

**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, 2020

And Report of Independent Auditor

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

TABLE OF CONTENTS

REPORT OF INDEPENDENT AUDITOR	1-2
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities and Changes in Net Assets	4-5
Consolidated Statement of Functional Expenses.....	6-7
Consolidated Statement of Cash Flows.....	8
Notes to the Consolidated Financial Statements.....	9-25
SUPPLEMENTAL SCHEDULES	
Consolidating Schedule of Financial Position	26
Consolidating Schedule of Activities and Changes in Net Assets	27-28
Consolidating Schedule of Cash Flows.....	29
COMPLIANCE	
Schedule of Expenditures of Federal Awards.....	30
Notes to the Schedule of Expenditures of Federal Awards	31
Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	32-33
Report of Independent Auditor on Compliance with Requirements for Each Major Federal Program and on Internal Control over Compliance in Accordance with the Uniform Grant Guidance	34-35
Schedule of Findings and Questioned Costs.....	36-37

Report of Independent Auditor

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

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, 2020, 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, 2020, 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”) 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions (Topic 958)*. The ASU has been applied prospectively and our opinion is not modified with respect to this matter.

As discussed in Note 2, Catholic Charities also adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU has been applied modified retrospective 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are 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 3, 2021 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 Bekart LLP

Raleigh, North Carolina
February 3, 2021

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, 2020, 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 for the year ended June 30, 2020.

Cherry Bekaert LLP

Raleigh, North Carolina
February 3, 2021

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

JUNE 30, 2020

ASSETS

Cash	\$ 3,569,817
Diocesan savings	1,170,685
Certificate of deposit and other savings	106,356
Beneficial interests in endowments held by the Foundation	2,964,287
Contributions receivable, net	1,180,905
Accounts receivable	280,113
Prepaid expenses	39,424
Inventory	758,277
Property and equipment, net	973,681
Security deposits	25,394
Total Assets	\$ 11,068,939

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable and other liabilities	\$ 617,654
SBA Paycheck Protection Program loan payable	663,300
Total Liabilities	1,280,954

Net Assets:

Without Donor Restrictions:

Board designated	3,370,534
Undesignated	3,282,889
Total Without Donor Restrictions	6,653,423

With Donor Restrictions:

Subject to endowment spending policy of the Foundation	868,536
Time-restricted for future periods	1,184,405
Program restrictions	1,081,621
Total With Donor Restrictions	3,134,562
Total Net Assets	9,787,985
Total Liabilities and Net Assets	\$ 11,068,939

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

YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Diocese of Raleigh allocations	\$ 1,436,508	\$ -	\$ 1,436,508
Grants revenue	2,556,123	187,650	2,743,773
Emergency Food Shelter Program/FEMA	39,410	-	39,410
Federal commodities revenue	1,241,364	-	1,241,364
Donated materials	3,067,694	-	3,067,694
Gifts and bequests	2,368,322	180,312	2,548,634
Program service fees	320,568	-	320,568
Special events	790,942	-	790,942
Investment return, net	10,664	-	10,664
Loss on sale of fixed assets	(4,432)	-	(4,432)
Other income	4,891	-	4,891
Total Support and Revenue Before Release of Restrictions	<u>11,832,054</u>	<u>367,962</u>	<u>12,200,016</u>
Releases of Restrictions:			
Appropriation from donor endowment and subsequent satisfaction of any related donor restrictions	93,000	(93,000)	-
Expirations of time restrictions	585,317	(585,317)	-
Satisfaction of program restrictions	<u>1,111,875</u>	<u>(1,111,875)</u>	<u>-</u>
Net Assets Released from Restrictions	<u>1,790,192</u>	<u>(1,790,192)</u>	<u>-</u>
Total Support and Revenue After Release of Restrictions	<u>13,622,246</u>	<u>(1,422,230)</u>	<u>12,200,016</u>

The accompanying notes to the consolidated financial statements are an integral part of this statement.

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

YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Expenses:			
Program Areas:			
Immigration services	\$ 324,843	\$ -	\$ 324,843
Disaster response	1,961,090	-	1,961,090
Counseling services	218,948	-	218,948
Food and basic needs assistance	5,602,434	-	5,602,434
Case management	450,650	-	450,650
Smart Start Wake	146,227	-	146,227
Homeless services	984,284	-	984,284
Total Program Areas	<u>9,688,476</u>	<u>-</u>	<u>9,688,476</u>
Support Services:			
Administrative	1,614,336	-	1,614,336
Fundraising	363,624	-	363,624
Total Support Services	<u>1,977,960</u>	<u>-</u>	<u>1,977,960</u>
Total Expenses	<u>11,666,436</u>	<u>-</u>	<u>11,666,436</u>
Increase (decrease) in net assets from operations	1,955,810	(1,422,230)	533,580
Change in beneficial interests in endowments held by the Foundation	<u>(90,186)</u>	<u>-</u>	<u>(90,186)</u>
Change in net assets	1,865,624	(1,422,230)	443,394
Net assets, beginning of year	<u>4,787,799</u>	<u>4,556,792</u>	<u>9,344,591</u>
Net assets, end of year	<u>\$ 6,653,423</u>	<u>\$ 3,134,562</u>	<u>\$ 9,787,985</u>

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

YEAR ENDED JUNE 30, 2020

	Program Services				
	Immigration Services	Disaster Response	Counseling Services	Food and Basic Needs Assistance	Case Management
Salaries and fringe benefits	\$ 272,481	\$ 347,971	\$ 167,400	\$ 739,595	\$ 299,607
Equipment and supplies	2,177	8,515	451	30,656	3,956
Depreciation	-	4,070	-	53,524	-
Repairs and maintenance	2,380	1,393	470	71,606	11,372
Telephone	2,200	300	2,309	15,634	9,040
Utilities	587	69	-	27,608	6,389
Rent	11,909	-	23,492	250,086	70,484
Auto and travel	5,764	18,698	466	7,236	4,698
Postage and printing	3,782	3,222	111	5,073	502
Conferences and meetings	2,101	624	-	3,361	126
Dues and subscriptions	2,062	100	236	300	-
Program expenses	2,178	1,574,103	23,503	4,383,518	42,238
Professional services	16,023	52	489	3,966	866
Other	1,199	1,973	21	10,271	1,372
	\$ 324,843	\$ 1,961,090	\$ 218,948	\$ 5,602,434	\$ 450,650

The accompanying notes to the consolidated financial statements are an integral part of this statement.

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

YEAR ENDED JUNE 30, 2020

	Program Services		Support Services		Change in	
	Smart Start Wake	Homelessness Services	Administration	Fundraising	Beneficial Interest in Endowments held by the Foundation	Total
Salaries and fringe benefits	\$ 132,437	\$ 356,207	\$ 1,043,666	\$ 248,471	\$ -	\$ 3,607,835
Equipment and supplies	60	23,491	32,126	4,040	-	105,472
Depreciation	-	37,396	29,773	278	-	125,041
Repairs and maintenance	1,800	-	11,085	-	-	100,106
Telephone	-	7,165	17,410	199	-	54,257
Utilities	900	98,792	10,098	735	-	145,178
Rent	8,848	392,880	162,095	2,921	-	922,715
Auto and travel	939	110	19,310	729	-	57,950
Postage and printing	-	426	24,674	471	-	38,261
Conferences and meetings	-	-	9,672	-	-	15,884
Dues and subscriptions	-	-	5,413	-	-	8,111
Program expenses	1,243	65,972	57,191	-	-	6,149,946
Professional services	-	1,845	176,471	200	-	199,912
Other	-	-	15,352	105,580	90,186	225,954
	<u>\$ 146,227</u>	<u>\$ 984,284</u>	<u>\$ 1,614,336</u>	<u>\$ 363,624</u>	<u>\$ 90,186</u>	<u>11,756,622</u>
						Change in beneficial interests in endowments held by the Foundation
						(90,186)
						<u>\$ 11,666,436</u>

The accompanying notes to the consolidated financial statements are an integral part of this statement.

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

YEAR ENDED JUNE 30, 2020

Cash flows from operating activities:

Cash received from grantors, donors, and clients	\$ 13,686,863
Cash paid to suppliers and employees	<u>(11,941,716)</u>
Net cash flows from operating activities	<u>1,745,147</u>

Cash flows from investing activities:

Purchase of property and equipment	(74,451)
Proceeds from sales of property and equipment	<u>4,007</u>
Net cash flows from investing activities	<u>(70,444)</u>

Cash flows from financing activities:

Proceeds from SBA Paycheck Protection Program loan	<u>663,300</u>
Net cash flows from financing activities	<u>663,300</u>

Net change in cash and cash equivalents	2,338,003
Cash and cash equivalents, beginning of year	<u>2,508,855</u>
Cash and cash equivalents, end of year	<u><u>\$ 4,846,858</u></u>

Summarized data:

Cash	\$ 3,569,817
Diocesan savings	1,170,685
Certificate of deposit and other savings	<u>106,356</u>
	<u><u>\$ 4,846,858</u></u>

Supplemental disclosure of cash flow information:

Donated occupancy costs	<u>\$ 516,316</u>
Donated program supplies and materials	<u>\$ 3,801,342</u>
Noncash trade-in value provided against purchase of vehicle for the Durham Community Food Pantry	<u>\$ 32,209</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020

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 Catholic Charities. 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 February 2016, the Financial Accounting Standards Board (“FASB”) issued a new accounting standard, Accounting Standards Update (“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 for the year ended June 30, 2023. Early adoption is permitted. Catholic Charities is currently evaluating the effect that the standard will have on its consolidated financial statements and related disclosures.

In September 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires presentation of contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. It also requires a disclosure of disaggregated contributions of nonfinancial assets by category that depicts the type of contributed nonfinancial assets. This distinction will increase transparency of contributions recognized. This standard will be effective for Catholic Charities during the year ended June 30, 2021. Catholic Charities is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020

Note 2—Summary of significant accounting policies (continued)

In June 2018, 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 was implemented by Catholic Charities during the year ended June 30, 2020. The adoption of this standard had no impact on prior year net assets.

Catholic Charities also adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended. The standard's core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing the users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue. Catholic Charities adopted this standard during the year ended June 30, 2020 and has adjusted the presentation of the statements accordingly. Analysis of various provisions of this standard resulted in no significant changes in the way Catholic Charities recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

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.

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. Amounts received that are designated for future periods or restricted by the donor for a specific purpose are reported as support with donor restrictions and as an increase to the related net asset class. 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 monies both with and without donor restrictions are available for use for activities that comply with donor restrictions, Catholic Charities will use funds having donor restrictions first.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020

Note 2—Summary of significant accounting policies (continued)

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 periodically evaluates pledges and other 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.

Conditional promises to give, which is 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, Catholic Charities reports the support as unrestricted. As of June 30, 2020, promises to give of \$45,000 have not been recognized in the accompanying statement of activities and changes in net assets because the conditions on which they depend have not yet been substantially met.

A portion of Catholic Charities' revenue is derived from cost-reimbursable federal, state and local contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Catholic Charities has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. Catholic Charities has been awarded cost-reimbursable grants of \$1,583,425 that have not been recognized as of June 30, 2020 because qualifying expenditures have not yet been incurred.

From time to time, Catholic Charities is notified that it is named as a beneficiary in a will or trust document. However, because these gifts may be changed during the lifetime of the donors, they are considered conditional contributions and are not recorded as revenue in the consolidated financial statements. The amounts of these intentions to give is indeterminable.

Catholic Charities considers a contract with a customer to exist under ASC 606 when there is approval and commitment from Catholic Charities and the customer, the rights of the parties and payment terms are identified, the contract has commercial substance, and the collectability of consideration is probable. Catholic Charities evaluates each service deliverable contracted with the customer to determine whether it represents promises to transfer distinct services under ASC 606. These are referred to as performance obligations. One or more service deliverables often represent a single performance obligation. This evaluation requires significant judgment and the impact of combining or separating performance obligations may change the time over which revenue from the contract is recognized.

While contribution revenue provides the majority of the support for Catholic Charities, Catholic Charities also derives a portion of their revenue from program service fees charged to clients for the provision of immigration and counseling services. Immigration services are subject to individual client agreements specifying the services to be provided. Fees are charged based on the needed services and the forms to be filed to immigration authorities according to a sliding scale fee schedule based on the ability to pay. Generally, these services are billed, collected and recognized into revenue at the beginning of the client relationship, as the services are performed over a relatively short period of time and the impact on revenue is not deemed significant. Service fees for counseling services for individuals and under school counseling contracts are either billed and collected at the time of service or after the performance of services, with revenue recorded once it is earned. The transaction prices are defined in the terms of the contracts or according to a sliding scale fee schedule based on the ability to pay. Revenues are recognized as the services are rendered or the events occur.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020

Note 2—Summary of significant accounting policies (continued)

The timing of revenue recognition, billings and cash collections results in billed accounts receivable and deferred revenue and support on the consolidated statement of financial position. Deferred revenue is included with accounts payable and other liabilities on the consolidated statement of financial position.

Compensated Absences – Employees are permitted to carry over up to five days of vacation time earned. As of June 30, 2020, Catholic Charities had \$60,812 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, 2020. 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, 2020. 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, 2020

Note 3—Beneficial interests in endowments held by the Foundation

In June 2019, Catholic Charities transferred three existing endowment funds with an approximate value of \$3,147,473, previously administered by the Diocese, to the newly formed Foundation of the Roman Catholic Diocese of Raleigh, Inc. (the “Foundation”) and named Catholic Charities as the beneficiary. These endowments had originally been funded using both unrestricted and donor restricted funds. Under the terms of the agreements, Catholic Charities can withdraw all or a portion of the original amount transferred, any appreciation on those transferred assets, or both, as approved by its Board of Directors. At the time of the transfer, Catholic Charities granted variance power to the Foundation, which allows the Foundation to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the Foundation’s Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The fund is held and invested by the Foundation for the benefit of Catholic Charities and is reported at fair value in the consolidated statement of financial position with changes in fair value recognized in the consolidated statement of activities and changes in net assets. At June 30, 2020, the endowment fund has a value of \$2,964,287, of which \$868,536 is reported in net assets with donor restrictions and \$2,095,751 is reported as board designated net assets.

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

JUNE 30, 2020

Note 4—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	\$ 3,569,817
Diocesan savings	1,170,685
Certificate of deposit and other savings	106,356
Beneficial interests in endowments held by the Foundation	2,964,287
Contributions receivable, net	1,180,905
Accounts receivable	280,113
	<hr/>
Total financial assets at June 30, 2020	9,272,163
Less:	
Long-term portion of contributions receivable making financial assets unavailable for general expenditure	(22,626)
Contractual, donor-imposed or time restrictions making financial assets unavailable for general expenditure	(1,953,657)
Amounts designated by the Oak City Cares Board of Directors as an operating reserve	(447,000)
Amounts designated by the Catholic Charities Board of Directors as an operating reserve	(751,603)
Amounts designated by the Catholic Charities Board of Directors for special projects	(76,179)
Quasi-endowment fund, designated by the Board of Directors primarily for long-term investing	(1,424,948)
Quasi-endowment fund, designated by the Board of Directors primarily for operating reserve	(670,804)
	<hr/>
Total liquid financial assets available at June 30, 2020	<u>\$ 3,925,346</u>

The beneficial interests in endowments held by the Foundation consist of donor-restricted endowments and funds designated by the Board of Directors to function as endowments. Donor-restricted endowment funds as well as other donor restricted amounts 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, 2020

Note 4—Liquidity and availability (continued)

In May 2020, Oak City Cares formalized an operating reserve policy directing that six months of operating expenses would be reserved in highly liquid investments for the purpose of providing liquidity for meeting the operating obligations of the organization.

Catholic Charities and Oak City Cares do not intend to spend from operating reserves or other board designated amounts, though if additional liquidity was needed, these amounts could be made available, if necessary.

Note 5—Financial instruments and other concentrations

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, 2020, Catholic Charities had balances in excess of FDIC limits of \$3,235,595. 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 savings accounts 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.

A substantial amount of Catholic Charities’ 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 Catholic Charities. Also, the limited geographic area in which Catholic Charities’ contributors reside, increases Catholic Charities’ exposure to certain business concentrations.

Note 6—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. As of June 30, 2020, the fair value of contributions receivable was \$812,500. Catholic Charities expects the contributions receivable to be collected in less than one year and believes them to be fully collectible at June 30, 2020.

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 three years and have been recorded at the present value of their estimated cash flows using discount rates ranging from 0.24% 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 have recorded an allowance for doubtful promises of \$2,500 as of June 30, 2020.

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

JUNE 30, 2020

Note 6—Contributions receivable (continued)

The fair value of contributions receivable at June 30, 2020 are as follows:

Gross contributions receivable:	
Contributions receivable in less than one year	\$ 1,160,779
Contributions receivable in one to three years	25,500
Less net discount for present value of contributions receivable at 0.24%-2.89%	(2,874)
Less allowance for doubtful promises	(2,500)
Contributions receivable, net	<u>\$ 1,180,905</u>

Note 7—Accounts receivable

Accounts receivable as of June 30, 2020 are as follows:

Grants receivable:	
Wake County, North Carolina	\$ 95,418
City of Raleigh, North Carolina	21,918
United Way	73,622
Foundation grants	76,423
Total grants receivable	<u>267,381</u>
Sales taxes receivable	<u>12,732</u>
	<u>\$ 280,113</u>

Note 8—Inventory

Inventory composition by type are as follows as of June 30, 2020:

Donated and purchased food	\$ 550,260
Clothing and household goods	208,017
	<u>\$ 758,277</u>

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

JUNE 30, 2020

Note 9—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)
Assets:				
Beneficial interests in endowments held by the Foundation	\$ 2,964,287	\$ -	\$ -	\$ 2,964,287
Total assets	<u>\$ 2,964,287</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,964,287</u>

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, while the income approach was used for those classified as level 3. The fair value of beneficial interests in endowments held by the Foundation, classified as Level 3, is measured based on the fair values of the underlying assets, which consist primarily of marketable debt and equity securities for which Catholic Charities relies on fair value measurement calculations performed by third party pricing services, which are reported to them by the Foundation. Inputs include the credit risk of the issuer, maturity, current yield, and other terms and conditions of each instrument.

There were no changes to valuation techniques during the year ended June 30, 2020.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020

Note 9—Fair value measurements (continued)

The table below sets forth a summary of changes in the fair value of Level 3 assets for the year ending June 30, 2020:

Balance as of June 30, 2019	\$	3,147,473
Purchases and contributions of investments		-
Investment return, net		(90,186)
Distributions		(93,000)
Balance as of June 30, 2020	\$	<u>2,964,287</u>

Note 10—Funds functioning as endowment

Classified in the consolidated statement of financial position as beneficial interests in endowments held by the Foundation, the Catholic Charities endowment consists of three individual funds established primarily for children and family programs, long term investing and operating reserves. 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 and, as mentioned in Note 3, has named itself as the beneficiary and given variance power 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. 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 Catholic Charities.

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

JUNE 30, 2020

Note 10—Funds functioning as endowment (continued)

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 4.00% for the fiscal year ended June 30, 2020, of the three-year average fair value of the endowment, measured at December 31 of the prior fiscal year.

The beneficial interests in endowment composition by type of fund is as follows as of June 30:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted term endowment funds	\$ -	\$ 868,536	\$ 868,536
Board-designated endowment	2,095,751	-	2,095,751
	<u>\$ 2,095,751</u>	<u>\$ 868,536</u>	<u>\$ 2,964,287</u>

Changes in the beneficial interests in the endowment for the year ended June 30:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment beginning of year	\$ 2,185,937	\$ 961,536	\$ 3,147,473
Contributions	-	-	-
Net investment loss	(90,186)	-	(90,186)
Amounts expended	-	(93,000)	(93,000)
	<u>\$ 2,095,751</u>	<u>\$ 868,536</u>	<u>\$ 2,964,287</u>

Net investment income of the endowment has been recorded as the change in beneficial interests in endowments held by the Foundation in the accompanying consolidated statement of activities and changes in net assets.

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

JUNE 30, 2020

Note 11—Property and equipment

Property and equipment consisted of the following as of June 30, 2020:

Leasehold improvements	\$ 818,551
Computers and equipment	464,979
Furniture and fixtures	106,466
Vehicles	139,547
	<hr/>
	1,529,543
Less accumulated depreciation	(555,862)
	<hr/>
Property and equipment, net	<u>\$ 973,681</u>

Of total depreciation expense of \$125,041 for the year ended June 30, 2020, \$30,051 is reflected in support services expenses and \$94,990 is included in program services expenses.

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

JUNE 30, 2020

Note 12—Net assets with donor restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at June 30, 2020:

Endowments:

Subject to appropriation and expenditure for a specific purpose

Restricted by donors for:

Children and Family Programs	\$ 868,536
------------------------------	------------

Subject to the passage of time:

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

Durham Community Food Pantry	812,500
Homeless Services	368,405
Other programs	3,500
	<u>1,184,405</u>

Subject to expenditure for a specified purpose:

Catholic Parish Outreach Food Pantry	14,493
Disaster Response	809,775
COVID-19 Relief Efforts	31,910
Use of the Fayetteville Office	5,250
Economic Self-Sufficiency Program	18,520
Assistance Funded by the Endowment for the Poor	9,527
Kathleen Walsh Charitable Fund	66,631
Support Circle program	70,239
Sustaining the Family Table	45,956
Other programs	9,320
	<u>1,081,621</u>
	<u>\$ 3,134,562</u>

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

JUNE 30, 2020

Note 13—Net assets with 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, 2020:

Assets designated to function as an endowment:

Subject to appropriation and expenditure for a specific purpose:

For the benefit of :

Long-term investing	\$ 1,424,948
Operating reserves	1,117,804
	<u>2,542,752</u>

Board designated for other purposes

Operating reserves	751,603
Special projects designated by the board	76,179
	<u>827,782</u>
	<u>\$ 3,370,534</u>

Note 14—Governmental assistance

Catholic Charities received governmental revenues at a federal, state, county, and local level totaling \$2,316,580 for the year ended June 30, 2020, representing 18.99% of total consolidated revenues. Of this amount, \$1,241,364 represented federal commodities received and recorded.

Note 15—Related party transactions

Catholic Charities maintains several savings accounts with the Diocese. Catholic Charities earned \$7,876 in interest on these accounts for the year ended June 30, 2020. Catholic Charities had \$1,170,685 invested in the accounts bearing an interest rate of 0.50% at June 30, 2020.

In addition to interest, Catholic Charities received in support and revenue from the Diocese the amount of \$1,657,471 during the year ended June 30, 2020. This included \$1,436,508 of allocations from the Bishop's Annual Appeal for the year ended June 30, 2020. Catholic Charities incurred charges from the Diocese of \$127,237 for rent, accounting, and other fiscal services during the year ended June 30, 2020. Included in accounts payable and other liabilities on the accompanying consolidated statement of financial position is \$15,792 of amounts payable to the Diocese as of June 30, 2020.

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

JUNE 30, 2020

Note 16—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 half of the product of the years of qualified benefit service not to exceed 40 years and 1.00% of the final average compensation as defined by the Lay Plan.

Participants are eligible to begin receiving benefits no earlier than age 65 and the Lay 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 Lay Plan are different from a single employer plan in the following aspects:

- a) Assets contributed to the multi-employer Lay 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 Lay Plan, the unfunded obligations of the Lay Plan may be borne by the remaining participating parishes, schools, and other entities; and
- c) If Catholic Charities stops participating in the Lay Plan, it could be required to pay an amount, referred to as a withdrawal liability, based on the unfunded status of the Plan. Catholic Charities has no intention of stopping its participation in the Lay 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 \$102,570 to the Lay Plan for the year ended June 30, 2020, which represented approximately 5.19% of the total contributions of all employing units to the Lay Plan.

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 Lay Plan and, accordingly, such information is not presented herein. Because the employing units participating in the Lay 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 Lay Plan are met. In the event that individual employers of the Lay Plan are unable to make their required contributions, the obligations would be reallocated to the remaining contributing units.

	As of January 1, 2020
Market value of Lay Plan assets	\$ 40,271,366
Present value of accrued Lay Plan benefits	\$ 45,904,521
Percent funded	87.70%
Total contributions to the Lay Plan	\$ 1,976,843
Total employees covered under the Lay Plan	1,578
Discount rate used to value the Lay Plan liability	6.50%

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020

Note 17—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, 2020, Catholic Charities contributed \$0.50 for each \$1 invested by employees on the first 5.00% of qualified compensation, plus a non-contributory deferral of 4.00% of qualified compensation into accounts of all eligible employees, up to a maximum of 6.50% 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, 2020, contributions to the 403(b) Plan totaled \$150,739.

Note 18—Leases

Catholic Charities leases various office spaces under noncancelable leases with various expiration dates through 2029. Catholic Charities’ rental expense was \$922,715 for the year ended June 30, 2020. Of that amount, \$414,300 represented the value of in-kind space donations to the organization.

Future minimum rental commitments under the leases are as follows:

<u>Years Ending June 30,</u>	
2021	\$ 330,739
2022	303,649
2023	200,515
2024	82,089
2025	83,731
Thereafter	<u>291,190</u>
	<u>\$ 1,291,913</u>

Note 19—Fundraising

Catholic Charities conducts certain fundraising activities in order to generate revenues to assist in supporting its programs and activities. Fundraising expenses of \$363,624 are included in consolidated statement of activities for the year ended June 30, 2020.

Note 20—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, 2020, Catholic Charities recorded receipts of donated food, clothing, and other goods with a value of \$3,801,341 and made disbursements of \$3,633,958.

Catholic Charities’ primary facility for the receipt and subsequent distribution of donated groceries is Catholic Parish Outreach. Catholic Parish Outreach received and distributed approximately 865 tons of donated groceries during the year ended June 30, 2020.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020

Note 20—Contributed goods (continued)

Additionally, during the year ended June 30, 2020, Catholic Charities received an in-kind contribution for the use of office space, including utilities, valued at \$516,316.

Note 21—Commitments and contingencies

On January 30, 2020, the World Health Organization declared the coronavirus “COVID-19” outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines, or “stay-at-home” restrictions in certain areas and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets globally, including the geographical areas in which Catholic Charities operates. At the beginning of the pandemic, for safety of the employees, families and the community, Oak City Cares paused their onsite services for one week to allow for an increase of medical testing onsite at the building. During this period, Oak City Cares’ Coordinated Entry Services and the Weekend Meal Programs continued to operate in a modified fashion. After that week, onsite services resumed with modifications made related to COVID-19 safety protocols (including reducing the number of volunteers onsite) and continued throughout the end of the fiscal year. Catholic Charities administrative offices closed to the public with employees primarily working remotely with limited attendance in the office. While it is unknown how long these conditions will last and what the complete financial impact will be, Catholic Charities is closely monitoring the impact of the COVID-19 pandemic on all aspects of the business and are unable at this time to predict the continued impact that COVID-19 will have on their business, financial position, and operating results in future periods due to numerous uncertainties.

On April 16, 2020, Catholic Charities received a Paycheck Protection Program loan for \$663,300 from the Small Business Administration (“SBA”) under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). This loan was funded by Fifth Third Bank. Catholic Charities recognized \$663,300 as a loan for the year ended June 30, 2020 and it is reported on the consolidated statement of financial position. Catholic Charities is in the process of evaluating the loan for possible forgiveness. To the extent that the loan is forgiven, it will be recognized into revenue in fiscal year 2021.

Note 22—Subsequent events

At their June 2020 board meeting, Oak City Cares modified their bylaws to reduce the level of control exercised by Catholic Charities over the Board of Directors and the operations of Oak City Cares. Additionally, Oak City Cares entered into a contract to transition the accounting and fiscal management of Oak City Cares away from Catholic Charities beginning in October of 2020. These measures, as well as other actions taken by the two entities, are anticipated to make Oak City Cares sufficiently autonomous as to eliminate the requirement for consolidation with Catholic Charities under U.S. GAAP in fiscal year 2021.

Catholic Charities has evaluated subsequent events for disclosure and recognition through February 3, 2021, 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, 2020

	Catholic Charities	Oak City Cares, Inc.	Eliminations	Consolidated
ASSETS				
Cash	\$ 2,418,591	\$ 1,151,226	\$ -	\$ 3,569,817
Diocesan savings	1,170,685	-	-	1,170,685
Certificate of deposit and other savings	106,356	-	-	106,356
Beneficial interests in endowments held by the Foundation	2,964,287	-	-	2,964,287
Contributions receivable, net	812,500	368,405	-	1,180,905
Accounts receivable	311,639	111,974	(143,500)	280,113
Prepaid expenses	36,324	3,100	-	39,424
Inventory	758,277	-	-	758,277
Property and equipment, net	777,768	195,913	-	973,681
Security deposits	25,394	-	-	25,394
Total Assets	\$ 9,381,821	\$ 1,830,618	\$ (143,500)	\$ 11,068,939
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable and other liabilities	\$ 586,103	\$ 175,051	\$ (143,500)	\$ 617,654
SBA Paycheck Protection Program loan payable	663,300	-	-	663,300
Total Liabilities	1,249,403	175,051	(143,500)	1,280,954
Net Assets:				
Without Donor Restrictions:				
Board designated	2,923,534	447,000	-	3,370,534
Undesignated	2,442,727	840,162	-	3,282,889
Total Without Donor Restrictions	5,366,261	1,287,162	-	6,653,423
With Donor Restrictions:				
Subject to endowment spending policy of the Foundation	868,536	-	-	868,536
Time-restricted for future periods	816,000	368,405	-	1,184,405
Program restrictions	1,081,621	-	-	1,081,621
Total With Donor Restrictions	2,766,157	368,405	-	3,134,562
Total Net Assets	8,132,418	1,655,567	-	9,787,985
Total Liabilities and Net Assets	\$ 9,381,821	\$ 1,830,618	\$ (143,500)	\$ 11,068,939

The accompanying notes to the consolidated financial statements are an integral part of this schedule.

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

YEAR ENDED JUNE 30, 2020

	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	\$ 1,436,508	\$ -	\$ 1,436,508	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,436,508	\$ -	\$ 1,436,508
Grants revenue	2,039,742	162,650	2,202,392	516,381	25,000	541,381	-	-	-	2,556,123	187,650	2,743,773
Emergency Food Shelter Program/FEMA	39,410	-	39,410	-	-	-	-	-	-	39,410	-	39,410
Federal commodities revenue	1,241,364	-	1,241,364	-	-	-	-	-	-	1,241,364	-	1,241,364
Donated materials	2,549,321	-	2,549,321	518,373	-	518,373	-	-	-	3,067,694	-	3,067,694
Gifts and bequests	1,888,680	140,944	2,029,624	536,159	39,368	575,527	(56,517)	-	(56,517)	2,368,322	180,312	2,548,634
Program service fees	320,568	-	320,568	-	-	-	-	-	-	320,568	-	320,568
Special events	790,942	-	790,942	-	-	-	-	-	-	790,942	-	790,942
Investment return, net	10,492	-	10,492	172	-	172	-	-	-	10,664	-	10,664
Loss on sale of fixed assets	(4,432)	-	(4,432)	-	-	-	-	-	-	(4,432)	-	(4,432)
Other income	34,891	-	34,891	-	-	-	(30,000)	-	(30,000)	4,891	-	4,891
Total Support and Revenue Before Release of Restrictions	10,347,486	303,594	10,651,080	1,571,085	64,368	1,635,453	(86,517)	-	(86,517)	11,832,054	367,962	12,200,016
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	120,204	(120,204)	-	465,113	(465,113)	-	-	-	-	585,317	(585,317)	-
Satisfaction of program restrictions	1,111,875	(1,111,875)	-	-	-	-	-	-	-	1,111,875	(1,111,875)	-
Net Assets Released from Restrictions	1,325,079	(1,325,079)	-	465,113	(465,113)	-	-	-	-	1,790,192	(1,790,192)	-
Total Support and Revenue After Release of Restrictions	11,672,565	(1,021,485)	10,651,080	2,036,198	(400,745)	1,635,453	(86,517)	-	(86,517)	13,622,246	(1,422,230)	12,200,016

The accompanying notes to the consolidated financial statements are an integral part of this schedule.

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

YEAR ENDED JUNE 30, 2020

	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
Expenses:												
Program Areas:												
Immigration Services	\$ 324,843	\$ -	\$ 324,843	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 324,843	\$ -	\$ 324,843
Disaster Response	1,961,090	-	1,961,090	-	-	-	-	-	-	1,961,090	-	1,961,090
Counseling Services	218,948	-	218,948	-	-	-	-	-	-	218,948	-	218,948
Food and Basic Needs Assistance	5,602,434	-	5,602,434	-	-	-	-	-	-	5,602,434	-	5,602,434
Case Management	450,650	-	450,650	-	-	-	-	-	-	450,650	-	450,650
Smart Start Wake	146,227	-	146,227	-	-	-	-	-	-	146,227	-	146,227
Homeless Services	-	-	-	984,284	-	984,284	-	-	-	984,284	-	984,284
Total Program Areas	8,704,192	-	8,704,192	984,284	-	984,284	-	-	-	9,688,476	-	9,688,476
Support Services:												
Administrative	1,521,673	-	1,521,673	179,180	-	179,180	(86,517)	-	(86,517)	1,614,336	-	1,614,336
Fundraising	283,322	-	283,322	80,302	-	80,302	-	-	-	363,624	-	363,624
Total Support Services	1,804,995	-	1,804,995	259,482	-	259,482	(86,517)	-	(86,517)	1,977,960	-	1,977,960
Total Expenses	10,509,187	-	10,509,187	1,243,766	-	1,243,766	(86,517)	-	(86,517)	11,666,436	-	11,666,436
Increase (decrease) in net assets from operations	1,163,378	(1,021,485)	141,893	792,432	(400,745)	391,687	-	-	-	1,955,810	(1,422,230)	533,580
Change in beneficial interests in endowments held by the Foundation	(90,186)	-	(90,186)	-	-	-	-	-	-	(90,186)	-	(90,186)
Change in net assets	1,073,192	(1,021,485)	51,707	792,432	(400,745)	391,687	-	-	-	1,865,624	(1,422,230)	443,394
Net assets, beginning 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
Net assets, end of year	\$ 5,366,261	\$ 2,766,157	\$ 8,132,418	\$ 1,287,162	\$ 368,405	\$ 1,655,567	\$ -	\$ -	\$ -	\$ 6,653,423	\$ 3,134,562	\$ 9,787,985

The accompanying notes to the consolidated financial statements are an integral part of this schedule.

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

YEAR ENDED JUNE 30, 2020

	Catholic Charities	Oak City Cares, Inc.	Eliminations	Consolidated
Cash flows from operating activities:				
Cash received from grantors, donors, and clients	\$ 11,679,487	\$ 2,093,893	\$ (86,517)	\$ 13,686,863
Cash paid to suppliers and employees	(10,546,715)	(1,481,518)	86,517	(11,941,716)
Net cash flows operating activities	<u>1,132,772</u>	<u>612,375</u>	<u>-</u>	<u>1,745,147</u>
Cash flows from investing activities:				
Purchase of property and equipment	(71,553)	(2,898)	-	(74,451)
Proceeds from sales of property and equipment	4,007	-	-	4,007
Net cash flows from investing activities	<u>(67,546)</u>	<u>(2,898)</u>	<u>-</u>	<u>(70,444)</u>
Cash flows from financing activities:				
Proceeds from SBA Paycheck Protection Program loan	663,300	-	-	663,300
Net cash flows financing activities	<u>663,300</u>	<u>-</u>	<u>-</u>	<u>663,300</u>
Net change in cash and cash equivalents	1,728,526	609,477	-	2,338,003
Cash and cash equivalents, beginning of year	1,967,106	541,749	-	2,508,855
Cash and cash equivalents, end of year	<u>\$ 3,695,632</u>	<u>\$ 1,151,226</u>	<u>\$ -</u>	<u>\$ 4,846,858</u>
Summarized Data:				
Cash	\$ 2,418,591	\$ 1,151,226	\$ -	\$ 3,569,817
Diocesan savings	1,170,685	-	-	1,170,685
Certificate of deposit and other savings	106,356	-	-	106,356
	<u>\$ 3,695,632</u>	<u>\$ 1,151,226</u>	<u>\$ -</u>	<u>\$ 4,846,858</u>
Supplemental disclosure of cash flow information:				
Donated occupancy costs	<u>\$ 8,600</u>	<u>\$ 507,716</u>	<u>\$ -</u>	<u>\$ 516,316</u>
Donated program supplies and materials	<u>\$ 3,790,685</u>	<u>\$ 10,657</u>	<u>\$ -</u>	<u>\$ 3,801,342</u>
Noncash trade-in value provided against purchase of vehicle for the Durham Community Food Pantry	<u>\$ 32,209</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,209</u>

The accompanying notes to the consolidated financial statements are an integral part of this schedule.

COMPLIANCE

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

YEAR ENDED JUNE 30, 2020

<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	10.569	N/A	\$ 1,122,609
Passed Through Second Harvest Food Bank of Southeast North Carolina Emergency Food Assistance Program	10.569	N/A	<u>118,755</u>
Total Assistance - U.S. Department of Agriculture			<u>1,241,364</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-Phase 36	97.024	LRO ID: 637200-002	14,000
Passed through the United Way Worldwide - Emergency Food and Shelter Program Emergency Food and Shelter National Board Program-Phase 36	97.024	LRO ID: 652000-008	11,684
Emergency Food and Shelter National Board Program-Phase 36	97.024	LRO ID: 647800-001	6,744
Emergency Food and Shelter National Board Program-Phase 36	97.024	LRO ID: 648400-031	<u>3,577</u>
Total Assistance - U.S. Department of Homeland Security			<u>36,005</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through Wake County, North Carolina Community Development Block Grants - COVID-19 - Rapid Rehousing Services	14.218	EC00000000003348	<u>8,286</u>
Total Assistance - Federal Programs			<u>\$ 1,285,655</u>

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

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2020

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, 2020. 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 and its affiliate, it is not intended to and does not present the financial position, changes in net assets or cash flows of Catholic Charities and its affiliate.

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.

Note 3—Donated personal protection equipment

Catholic Charities did not receive any federally derived donated personal protection equipment related to COVID-19 as of June 30, 2020.

**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***

To the 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, 2020, 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 we have issued our report thereon dated February 3, 2021.

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”) as a basis for designing 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 consolidated financial statements. 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 Bekart LLP

Raleigh, North Carolina
February 3, 2021

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

To the 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, 2020. 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* 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, 2020.

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.

Cherry Bekart LLP

Raleigh, North Carolina
February 3, 2021

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

YEAR ENDED JUNE 30, 2020

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, 2020

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.