

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

**FINANCIAL STATEMENTS  
AND COMPLIANCE**

***As of and for the Year Ended June 30, 2021***

***And Reports of Independent Auditor***

CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC.  
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## Report of Independent Auditor

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

### Report on Financial Statements

We have audited the accompanying financial statements of Catholic Charities of the Diocese of Raleigh, Inc. ("Catholic Charities"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Catholic Charities as of June 30, 2021, 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.

**Other Matters**

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying 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*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 March 8, 2022 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 the effectiveness of Catholic Charities' 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.

A handwritten signature in black ink that reads "Cherry Bekart LLP". The signature is written in a cursive, flowing style.

Charlotte, North Carolina  
March 8, 2022

**CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC.**  
**STATEMENT OF FINANCIAL POSITION**

*JUNE 30, 2021*

**ASSETS:**

Cash	\$ 2,171,725
Diocesan savings	2,023,577
Certificate of deposit and other savings	609,544
Beneficial interests in endowments held by the Foundation of the Roman Catholic Diocese of Raleigh, Inc.	3,695,274
Contributions receivable, net	800,000
Accounts receivable, net	226,837
Prepaid expenses	9,590
Inventory	834,950
Property and equipment, net	724,931
Security deposits	25,394
<b>Total Assets</b>	<b>\$ 11,121,822</b>

**LIABILITIES AND NET ASSETS**

Liabilities:

Accounts payable and other liabilities	\$ 737,739
SBA Paycheck Protection Program loan payable	663,300
<b>Total Liabilities</b>	<b>1,401,039</b>

Net Assets:

Without Donor Restrictions:	
Designated, unrestricted	4,124,427
Undesignated, unrestricted	2,901,170
<b>Total Without Donor Restrictions</b>	<b>7,025,597</b>

With Donor Restrictions:

Restricted in perpetuity - endowment	58,667
Restricted subject to Foundation's endowment spending policy	771,536
Time-restricted for future periods	811,250
Program restrictions	1,053,733
<b>Total With Donor Restrictions</b>	<b>2,695,186</b>
<b>Total Net Assets</b>	<b>9,720,783</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 11,121,822</b>

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

*YEAR ENDED JUNE 30, 2021*

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Support and Revenue:			
Contributions of cash and other financial assets			
Diocese of Raleigh allocations	\$ 1,509,001	\$ -	\$ 1,509,001
Grants revenue	1,682,951	440,181	2,123,132
Emergency Food Shelter Program/FEMA	125,618	-	125,618
Gifts and bequests	2,339,132	175,890	2,515,022
	<u>5,656,702</u>	<u>616,071</u>	<u>6,272,773</u>
Contributions of nonfinancial assets			
Federal commodities revenue	1,293,740	-	1,293,740
Donated materials	2,505,994	-	2,505,994
Donated occupancy	8,600	-	8,600
	<u>3,808,334</u>	<u>-</u>	<u>3,808,334</u>
Program service fees	273,755	-	273,755
Special events	825,302	-	825,302
Investment return, net	8,373	-	8,373
Other income	116,290	-	116,290
	<u>10,688,756</u>	<u>616,071</u>	<u>11,304,827</u>
Total Support and Revenue Before Release of Restrictions			
	<u>10,688,756</u>	<u>616,071</u>	<u>11,304,827</u>
Net Assets Released from Restrictions:			
Appropriation from donor endowment and subsequent satisfaction of any related donor restrictions	97,000	(97,000)	-
Expirations of time restrictions	12,500	(12,500)	-
Satisfaction of program restrictions	636,209	(636,209)	-
	<u>745,709</u>	<u>(745,709)</u>	<u>-</u>
Net Assets Released from Restrictions			
	<u>745,709</u>	<u>(745,709)</u>	<u>-</u>
Total Support and Revenue After Release of Restrictions			
	<u>11,434,465</u>	<u>(129,638)</u>	<u>11,304,827</u>

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

*YEAR ENDED JUNE 30, 2021*

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Expenses:			
Program Services:			
Immigration Services	\$ 342,751	\$ -	\$ 342,751
Disaster Response	1,329,513	-	1,329,513
Counseling Services	185,882	-	185,882
Food and Basic Needs Assistance	6,352,489	-	6,352,489
Case Management	518,531	-	518,531
Smart Start Wake	143,902	-	143,902
Total Program Services	8,873,068	-	8,873,068
Support Services:			
Administrative	1,354,960	-	1,354,960
Fundraising	316,421	-	316,421
Total Support Services	1,671,381	-	1,671,381
Total Expenses	10,544,449	-	10,544,449
Increase (Decrease) in Net Assets from Operations	890,016	(129,638)	760,378
Change in beneficial interests in endowments held by Foundation of the Roman Catholic Diocese of Raleigh, Inc.	769,320	58,667	827,987
Change in net assets	1,659,336	(70,971)	1,588,365
Net assets, beginning of year	5,366,261	2,766,157	8,132,418
Net assets, end of year	\$ 7,025,597	\$ 2,695,186	\$ 9,720,783

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

**CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**

*YEAR ENDED JUNE 30, 2021*

	Program Services						Support Services		Total
	Immigration Services	Disaster Response	Counseling Services	Food and Basic Needs Assistance	Case Management	Smart Start Wake	Administrative	Fundraising	
Salaries and fringe benefits	\$ 292,105	\$ 344,625	\$ 99,990	\$ 967,956	\$ 363,140	\$ 130,179	\$ 891,253	\$ 218,690	\$ 3,307,938
Equipment and supplies	3,047	4,455	279	34,637	4,158	-	15,642	110	62,328
Depreciation	-	4,070	-	59,173	-	-	27,784	-	91,027
Repairs and maintenance	1,038	577	771	97,069	13,436	1,800	5,887	-	120,578
Telephone	112	507	2,729	15,035	12,357	-	11,363	-	42,103
Utilities	44	-	194	27,357	7,225	894	6,335	-	42,049
Rent	17,100	621	21,705	266,087	60,611	9,562	119,071	7,998	502,755
Auto and travel	1,977	10,079	-	4,827	3,975	63	5,621	37	26,579
Postage and printing	4,487	227	191	5,701	630	-	15,977	1,554	28,767
Conferences and meetings	1,520	100	189	1,153	50	-	2,525	-	5,537
Dues and subscriptions	1,000	115	787	643	45	-	35,927	-	38,517
Program expenses	17,430	963,127	58,432	4,851,673	50,341	1,404	8,669	-	5,951,076
Professional services	2,292	159	450	4,848	976	-	196,505	359	205,589
Other	599	851	165	16,330	1,587	-	12,401	87,673	119,606
	<u>\$ 342,751</u>	<u>\$ 1,329,513</u>	<u>\$ 185,882</u>	<u>\$ 6,352,489</u>	<u>\$ 518,531</u>	<u>\$ 143,902</u>	<u>\$ 1,354,960</u>	<u>\$ 316,421</u>	<u>\$ 10,544,449</u>

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



**CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC.**  
**STATEMENT OF CASH FLOWS**

*YEAR ENDED JUNE 30, 2021*

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**Cash flows from operating activities:**

Cash received from grantors, donors and clients	\$ 11,422,456
Cash paid to suppliers and employees	<u>(10,275,052)</u>
Net cash flows from operating activities	<u>1,147,404</u>

**Cash flows from investing activities:**

Purchase of fixed assets	<u>(38,190)</u>
Net cash flows from investing activities	<u>(38,190)</u>

Net change in cash and cash equivalents	1,109,214
Cash and cash equivalents - beginning of year	<u>3,695,632</u>
Cash and cash equivalents - end of year	<u>\$ 4,804,846</u>

**Summarized data:**

Cash	\$ 2,171,725
Diocesan savings	2,023,577
Certificate of deposit and other savings	<u>609,544</u>
	<u>\$ 4,804,846</u>

**Supplemental disclosure of cash flow information:**

Donated occupancy costs	<u>\$ 8,600</u>
Donated program supplies and materials	<u>\$ 3,799,734</u>

# CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC.

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

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### Note 1—Description of the organization

*Organization* – The mission of Catholic Charities of the Diocese of Raleigh, Inc. 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.

### Note 2—Summary of significant accounting policies

*Basis of Accounting* – The 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 financial statements to the reader.

*Basis of Presentation* – Catholic Charities’ 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 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 is expected to increase transparency of contributions recognized. Catholic Charities adopted this standard during the year ended June 30, 2021 and 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.

# CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC.

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

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### **Note 2—Summary of significant accounting policies (continued)**

*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 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 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 without donor restriction. 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.

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, 2021, promises to give of \$16,900 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 \$1,159,093 that have not been recognized as of June 30, 2021 because qualifying expenditures have not yet been incurred.

# CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC.

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

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### **Note 2—Summary of significant accounting policies (continued)**

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 financial statements. The amounts of these intentions to give is indeterminable.

Catholic Charities considers a contract with a customer to exist under Accounting Standards Codification ("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.

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

*Compensated Absences* – Employees are permitted to carry over up to five days of vacation time earned. As of June 30, 2021, Catholic Charities had \$72,520 accrued for compensated absences. Compensated absences are included with accounts payable and other liabilities on the Statement of Financial Position.

*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 financial statements as it is not susceptible to objective measurement or valuation.

# CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC.

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

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### Note 2—Summary of significant accounting policies (continued)

*Expense Recognition and Allocation* – The cost of providing Catholic Charities' programs and other activities is summarized on a functional basis in the statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions 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 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 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, 2021. Management has evaluated all other tax positions that could have a significant effect on the financial statements and determined Catholic Charities had no uncertain income tax positions at June 30, 2021. 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.**

## **NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2021*

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### **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"), a financially interrelated entity under common control, and named Catholic Charities as the beneficiary. These endowments were originally funded using both without donor restricted and with donor restricted funds. Under the terms of the endowment 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. A fourth endowment with a value of \$49,822 was established for Catholic Charities' benefit by a donor during the year ending June 30, 2021. Distributions to Catholic Charities' is subject to the spending policy of the Foundation and variance power was not granted to the Foundation by the donor.

The funds are held and invested by the Foundation for the benefit of Catholic Charities and is reported at fair value in the statement of financial position with changes in fair value recognized in the statement of activities and changes in net assets. At June 30, 2021, the endowment fund has a value of \$3,695,274, of which \$830,203 is reported in net assets with donor restrictions and \$2,865,071 is reported as board designated net assets.

# CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC.

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

### Note 4—Liquidity and availability

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

Cash	\$ 2,171,725
Diocesan savings	2,023,577
Certificate of deposit and other savings	609,544
Beneficial interests in endowments held by the Foundation of the Roman Catholic Diocese of Raleigh, Inc.	3,695,274
Contributions receivable, net	800,000
Accounts receivable	226,837
<b>Total financial assets at June 30, 2021</b>	<b>9,526,957</b>
Less:	
Contractual, donor-imposed or time restrictions making financial assets unavailable for general expenditure	(1,883,936)
Amounts designated by the Catholic Charities board of directors as an operating reserve	(1,252,676)
Amounts designated by the Catholic Charities board of directors for special projects	(6,679)
Quasi-endowment fund, designated by the board of directors primarily for long term investing	(2,019,068)
Quasi-endowment fund, designated by the board of directors primarily for operating reserve	(846,004)
<b>Total liquid financial assets available at June 30, 2021</b>	<b>\$ 3,518,594</b>

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.

The Board of Directors of Catholic Charities has adopted 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 does not intend to spend from operating reserves or other board designated amounts, though if additional liquidity is needed, these amounts could be made available, if necessary.

# CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC.

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

### 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, 2021, Catholic Charities had balances in excess of FDIC limits of \$2,023,079. 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, 2021, the fair value of contributions receivable was \$800,000. Catholic Charities expects the contributions receivable to be collected in less than one year and believes them to be fully collectible at June 30, 2021.

### Note 7—Accounts receivable

Accounts receivable as of June 30, 2021 are as follows:

Grants Receivable:	
Wake County, NC	\$ 1,519
City of Raleigh, NC	38,299
City of New Bern, NC	18,287
NC Department of Public Safety	11,450
United Way	123,438
Foundation grants	18,750
Catholic Charities USA	4,138
Total Grants Receivable	215,881
Sales taxes receivable	10,956
	<u>\$ 226,837</u>



# CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC.

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

### Note 8—Inventory

Inventory composition by type is as follows as of June 30, 2021:

Donated and purchased groceries	\$ 542,448
Donated clothing and household goods	292,502
	<u>\$ 834,950</u>

### 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)
Beneficial interests in endowments held by the Foundation of the Roman Catholic Diocese of Raleigh, Inc.	<u>\$ 3,695,274</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,695,274</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, 2021.

# CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC.

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

### 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 ended June 30, 2021:

	<b>Beneficial interests in endowments held by the Foundation</b>
Balance as of June 30, 2020	\$ 2,964,287
Purchases/contributions of investments	49,822
Investment return, net	778,165
Distributions	(97,000)
Balance as of June 30, 2021	<u>\$ 3,695,274</u>

### Note 10—Funds functioning as endowment

Classified in the statement of financial position as beneficial interests in endowments held by the Foundation, the Catholic Charities endowment consists of four individual funds established primarily for children and family programs, long-term investing, operating reserves, and for support of the Piedmont Region of Catholic Charities. 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 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 for three of the four endowments.

Catholic Charities has one donor restricted endowment fund that requires 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.**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2021

**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, which 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, 2021, 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:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Original donor-restricted gifts required to be maintained in perpetuity	\$ -	\$ 49,822	\$ 49,822
Accumulated investment gains	-	8,845	8,845
Donor-restricted term endowment funds	-	771,536	771,536
Board-designated endowment	2,865,071	-	2,865,071
<b>Total</b>	<b>\$ 2,865,071</b>	<b>\$ 830,203</b>	<b>\$ 3,695,274</b>

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

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment beginning of year	\$ 2,095,751	\$ 868,536	\$ 2,964,287
Contributions	-	49,822	49,822
Net investment gains	769,320	8,845	778,165
Amounts expended	-	(97,000)	(97,000)
<b>Total</b>	<b>\$ 2,865,071</b>	<b>\$ 830,203</b>	<b>\$ 3,695,274</b>

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

**CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2021*

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**Note 11—Property and equipment**

Property and equipment consisted of the following as of June 30, 2021:

Leasehold improvements	\$	828,352
Computers and equipment		323,138
Furniture and fixtures		14,337
Vehicles		<u>139,547</u>
		1,305,374
Less accumulated depreciation		<u>(580,443)</u>
Property and equipment, net	\$	<u>724,931</u>

Of total depreciation expense of \$91,027 for the year ended June 30, 2021, \$27,784 is reflected in support services expenses and \$63,243 is included in program services expenses.

**CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2021*

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**Note 12—Net assets with donor restrictions**

Net assets with donor restrictions are restricted for the following purposes or periods at June 30, 2021:

Endowments:

Perpetual in nature, earnings from which are subject to appropriation  
and expenditure for a specific purpose restricted by donors for:  
Support of the Piedmont Region

\$ 58,667

Subject to appropriation and expenditure for a specific purpose  
restricted by donors for:

Children and Family Programs

771,536

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830,203

Subject to the passage of time:

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

Durham Community Food Pantry

800,000

Support Circle program

11,250

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811,250

Subject to expenditure for a specified purpose:

Catholic Parish Outreach Food Pantry

14,493

Disaster Response

737,216

COVID-19 Relief Efforts

22,056

Use of the Fayetteville Office

5,250

Economic Self-Sufficiency Program

17,964

Assistance Funded by the Endowment for the Poor

2,304

Kathleen Walsh Charitable Fund

68,731

Support Circle Program

70,566

Sustaining the Family Table

88,377

Senior Pharmacy

17,500

Other Programs

9,276

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1,053,733

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\$ 2,695,186

# CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC.

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

### 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, 2021:

Assets designated to function as an endowment subject to appropriation and expenditure for a specific purpose:

For the benefit of:

Long-term investing	\$ 2,019,068
Operating reserves	846,004
	<u>2,865,072</u>

Board designated for other purposes:

Operating reserves	1,252,676
Special projects designated by the board	6,679
	<u>1,259,355</u>
	<u>\$ 4,124,427</u>

### Note 14—Governmental assistance

Catholic Charities recorded governmental revenues at a federal, state, county, and local level totaling \$2,031,469 for the year ended June 30, 2021, representing 17.97% of total revenues. Of this amount, \$1,293,740 represented federal commodities received.

### Note 15—Related party transactions

Catholic Charities maintains several savings accounts with the Diocese. Catholic Charities earned \$5,185 in interest on these accounts for the year ended June 30, 2021. Catholic Charities had \$2,023,577 invested in the accounts bearing an interest rate of 0.20% at June 30, 2021.

In addition to interest, Catholic Charities received in support and revenue from the Diocese the amount of \$1,541,135 during the year ended June 30, 2021. This included \$1,509,001 of allocations from the Bishop's Annual Appeal for the year ended June 30, 2021. Catholic Charities incurred charges from the Diocese of \$126,208 for rent, accounting, and other fiscal services during the year ended June 30, 2021. Included in accounts payable and other liabilities on the accompanying statement of financial position is \$2,671 of amounts payable to the Diocese as of June 30, 2021.

Oak City Cares, Inc. ("Oak City Cares") was created as the culmination of several years of collaborative efforts between Catholic Charities; the City of Raleigh, North Carolina; Wake County, North Carolina; and the Partnership to End and Prevent Homelessness. During its start-up phase, because of the significance of the relationship with Catholic Charities, the financial activity of Oak City Cares was consolidated with the financial statements of Catholic Charities. However, 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. These measures, as well as other actions taken by the two entities, made 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 OF THE DIOCESE OF RALEIGH, INC.**

## **NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2021*

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### **Note 15—Related party transactions (continued)**

During fiscal year 2021, Catholic Charities recognized revenue for providing certain administrative, accounting, and human resources services to Oak City Cares of \$9,750. The agreement between Catholic Charities and Oak City Cares terminated in December 2020.

Additionally, during a portion of the year ended June 30, 2021, Catholic Charities leased employees to Oak City Cares at an amount equal to the cost of salaries and benefits paid to the employees. Oak City Cares paid Catholic Charities \$324,243 related to these salaries and benefits during the years ended June 30, 2021. Oak City Cares ceased leasing employees from Catholic Charities as of December 31, 2020.

Also, during the year ended June 30, 2021, Oak City Cares reimbursed Catholic Charities \$106,440 for certain start-up costs incurred by Catholic Charities prior to the opening of the Oak City Cares facility in April of 1999. Such costs included certain salaries and benefits of Catholic Charities employees and operational costs incurred to design and implement the Oak City Cares programs and initiatives. Furthermore, during the year ended June 30, 2021, Catholic Charities paid certain miscellaneous expenses on behalf of Oak City Cares. These expenses totaled \$1,078.

During the year ended June 30, 2021, Catholic Charities paid Oak City Cares contributions of \$212,636 that were received by Catholic Charities but for whom Oak City Cares was the designated beneficiary.

There were no amounts receivable from or payable to Oak City Cares as of June 30, 2021.

### **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 Lay 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 Lay Plan. Catholic Charities has no intention of stopping its participation in the Lay Plan.

# CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC.

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

### Note 16—Defined benefit pension plan (continued)

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 \$94,345 to the Lay Plan for the year ended June 30, 2021, which represented approximately 4.62% 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.

	<b>As of January 1, 2021</b>
Market Value of Plan Assets	\$ 37,715,791
Present Value of Accrued Plan Benefits	\$ 40,463,268
Percent Funded	93.2%
Total contributions to the Plan	\$ 2,040,274
Total employees covered under the Plan	1,233
Discount rate used to value the Plan liability	6.50%

### 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, 2021, 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, 2021, contributions to the 403(b) Plan totaled \$142,795.



**CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2021*

**Note 18—Leases**

Catholic Charities leases various office spaces under noncancelable leases with various expiration dates through 2029. Catholic Charities' rental expense was \$502,755 for the year ended June 30, 2021. Of that amount, \$8,600 represented the value of in-kind space donations to the organization.

Future minimum rental commitments under the leases are as follows:

<b><u>Years Ending June 30</u></b>	<b><u>Amount</u></b>
2022	\$ 385,177
2023	319,851
2024	172,571
2025	157,512
2026	93,806
Thereafter	205,784
	<u>\$ 1,334,701</u>

**Note 19—Contributed nonfinancial assets**

Catholic Charities received the following contributions of nonfinancial assets for the year ended June 30, 2021:

<b><u>Program or Supporting Service</u></b>	<b><u>Donated Groceries</u></b>	<b><u>Donated Clothing and Household Goods</u></b>	<b><u>Donated Occupancy Costs</u></b>	<b><u>Total</u></b>
Administrative	\$ -	\$ -	\$ 3,600	\$ 3,600
Case Management	-	-	5,000	5,000
Food and Basic Needs Assistance	3,608,727	191,007	-	3,799,734
	<u>\$ 3,608,727</u>	<u>\$ 191,007</u>	<u>\$ 8,600</u>	<u>\$ 3,808,334</u>

Catholic Charities receives donated goods, primarily groceries, clothing, and household goods, from organizations, schools, individuals, and other sources and records them with a corresponding increase to inventory. Catholic Charities values donated grocery inventory at a stated value determined by Feeding America, Inc., which was \$1.79 per pound as of June 30, 2021, and at estimated thrift shop values for clothing and household goods. Catholic Charities accepts and distributes these donations to needy families and individuals in the community. During the year ended June 30, 2021, Catholic Charities made disbursements of \$3,723,062.

# **CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC.**

## **NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2021*

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### **Note 19—Contributed nonfinancial assets (continued)**

Catholic Charities' primary facility for the receipt and subsequent distribution of donated groceries is Catholic Parish Outreach. Catholic Parish Outreach received and distributed approximately 828 tons of donated groceries during the year ended June 30, 2021.

Catholic Charities also receives the use of donated facilities for its program operations and supporting services. Catholic Charities recognizes in-kind contribution revenue and a corresponding expense in an amount approximating the estimated fair value at the time of the donation. Fair value is estimated using the average price per square foot of rental listings in Catholic Charities' service area.

### **Note 20—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. 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 under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). This loan was funded by Fifth Third Bank. The loan was still outstanding and reported as a loan payable on the statement of financial position as of June 30, 2021. As discussed in Note 22, Catholic Charities applied for and was granted full forgiveness of the loan subsequent to year-end.

### **Note 21—Subsequent events**

Subsequent to year-end, Catholic Charities applied for and received full forgiveness of its Paycheck Protection Program loan in a letter dated August 11, 2021 from the Small Business Administration. The net loan amount forgiven of \$663,300 will be recorded as a gain on the extinguishment of debt in the statement of activities and changes in net assets for the year ended June 30, 2022.

Subsequent to year-end, Catholic Charities was selected to participate in a major new program, the Healthy Opportunities Pilot Program, as a non-medical Medicaid provider in six North Carolina counties. The program is administered by another nonprofit organization contracted with the North Carolina Department of Health and Human Services. The program consists of two portions, a Capacity Building Grant, and a fee-for-service arrangement as a Medicaid provider to test the impact of providing evidence-based non-medical interventions to high-need individuals through North Carolina's Medicaid Managed Care program. The anticipated program launch date is March 15, 2022.

Catholic Charities has evaluated subsequent events for disclosure and recognition through March 8, 2022, the date on which these financial statements were available to be issued.

## **COMPLIANCE**

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

*YEAR ENDED JUNE 30, 2021*

<b>Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal Assistance Listing Number</b>	<b>State/Pass-Through Grantor's Number</b>	<b>Federal Expenditures (Direct and Pass-Through)</b>
<b>Federal Grants</b>			
<b><u>U.S. Department of Agriculture</u></b>			
Passed through the Food Bank of Central and Eastern North Carolina Emergency Food Assistance Program	10.569	N/A	\$ 1,100,373
Passed Through Second Harvest Food Bank of Southeast North Carolina Emergency Food Assistance Program	10.569	N/A	193,367
Total Assistance - U.S. Department of Agriculture			<u>1,293,740</u>
<b><u>U.S. Department of Homeland Security</u></b>			
Passed through the United Way - Cumberland County Emergency Food & Shelter Local Board Emergency Food and Shelter National Board Program-Phase 38	97.024	LRO ID: 637200-002	9,927
Passed through the United Way Worldwide - Emergency Food and Shelter Program Emergency Food and Shelter National Board Program-Phase CARES-Craven County	97.024COVID	LRO ID: 637000-003	49,820
Emergency Food and Shelter National Board Program-Phase CARES-Carteret County	97.024COVID	LRO ID: 635200-010	3,749
Emergency Food and Shelter National Board Program-Phase CARES-Wake County	97.024COVID	LRO ID: 652000-008	25,221
Emergency Food and Shelter National Board Program-Phase 37	97.024	LRO ID: 652000-008	11,500
Emergency Food and Shelter National Board Program-Phase 38	97.024	LRO ID: 652000-008	5,827
Emergency Food and Shelter National Board Program-Phase CARES-Pender County	97.024COVID	LRO ID: 647800-001	4,189
Emergency Food and Shelter National Board Program-Phase 37	97.024	LRO ID: 647800-001	4,762
Emergency Food and Shelter National Board Program-Phase CARES-Pitt County	97.024COVID	LRO ID: 648400-031	5,000
Emergency Food and Shelter National Board Program-Phase 37	97.024	LRO ID: 648400-031	2,988
Emergency Food and Shelter National Board Program-Phase 38	97.024	LRO ID: 648400-031	2,990
Total Assistance - U.S. Department of Homeland Security			<u>125,973</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>			
Passed through Wake County, North Carolina Community Development Block Grants - COVID-19 - Rapid Rehousing Services	14.218COVID	EC00000000003348	55,405
Passed through the City of New Bern, North Carolina Community Development Block Grants - COVID-19 - Housing Assistance	14.218COVID	XXXX	23,438
			<u>78,843</u>
Passed through the City of Raleigh, North Carolina Emergency Solutions Grant - COVID-19 - Rapid Rehousing & Homelessness Prevention	14.231	0000000737	141,907
Total Assistance - U.S. Department of Housing and Urban Development			<u>220,750</u>
<b>Total Assistance - Federal Programs</b>			<u><u>\$ 1,640,463</u></u>

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

*YEAR ENDED JUNE 30, 2021*

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**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, 2021. 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 SEFA 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 assets 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.

**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, 2021.

**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 financial statements of Catholic Charities of the Diocese of Raleigh, Inc. ("Catholic Charities"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and we have issued our report thereon dated March 8, 2022.

**Internal Control over Financial Reporting**

In planning and performing our audit of the 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 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' 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' 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 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.

Charlotte, North Carolina  
March 8, 2022

## **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 (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, 2021. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its program.

### **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, 2021.



## 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.

The image shows a handwritten signature in black ink that reads "Cherry Bekaert LLP". The signature is written in a cursive, flowing style.

Charlotte, North Carolina  
March 8, 2022

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

YEAR ENDED JUNE 30, 2021

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**Section I—Summary of Auditor's Results**

*Financial Statement*

Type of auditor's report issued on whether the financial statements  
audited were prepared in accordance with U.S. GAAP: *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:

**Federal Assistance Listing #**  
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?   X   yes    \_\_\_\_\_ no

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

*YEAR ENDED JUNE 30, 2021*

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**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.