisting of leasehold improvements, office furniture, and equipment, are recorded at cost using a capitalization threshold of \$500 for Catholic Charities of the Diocese of Raleigh, Inc. and \$1,000 for Oak City Cares and are depreciated over the estimated useful lives of the assets. Contributed property and equipment are recorded at the fair value at the date of donation. In accordance with Catholic Charities' policy, fixed assets are included in unrestricted net assets, unless donor-imposed stipulations are made regarding how long the contributed assets must be used. Depreciation is computed using the straight-line method with estimated useful lives ranging from 3 to 15 years. Maintenance and repairs are charged to expense while major renewals are capitalized. The cost of equipment retired and disposed of, as well as related accumulated depreciation, is eliminated from the accounts with the resulting gain or loss included in operations.

Revenue Recognition – Contributions are recognized when the donor makes an unconditional promise to transfer assets. Catholic Charities reports gifts of cash, in-kind contributions and other assets as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a donor restriction expires, whether a stipulated time restriction ends and/or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions. If a restriction is fulfilled in the same period in which the contribution is received, Catholic Charities reports the support as unrestricted. In the event that both monies with donor restrictions and without donor restrictions are available for use for activities that comply with donor restrictions, Catholic Charities will use those funds with 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.

CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019

Note 2—Summary of significant accounting policies (continued)

Intentions to Give – From time to time, Catholic Charities is notified that it is named as a beneficiary in a will or trust document. To the extent that these bequests are revocable during the lifetime of the donor, these intentions to give are not recorded in the consolidated financial statements of Catholic Charities.

Compensated Absences – Employees are permitted to carry over up to five days of vacation time earned. As of June 30, 2019, Catholic Charities had \$29,396 accrued for compensated absences.

Contributed Services – A substantial number of unpaid volunteers have made significant contributions of their time to develop Catholic Charities' programs. The value of this contributed time is not reflected in the consolidated financial statements as it is not susceptible to objective measurement or valuation.

Expense Recognition and Allocation – The cost of providing Catholic Charities' programs and other activities is summarized on a functional basis in the consolidated 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 benefited. Administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of Catholic Charities.

<u>Expense Type</u>	<u>Method of Allocation</u>
Salaries and benefits	Time and effort
Supplies and maintenance	Percentage of usage
Depreciation	Directly charged or square footage
Printing and postage	Percentage of usage
Professional services	Time and effort
Occupancy expenses	Square footage
Travel and training	Time and effort
Other program expenses	Time and effort
Other	Time and effort

Estimates – The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results will differ from those estimates.

Income Taxes – Catholic Charities is a non-profit organization as described in Section 501(c)(3) of the Internal Revenue Code ("IRC") and is exempt from federal and state income taxes on activities which are consistent with its mission. Accordingly, no income taxes have been provided in the accompanying consolidated financial statements.

Management has evaluated the effect of the guidance provided by the provisions of U.S. GAAP for Uncertainty in Income Taxes. Management believes that Catholic Charities continues to satisfy the requirements of a tax-exempt organization at June 30, 2019. Management has evaluated all other tax positions that could have a significant effect on the consolidated financial statements and determined Catholic Charities had no uncertain income tax positions at June 30, 2019. Catholic Charities is not classified as a private foundation.

Other Matters – Ordinary income and gains and losses arising from the sale, collection, or other disposition of investments, receivables, and the like are accounted for in the net asset group owning such assets. Income derived from investments of donor restricted net assets is unrestricted unless the income has been restricted by the donor.

CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019

Note 3—Liquidity and availability

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

Cash	\$ 1,972,527
Diocesan savings	432,588
Certificate of deposit and other savings	103,740
Pooled investment fund, at fair value	3,147,473
Contributions receivable, net	1,701,854
Accounts receivable	<u>930,826</u>
Total financial assets at June 30, 2019	<u>8,289,008</u>
Less:	
Long-term portion of contributions receivable making financial assets unavailable for general expenditure	(604,693)
Contractual or donor-imposed restrictions making financial assets unavailable for general expenditure	(2,854,938)
Quasi-endowment fund, designated by the board of directors primarily for long term investing	(1,497,873)
Quasi-endowment fund, designated by the board of directors primarily for operating reserve	<u>(688,064)</u>
Total liquid financial assets available at June 30, 2019	<u>\$ 2,643,440</u>

The pooled investment fund consists of donor-restricted endowments and funds designated by the Board of Directors to function as endowments. Donor-restricted endowment funds are not available for general expenditures because they are restricted for specific purposes. Although Catholic Charities does not intend to spend from board-designated endowments, other than those amounts appropriated as part of the Board of Directors' annual budget, these amounts could be made available, if necessary.

During the year ended June 30, 2019, the Board of Directors of Catholic Charities passed a formal operating reserve policy, the purpose of which is to build and maintain an adequate level of net assets without donor restrictions to support the organization's day-to-day operations in the event of unforeseen shortfalls. The operating reserve may also be used for one-time, nonrecurring expenses that will build long-term capacity. The initial objective is to fund the operating reserve fund from surplus unrestricted operating funds to be equal to three months of budgeted cash operating expenses.

CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019

Note 4—Financial instruments

Catholic Charities places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation (“FDIC”) covers \$250,000 for substantially all depository accounts. During the year, Catholic Charities from time to time may have had amounts on deposit in excess of the insured limits. Additionally, at June 30, 2019, Catholic Charities had balances in excess of FDIC limits of \$1,622,901. The cash balances are maintained at financial institutions with high credit quality ratings and Catholic Charities believes no significant risk of loss exists with respect to those balances. Catholic Charities also maintains a savings account with the Diocese. While these deposits are not subject to FDIC insurance, Catholic Charities believes no significant risk of loss exists with respect to those balances.

Note 5—Contributions receivable

During the year ended June 30, 2018, Catholic Charities received unconditional promises to give to support a new program, the Durham Community Food Pantry. The promises to give were generally payable over three years and were recorded at the present value of their estimated cash flows using a discount rate of 2.63%, which represented the three-year Treasury rate on the last business day of the fiscal year in the year of donation. Catholic Charities believes that the contributions receivable is fully collectible at June 30, 2019.

The fair value of short and long-term contributions at June 30, 2019 was as follows:

Gross contributions receivable - Durham Community Food Pantry	
Contributions receivable in less than one year	\$ 562,976
Contributions receivable in one to two years	419,433
Less net discount for present value of contributions receivable at 2.63%	(49,705)
Contributions receivable, net	<u>\$ 932,704</u>

During the year ended June 30, 2019, Catholic Charities’ affiliate, Oak City Cares, received unconditional promises to give from individuals, corporations, foundations, and faith-based organizations to support the homelessness activities of the organization. The promises to give are payable for up to four years and have been recorded at the present value of their estimated cash flows using discount rates ranging from 1.71% to 2.89%, which represents the Treasury rate on the date of each donation for the applicable payment period in the year of donation. Catholic Charities and its affiliate believe that the contributions receivable is fully collectible at June 30, 2019.

The fair value of short and long-term contributions at June 30, 2019 was as follows:

Gross contributions receivable	
Contributions receivable in less than one year	\$ 534,185
Contributions receivable in one to four years	276,000
Less net discount for present value of contributions receivable at 1.71%-2.89%	(41,035)
Contributions receivable, net	<u>\$ 769,150</u>

CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019

Note 6—Inventory

Inventory composition by type was as follows as of June 30, 2019:

Donated and purchased food	\$ 385,860
Clothing and household goods	205,033
	<u>\$ 590,893</u>

Note 7—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. U.S. GAAP also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels of inputs that may be used to measure fair value are 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; and

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

Catholic Charities' financial instruments carried at fair value on a recurring basis by the fair value hierarchy levels are shown below.

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds - Domestic	\$ 2,156,398	\$ 2,156,398	\$ -	\$ -
Bond funds	612,829	612,829	-	-
Cash and equivalents	30,777	-	30,777	-
Total investments in the fair value hierarchy	2,800,004	2,769,227	30,777	-
Investments measured at net asset value (a)	347,469	-	-	-
Investments at fair values	3,147,473	2,769,227	30,777	-
Inventory	590,893	-	590,893	-
Total Assets	<u>\$ 3,738,366</u>	<u>\$ 2,769,227</u>	<u>\$ 621,670</u>	<u>\$ -</u>

(a) In accordance with FASB Accounting Standards Codification Subtopic 820-10, certain investments that were measured at net asset value ("NAV") per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019

Note 7—Fair value measurements (continued)

Catholic Charities uses appropriate valuation techniques based on the available inputs. When available, Catholic Charities measures fair value using Level 1 inputs as they generally provide the most reliable evidence of fair value. Level 2 and Level 3 inputs are only used when Level 1 inputs were not available. The market approach was used for all assets classified as Level 1 and Level 2. Catholic Charities relies on fair value measurement calculations performed by third-party pricing services for the portion of the pooled investment fund classified as Level 2. Inputs include the credit risk of the issuer, maturity, current yield, and other terms and conditions of each instrument.

Level 2 assets also include food, clothing, and household goods inventories. Donated and purchased food inventories are presented at the standard cost that is influenced by product mix as determined by Feeding America, Inc. The standard cost was \$1.62 per pound at June 30, 2019. The fair value of donated clothing and household goods inventories are estimated using thrift shop values published by leading national organizations for similar items based on their condition.

There were no changes to valuation techniques during the year ended June 30, 2019.

The following table summarizes investments measured at fair value based on NAV per share as of June 30:

<u>Asset</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Period</u>
Global hedge funds (b)	<u>\$ 347,469</u>	N/A	Quarterly	5-65 days' notice

(b) The Fund allocates assets to investment funds in four broad investment categories: event-driven, credit, equity market neutral, and absolute return multi-strategy managers. Some or all of the marketable alternative strategies may be deployed across U.S. and non-U.S. markets. The Fund seeks to provide investors with a consistent source of absolute return that is uncorrelated to traditional equity and credit markets through strategies with minimal correlation to each other and to traditional risk factors.

Note 8—Investments

Catholic Charities participates in a pooled investment fund that is administered by the Foundation of the Roman Catholic Diocese of Raleigh, Inc. ("Foundation") and managed by a fiscal agent. As of June 30, 2019, Catholic Charities' portion of the Foundation's pooled investment fund consisted of the following:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Appreciation (Losses)</u>
Mutual funds - Domestic	\$ 2,053,837	\$ 2,156,398	\$ 102,561
Bond funds	608,141	612,829	4,688
Alternative investments	344,414	347,469	3,055
Cash and equivalents	30,777	30,777	-
	<u>\$ 3,037,169</u>	<u>\$ 3,147,473</u>	<u>\$ 110,304</u>

The related realized and unrealized net gains and losses are reported in the consolidated statements of activities and changes in net assets within investment return, net.

CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019

Note 9—Funds functioning as endowment

The Catholic Charities endowment consists of three individual funds established primarily for children and family programs, long term investing and operating reserves that are included in the pooled investment fund. The endowment includes donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by U.S. GAAP, net assets associated with Catholic Charities' endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions in the accompanying consolidated statements of financial position and activities and changes in net assets. Catholic Charities has delegated the administration and custody of the endowments to the Foundation.

Catholic Charities has no donor restricted endowment funds that require the corpus to be held in perpetuity. 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 of expenditures or accumulations of donor-restricted endowment funds:

- (1) the duration and preservation of the various funds;
- (2) the purposes of the donor-restricted endowment funds;
- (3) general economic conditions;
- (4) the possible effect of inflation and deflation;
- (5) the expected total return from income and the appreciation of investments;
- (6) other resources of Catholic Charities; and
- (7) investment policies of the organization.

Investment Return Objectives, Risk Parameters, and Strategies – Catholic Charities has adopted investment policies, directed 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. Catholic Charities 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. Catholic Charities and the Foundation are 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 – Catholic Charities' policy is that the annual income distribution available from endowment funds is a maximum of 4.0% for the fiscal year ended June 30, 2019, of the three-year average fair value of the endowment, measured at December 31 of the prior fiscal year.

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted term endowment funds	\$ -	\$ 961,536	\$ 961,536
Board-designated endowment	2,185,937	-	2,185,937
Total	<u>\$ 2,185,937</u>	<u>\$ 961,536</u>	<u>\$ 3,147,473</u>

CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019

Note 9—Funds functioning as endowment (continued)

Changes in endowment for the year ended June 30:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment beginning of year	\$ 2,113,591	\$ 1,054,536	\$ 3,168,127
Net investment income	72,346	-	72,346
Amounts expended	-	(93,000)	(93,000)
Total	<u>\$ 2,185,937</u>	<u>\$ 961,536</u>	<u>\$ 3,147,473</u>

Note 10—Property and equipment

Property and equipment consisted of the following as of June 30, 2019:

Land	\$ 8,438
Leasehold improvements	780,587
Computers and equipment	451,700
Furniture and fixtures	106,466
Vehicles	140,096
	<u>1,487,287</u>
Less accumulated depreciation	(454,577)
Property and equipment, net	<u>\$ 1,032,710</u>

Of total depreciation expense of \$43,929 for the year ended June 30, 2019, \$13,852 is reflected in administrative expenses and \$30,077 is included in program expenses.

CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019

Note 11—Net assets with donor restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at June 30, 2019:

Endowments:

Subject to appropriation and expenditure for a specific purpose:

Restricted by donors for:

Children and Family Programs	\$ 961,536
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Subject to the passage of time:

Contributions receivable, the proceeds from which
have been restricted by donors for:

Durham Food Pantry	932,704
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Homeless Services	769,150
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<u>1,701,854</u>

Subject to expenditure for a specified purpose:

Catholic Parish Outreach Food Pantry	14,493
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Disaster Response	1,599,414
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Homeless Services	56,517
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Use of the Fayetteville Office	65,250
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Assistance Funded by the Endowment for the Poor	9,527
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Kathleen Walsh Charitable Fund	69,998
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Support Circle program	74,529
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Other programs	3,674
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<u>1,893,402</u>

<u>\$ 4,556,792</u>

Note 12—Net assets without board designations

The following net assets without donor restrictions have been designated by the Board of Directors for the following purposes or periods at June 30, 2019:

Assets designated to function as an endowment:

Subject to appropriation and expenditure for a specific purpose:

For the benefit of:

Long-term investing	\$ 1,497,873
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Operating reserves	688,064
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<u>2,185,937</u>

Board designated for other purposes:

Special projects designated by the board

<u>106,679</u>

<u>\$ 2,292,616</u>

CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019

Note 13—Governmental assistance

Catholic Charities received governmental revenues at a federal, state, county, and local level totaling \$1,450,304 for the year ended June 30, 2019. Of this amount, \$955,084 represented federal commodities received and recorded.

Note 14—Related party transactions

Catholic Charities maintains several savings accounts with the Diocese. Catholic Charities earned \$3,232 in interest on these accounts for the year ended June 30, 2019. Catholic Charities had \$432,588 invested in the accounts bearing an interest rate of .75% at June 30, 2019.

In addition to interest, Catholic Charities received in support and revenue from the Diocese the amount of \$1,949,870 during the year ended June 30, 2019. This included \$1,343,970 of allocations from the Bishop's Annual Appeal for the year ended June 30, 2019. Catholic Charities incurred charges from the Diocese of \$81,642 for rent, accounting, and other fiscal services during the year ended June 30, 2019. Included in accounts payable and other liabilities on the accompanying consolidated statement of financial position is \$54,945 of amounts payable to the Diocese as of June 30, 2019.

Note 15—Defined benefit pension plan

Catholic Charities participates in a multi-employer noncontributory defined benefit retirement plan entitled the Retirement Plan for Lay Employees of the Bishop of the Roman Catholic Diocese of Raleigh, North Carolina for which the EIN number is 56-0591293 ("Lay Plan"). The Lay Plan is separately valued and funded by contributions from various employing units throughout the Diocese. Substantially all employees of Catholic Charities were covered under this plan. Pension benefits provided under the Plan allow for a monthly annuity payment equal to ½ of the product of the years of qualified benefit service not to exceed 40 years and 1% of the final average compensation as defined by the Plan.

Participants are eligible to begin receiving benefits no earlier than age 65 and the Plan contains provisions for payments to surviving spouses in certain circumstances. In substantially all circumstances, a participant in the Plan becomes fully vested after five years of eligible service. The risks of participating in this multi-employer plan are different from a single employer plan in the following aspects:

- a) Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating companies;
- b) If a participating employer stops contributing to the Plan, the unfunded obligations of the Plan may be borne by the remaining participating parishes, schools, and other entities; and
- c) If Catholic Charities stops participating in the Plan, it could be required to pay an amount, referred to as withdrawal liability, based on the unfunded status of the Plan. Catholic Charities has no intention of stopping its participation in the Plan.

During the year ended June 30, 2010, the Diocesan Finance Council approved a recommendation by management of the Diocese to execute a hard freeze of the Lay Plan as of January 2011. The various employing units throughout the Diocese continue to fund existing obligations of the Lay Plan from before the hard freeze was executed. Catholic Charities contributed \$95,703 to the Lay Plan for the year ended June 30, 2019, which represented approximately 4.5% of the total contributions of all employing units to the Lay Plan.

CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019

Note 15—Defined benefit pension plan (continued)

The actuarial present value of vested and nonvested accumulated plan benefits and net assets available for benefits is not determined for the individual entities participating in this multi-employer plan and, accordingly, such information is not presented herein. Because the employing units participating in the Plan are parishes and related organizations of the Diocese, Catholic Charities relies upon each employing unit to contribute their required contribution to ensure that pension obligations under the Plan are met. In the event that individual employers of the Plan are unable to make their required contributions, the obligations would be reallocated to the remaining contributing units.

	As of January 1, 2019
Market value of plan assets	\$ 34,819,218
Present value of accrued plan benefits	\$ 45,781,289
Percent funded	76.1%
Total contributions to the plan	\$ 2,122,987
Total employees covered under the plan	1,603
Discount rate used to value the plan liability	6.50%

Note 16—Investment savings plan

Catholic Charities offers its employees a pretax IRC Section 403(b) Plan (“403(b) Plan”). Under the provisions of the 403(b) Plan, substantially all employees are covered. For the year ended June 30, 2019, Catholic Charities contributed \$0.50 for each \$1 invested by employees on the first 5% of qualified compensation, plus a non-contributory deferral of 4% of qualified compensation into accounts of all eligible employees, up to a maximum of 6.5% of qualified compensation per employee. Participants in the 403(b) Plan are immediately vested in their employee contributions and in the basic matching contribution provided by Catholic Charities. Employees are vested in Catholic Charities’ non-contributory deferral contribution after five years of service. For the year ended June 30, 2019, contributions to the 403(b) Plan totaled \$128,802.

Note 17—Leases

Catholic Charities leases various office spaces under noncancelable leases with various expiration dates through 2029. Catholic Charities’ rental expense was \$627,218 for the year ended June 30, 2019. Of that amount, \$135,234 represented the value of in-kind space donations to the organization.

Future minimum rental commitments under the leases are as follows:

<u>Year Ending June 30:</u>	<u>Amount</u>
2020	\$ 369,683
2021	330,339
2022	303,649
2023	200,515
2024	82,089
Thereafter	374,921
	<u>\$ 1,661,196</u>

CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019

Note 18—Fundraising

Catholic Charities conducts certain fundraising activities in order to generate revenues to assist in supporting its programs and activities. Fundraising expenses of \$404,576 are included in administrative expenses for the year ended June 30, 2019.

Note 19—Contributed goods

Catholic Charities receives donated goods, primarily groceries, clothing, and household goods, from organizations, schools, individuals, and other sources. Catholic Charities accepts and distributes these donations to needy families and individuals in the community. During the year ended June 30, 2019, Catholic Charities recorded receipts of donated food, clothing, and other goods with a value of \$4,475,710 and made disbursements of \$4,395,897.

Catholic Charities' primary facility for the receipt and subsequent distribution of donated groceries is Catholic Parish Outreach. Catholic Parish Outreach received and distributed approximately 958 tons of donated groceries during the year ended June 30, 2019.

Additionally, during the year ended June 30, 2019, Catholic Charities received capital assets with a value of \$41,270 and in-kind space and utilities valued at \$171,558.

Note 20—Subsequent events

Catholic Charities has evaluated subsequent events for disclosure and recognition through February 18, 2020, the date on which these consolidated financial statements were available to be issued.

SUPPLEMENTAL SCHEDULES

CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC. AND AFFILIATE
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

JUNE 30, 2019

	Catholic Charities	Oak City Cares, Inc.	Eliminations	Consolidated
ASSETS				
Cash	\$ 1,430,778	\$ 541,749	\$ -	\$ 1,972,527
Diocesan savings	432,588	-	-	432,588
Certificate of deposit and other savings	103,740	-	-	103,740
Pooled investment fund, at fair value	3,147,473	-	-	3,147,473
Contributions receivable, net	932,704	769,150	-	1,701,854
Accounts receivable	1,289,794	169,669	(528,637)	930,826
Prepaid expenses	7,404	-	-	7,404
Inventory	590,893	-	-	590,893
Property and equipment, net	801,079	231,631	-	1,032,710
Security deposits	30,639	-	-	30,639
Total Assets	\$ 8,767,092	\$ 1,712,199	\$ (528,637)	\$ 9,950,654
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable and other liabilities	\$ 686,381	\$ 448,319	\$ (528,637)	\$ 606,063
Total Liabilities	686,381	448,319	(528,637)	606,063
Net Assets:				
Without Donor Restrictions:				
Designated, unrestricted	2,292,616	-	-	2,292,616
Undesignated, unrestricted	2,000,453	494,730	-	2,495,183
Total Without Donor Restrictions	4,293,069	494,730	-	4,787,799
With Donor Restrictions:				
Restricted subject to endowment spending policy	961,536	-	-	961,536
Time-restricted for future periods	932,704	769,150	-	1,701,854
Program restrictions	1,893,402	-	-	1,893,402
Total With Donor Restrictions	3,787,642	769,150	-	4,556,792
Total Net Assets	8,080,711	1,263,880	-	9,344,591
Total liabilities and Net Assets	\$ 8,767,092	\$ 1,712,199	\$ (528,637)	\$ 9,950,654

The accompanying notes to the consolidated financial statements are an integral part of these schedules.

**CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC. AND AFFILIATE
CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS**

YEAR ENDED JUNE 30, 2019

	Catholic Charities			Oak City Cares, Inc.			Eliminations			Consolidated		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:												
Diocese of Raleigh allocations	\$ 1,343,970	\$ -	\$ 1,343,970	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,343,970	\$ -	\$ 1,343,970
Grants received	1,529,495	640,897	2,170,392	515,428	604,542	1,119,970	-	-	-	2,044,923	1,245,439	3,290,362
Emergency Food Shelter Program/FEMA	28,443	-	28,443	-	-	-	-	-	-	28,443	-	28,443
Federal commodities received	955,084	-	955,084	-	-	-	-	-	-	955,084	-	955,084
Donated materials	3,492,689	-	3,492,689	240,765	-	240,765	-	-	-	3,733,454	-	3,733,454
Gifts and bequests	2,015,733	1,602,615	3,618,348	496,412	164,608	661,020	-	-	-	2,512,145	1,767,223	4,279,368
Program service fees	404,888	-	404,888	-	-	-	(61,688)	-	(61,688)	343,200	-	343,200
Special events	743,992	-	743,992	-	-	-	-	-	-	743,992	-	743,992
Investment income (loss), net	77,405	-	77,405	(5,224)	-	(5,224)	-	-	-	72,181	-	72,181
Gain on sale of fixed assets	45,000	-	45,000	-	-	-	-	-	-	45,000	-	45,000
Other income	7,500	-	7,500	-	-	-	(7,500)	-	(7,500)	-	-	-
Total Support and Revenue Before Release of Restrictions	10,644,199	2,243,512	12,887,711	1,247,381	769,150	2,016,531	(69,188)	-	(69,188)	11,822,392	3,012,662	14,835,054
Releases of Restrictions:												
Appropriation from donor endowment and subsequent satisfaction of any related donor restrictions	93,000	(93,000)	-	-	-	-	-	-	-	93,000	(93,000)	-
Expirations of time restrictions	142,233	(142,233)	-	-	-	-	-	-	-	142,233	(142,233)	-
Satisfaction of program restrictions	1,420,952	(1,420,952)	-	-	-	-	-	-	-	1,420,952	(1,420,952)	-
Net Assets Released from Restrictions	1,656,185	(1,656,185)	-	-	-	-	-	-	-	1,656,185	(1,656,185)	-
Total Support and Revenue After Release of Restrictions	12,300,384	587,327	12,887,711	1,247,381	769,150	2,016,531	(69,188)	-	(69,188)	13,478,577	1,356,477	14,835,054
Expenses:												
Program Areas:												
Immigration Services	330,130	-	330,130	-	-	-	-	-	-	330,130	-	330,130
Raleigh Office	396,620	-	396,620	-	-	-	-	-	-	396,620	-	396,620
Support Circles	327,844	-	327,844	-	-	-	-	-	-	327,844	-	327,844
Catholic Parish Outreach	3,880,158	-	3,880,158	-	-	-	-	-	-	3,880,158	-	3,880,158
Centro para Familias Hispanas	106,228	-	106,228	-	-	-	-	-	-	106,228	-	106,228
Smart Start Wake	139,947	-	139,947	-	-	-	-	-	-	139,947	-	139,947
Albemarle Office	111,315	-	111,315	-	-	-	-	-	-	111,315	-	111,315
Cape Fear Office	307,927	-	307,927	-	-	-	-	-	-	307,927	-	307,927
Fayetteville Office	459,646	-	459,646	-	-	-	-	-	-	459,646	-	459,646
Tar River Office	253,119	-	253,119	-	-	-	-	-	-	253,119	-	253,119
New Bern Office	115,715	-	115,715	-	-	-	-	-	-	115,715	-	115,715
Senior Pharmacy Program	93,310	-	93,310	-	-	-	-	-	-	93,310	-	93,310
Piedmont Office	600,427	-	600,427	-	-	-	-	-	-	600,427	-	600,427
Centro: la Comunidad	48,799	-	48,799	-	-	-	-	-	-	48,799	-	48,799
Disaster Response	2,078,098	-	2,078,098	-	-	-	-	-	-	2,078,098	-	2,078,098
Newton Grove Office	47,678	-	47,678	-	-	-	-	-	-	47,678	-	47,678
Homeless Services	-	-	-	370,398	-	370,398	-	-	-	370,398	-	370,398
Total Program Areas	9,296,961	-	9,296,961	370,398	-	370,398	-	-	-	9,667,359	-	9,667,359
Administrative	1,070,152	-	1,070,152	382,253	-	382,253	(69,188)	-	(69,188)	1,383,217	-	1,383,217
Total Expenses	10,367,113	-	10,367,113	752,651	-	752,651	(69,188)	-	(69,188)	11,050,576	-	11,050,576
Change in net assets	1,933,271	587,327	2,520,598	494,730	769,150	1,263,880	-	-	-	2,428,001	1,356,477	3,784,478
Net assets - beginning of year	2,359,798	3,200,315	5,560,113	-	-	-	-	-	-	2,359,798	3,200,315	5,560,113
Net assets - end of year	\$ 4,293,069	\$ 3,787,642	\$ 8,080,711	\$ 494,730	\$ 769,150	\$ 1,263,880	\$ -	\$ -	\$ -	\$ 4,787,799	\$ 4,556,792	\$ 9,344,591

The accompanying notes to the consolidated financial statements are an integral part of these schedules.

CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC. AND AFFILIATE
CONSOLIDATING SCHEDULE OF CASH FLOWS

YEAR ENDED JUNE 30, 2019

	<u>Catholic Charities</u>	<u>Oak City Cares, Inc.</u>	<u>Eliminations</u>	<u>Consolidated</u>
Cash flows from operating activities:				
Cash received from grantors, donors and clients	\$ 11,619,192	\$ 1,077,712	\$ (69,188)	\$ 12,627,716
Cash paid to suppliers and employees	(10,003,869)	(295,660)	69,188	(10,230,341)
Net cash from operating activities	<u>1,615,323</u>	<u>782,052</u>	<u>-</u>	<u>2,397,375</u>
Cash flows from investing activities:				
Purchase of property and equipment	(769,062)	(240,303)	-	(1,009,365)
Net redemption of investments	93,000	-	-	93,000
Net cash from investing activities	<u>(676,062)</u>	<u>(240,303)</u>	<u>-</u>	<u>(916,365)</u>
Net change in cash	939,261	541,749	-	1,481,010
Cash - beginning of year	1,027,845	-	-	1,027,845
Cash - end of year	<u>\$ 1,967,106</u>	<u>\$ 541,749</u>	<u>\$ -</u>	<u>\$ 2,508,855</u>
Summarize Data:				
Cash	\$ 1,430,778	\$ 541,749	\$ -	\$ 1,972,527
Diocesan savings	432,588	-	-	432,588
Certificate of deposit and other savings	103,740	-	-	103,740
	<u>\$ 1,967,106</u>	<u>\$ 541,749</u>	<u>\$ -</u>	<u>\$ 2,508,855</u>
Supplemental disclosure of cash flow information:				
Donated capital assets	\$ -	\$ 41,270	\$ -	\$ 41,270
Donated occupancy costs	\$ -	\$ 171,558	\$ -	\$ 171,558
Donated program supplies and materials	<u>\$ 4,447,773</u>	<u>\$ 27,937</u>	<u>\$ -</u>	<u>\$ 4,475,710</u>

COMPLIANCE SECTION

CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC. AND AFFILIATE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2019

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/Pass-Through Grantor's Number</u>	<u>Federal Expenditures (Direct and Pass-Through)</u>
Federal Grants			
<u>U.S. Department of Agriculture</u>			
Passed through the Food Bank of Central and Eastern North Carolina Emergency Food Assistance Program (Food Commodities)	10.569	N/A	\$ 798,498
Passed Through Second Harvest Food Bank of Southeast North Carolina Emergency Food Assistance Program (Food Commodities)	10.569	N/A	<u>155,209</u>
Total Assistance - U.S. Department of Agriculture			<u>953,707</u>
<u>U.S. Department of Homeland Security</u>			
Passed through the United Way - Cumberland County Emergency Food & Shelter Local Board Emergency Food and Shelter National Board Program	97.024	LRO ID: 002	13,808
Passed through the United Way Worldwide - Emergency Food and Shelter Program Emergency Food and Shelter National Board Program	97.024	LRO ID: 652000-008	11,350
Emergency Food and Shelter National Board Program	97.024	LRO ID: 647800-001	6,310
Emergency Food and Shelter National Board Program	97.024	LRO ID: 648400-031	<u>3,285</u>
Total Assistance - U.S. Department of Homeland Security			<u>34,753</u>
Total Assistance - Federal Programs			<u>\$ 988,460</u>

CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC. AND AFFILIATE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2019

Note 1—Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the Federal grant activity of Catholic Charities of the Diocese of Raleigh, Inc. (“Catholic Charities”), under the programs of the Federal government for the year ended June 30, 2019. The information in this SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Because the Schedule presents only a selected portion of the operations of Catholic Charities, it is not intended to and does not present the financial position, changes in net position or cash flows of Catholic Charities.

Note 2—Summary of Significant Accounting Policies

Expenditures reported in the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Catholic Charities has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Catholic Charities has not contracted or made awards to any subrecipients.

**Report of Independent Auditor on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

Board of Directors
Catholic Charities of the Diocese of Raleigh, Inc.
Raleigh, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying consolidated financial statements of Catholic Charities of the Diocese of Raleigh, Inc. and affiliate (the “Catholic Charities”), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 18, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Catholic Charities’ internal control over financial reporting (“internal control”) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Catholic Charities’ internal control. Accordingly, we do not express an opinion on the effectiveness of Catholic Charities’ internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Catholic Charities’ consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Catholic Charities’ consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Catholic Charities' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Catholic Charities' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Rickett LLP

Raleigh, North Carolina
February 18, 2020

Report of Independent Auditor on Compliance with Requirements for Each Major Federal Program and on Internal Control over Compliance in Accordance with the Uniform Guidance

Board of Directors
Catholic Charities of the Diocese of Raleigh, Inc.
Raleigh, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Catholic Charities of the Diocese of Raleigh Inc.'s and affiliate (the "Catholic Charities") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Catholic Charities' major federal programs for the year ended June 30, 2019. Catholic Charities' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Catholic Charities' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Catholic Charities' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Catholic Charities' compliance.

Opinion on Each Major Federal Program

In our opinion, Catholic Charities complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of Catholic Charities is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Catholic Charities' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Catholic Charities' internal control over compliance.

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

 LLP

Raleigh, North Carolina
February 18, 2020

CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC. AND AFFILIATE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2019

Section I—Summary of Auditor’s Results

Financial Statement

Type of auditor’s report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported

Type of auditor’s report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes X no

Identification of major programs:

CFDA #
10.569

Program Name
Emergency Food Assistance Program (Food Commodities)

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? _____ yes X no

**CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC. AND AFFILIATE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

YEAR ENDED JUNE 30, 2019

Section II—Financial Statement Findings

None noted.

Section III—Federal Award Findings and Questioned Costs

None noted.

Section IV—Status of Prior Year Findings and Questioned Costs

None noted.