

CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC.

FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2024 and 2023

And Report of Independent Auditor

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Report of Independent Auditor

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

Opinion

We have audited the accompanying financial statements of Catholic Charities of the Diocese of Raleigh, Inc. ("Catholic Charities"), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catholic Charities as of June 30, 2024 and 2023 and changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Catholic Charities and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Catholic Charities' ability to continue as a going concern within one year of after the date the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Catholic Charities' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Catholic Charities' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Cherry Bekaert LLP

Raleigh, North Carolina
January 28, 2025

CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC.
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2024 AND 2023

	2024	2023
ASSETS:		
Cash	\$ 1,256,648	\$ 1,225,278
Diocesan savings	4,821,494	4,702,411
Certificate of deposit and other savings	634,570	620,813
Beneficial interests in endowments held by the Foundation of the Roman Catholic Diocese of Raleigh, Inc.	3,442,965	3,236,700
Contributions receivable, net	872,717	394,864
Accounts receivable	452,405	396,868
Prepaid expenses	37,359	12,440
Inventory	443,979	717,039
Right-of-use operating lease assets, net	1,083,111	1,440,709
Right-of-use finance lease assets, net	629,525	695,791
Property and equipment, net	1,080,448	1,018,760
Security deposits	32,889	32,889
Total Assets	\$ 14,788,110	\$ 14,494,562
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and other liabilities	\$ 436,358	\$ 907,592
Lease liability - operating	1,203,333	1,559,908
Lease liability - finance	659,379	706,477
Total Liabilities	2,299,070	3,173,977
Net Assets:		
Without Donor Restrictions:		
Designated	5,616,532	4,269,665
Undesignated	4,458,755	4,879,864
Total Without Donor Restrictions	10,075,287	9,149,529
With Donor Restrictions:		
Restricted in perpetuity - endowment	59,927	54,689
Restricted subject to Foundation's endowment spending policy	460,536	564,536
Time-restricted for future periods	872,717	394,864
Program restrictions	1,020,573	1,156,967
Total With Donor Restrictions	2,413,753	2,171,056
Total Net Assets	12,489,040	11,320,585
Total Liabilities and Net Assets	\$ 14,788,110	\$ 14,494,562

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

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

YEAR ENDED JUNE 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Contributions of Cash and Other Financial Assets:			
Diocese of Raleigh allocations	\$ 1,846,041	\$ -	\$ 1,846,041
Grants revenue	1,399,850	103,012	1,502,862
Emergency Food Shelter Program/FEMA	103,521	-	103,521
Gifts and bequests	1,414,061	924,373	2,338,434
	<u>4,763,473</u>	<u>1,027,385</u>	<u>5,790,858</u>
Contributions of Nonfinancial Assets:			
Federal commodities revenue	579,529	-	579,529
Donated materials and equipment	4,190,115	-	4,190,115
Donated occupancy	8,600	-	8,600
	<u>4,778,244</u>	<u>-</u>	<u>4,778,244</u>
Program service fees	2,947,047	-	2,947,047
Special events	695,332	-	695,332
Investment return, net	132,839	-	132,839
Other income	50,746	-	50,746
	<u>13,367,681</u>	<u>1,027,385</u>	<u>14,395,066</u>
Total Support and Revenue Before Release of Restrictions			
	<u>13,367,681</u>	<u>1,027,385</u>	<u>14,395,066</u>
Net Assets Released from Restrictions:			
Appropriation from donor endowment and subsequent satisfaction of any related donor restrictions	104,000	(104,000)	-
Satisfaction of program restrictions	685,926	(685,926)	-
	<u>789,926</u>	<u>(789,926)</u>	<u>-</u>
Net Assets Released from Restrictions			
	<u>789,926</u>	<u>(789,926)</u>	<u>-</u>
Total Support and Revenue After Release of Restrictions			
	<u>14,157,607</u>	<u>237,459</u>	<u>14,395,066</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 ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)

YEAR ENDED JUNE 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Expenses:			
Program Services:			
Immigration services	\$ 423,521	\$ -	\$ 423,521
Disaster response	398,512	-	398,512
Counseling services	224,552	-	224,552
Food and basic needs assistance	9,584,081	-	9,584,081
Case management	600,116	-	600,116
Smart Start Wake	177,615	-	177,615
Total Program Services	11,408,397	-	11,408,397
Support Services:			
Administrative	1,681,920	-	1,681,920
Fundraising	446,559	-	446,559
Total Support Services	2,128,479	-	2,128,479
Total Expenses	13,536,876	-	13,536,876
Increase in Net Assets from Operations	620,731	237,459	858,190
Change in beneficial interests in endowments held by Foundation of the Roman Catholic Diocese of Raleigh, Inc.	305,027	5,238	310,265
Change in net assets	925,758	242,697	1,168,455
Net assets, beginning of year	9,149,529	2,171,056	11,320,585
Net assets, end of year	\$ 10,075,287	\$ 2,413,753	\$ 12,489,040

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

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

YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Contributions of Cash and Other Financial Assets:			
Diocese of Raleigh allocations	\$ 1,700,779	\$ -	\$ 1,700,779
Grants revenue	2,064,348	583,067	2,647,415
Emergency Food Shelter Program/FEMA	215,694	-	215,694
Gifts and bequests	1,659,494	570,865	2,230,359
	<u>5,640,315</u>	<u>1,153,932</u>	<u>6,794,247</u>
Contributions of Nonfinancial Assets:			
Federal commodities revenue	381,527	-	381,527
Donated materials	3,194,192	-	3,194,192
Donated occupancy	8,600	-	8,600
	<u>3,584,319</u>	<u>-</u>	<u>3,584,319</u>
Program service fees	1,258,001	-	1,258,001
Special events	918,266	-	918,266
Investment return, net	52,996	-	52,996
	<u>11,453,897</u>	<u>1,153,932</u>	<u>12,607,829</u>
Total Support and Revenue Before Release of Restrictions			
	<u>11,453,897</u>	<u>1,153,932</u>	<u>12,607,829</u>
Net Assets Released from Restrictions:			
Appropriation from donor endowment and subsequent satisfaction of any related donor restrictions	108,000	(108,000)	-
Expirations of time restrictions	400,000	(400,000)	-
Satisfaction of program restrictions	617,170	(617,170)	-
	<u>1,125,170</u>	<u>(1,125,170)</u>	<u>-</u>
Net Assets Released from Restrictions			
	<u>1,125,170</u>	<u>(1,125,170)</u>	<u>-</u>
Total Support and Revenue After Release of Restrictions			
	<u>12,579,067</u>	<u>28,762</u>	<u>12,607,829</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 ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)

YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Expenses:			
Program Services:			
Immigration services	\$ 415,139	\$ -	\$ 415,139
Disaster response	668,595	-	668,595
Counseling services	145,319	-	145,319
Food and basic needs assistance	7,451,509	-	7,451,509
Case management	580,285	-	580,285
Smart Start Wake	163,733	-	163,733
Total Program Services	9,424,580	-	9,424,580
Support Services:			
Administrative	1,512,972	-	1,512,972
Fundraising	453,313	-	453,313
Total Support Services	1,966,285	-	1,966,285
Total Expenses	11,390,865	-	11,390,865
Increase in Net Assets from Operations	1,188,202	28,762	1,216,964
Change in beneficial interests in endowments held by Foundation of the Roman Catholic Diocese of Raleigh, Inc.	205,489	3,311	208,800
Change in net assets	1,393,691	32,073	1,425,764
Net assets, beginning of year	7,755,838	2,138,983	9,894,821
Net assets, end of year	\$ 9,149,529	\$ 2,171,056	\$ 11,320,585

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

YEAR ENDED JUNE 30, 2024

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

YEAR ENDED JUNE 30, 2023

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

CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC.
STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
Cash flows from operating activities:		
Cash received from grantors, donors and clients	\$ 9,460,492	\$ 9,128,560
Cash paid to suppliers and employees	(9,051,612)	(7,252,693)
Net cash flows from operating activities	408,880	1,875,867
Cash flows from investing activities:		
Purchase of fixed assets	(197,572)	(330,039)
Net cash flows from investing activities	(197,572)	(330,039)
Cash flows from financing activities:		
Principal payments on finance leases	(47,098)	(18,676)
Net cash flows from financing activities	(47,098)	(18,676)
Change in cash and cash equivalents	164,210	1,527,152
Cash and cash equivalents, beginning of year	6,548,502	5,021,350
Cash and cash equivalents, end of year	\$ 6,712,712	\$ 6,548,502
Summarized data:		
Cash	\$ 1,256,648	\$ 1,225,278
Diocesan savings	4,821,494	4,702,411
Certificate of deposit and other savings	634,570	620,813
	\$ 6,712,712	\$ 6,548,502
Supplemental disclosure of cash flow information:		
Donated occupancy costs	\$ 8,600	\$ 8,600
Donated program supplies and materials	\$ 4,762,646	\$ 3,575,719
Donated equipment	\$ 6,998	\$ -
Right-of-use assets obtained in exchange for new finance lease liabilities	\$ -	\$ 722,929
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 12,643	\$ 1,035,221

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

CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 1—Description of the organization

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

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 June 2016, Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-13, *Financial Instruments – Credit Losses (Topic 326) on Measurement of Credit Losses on Financial Instruments* (“ASC 326”). The main objective of this update is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in this update replace the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Catholic Charities adopted the standard using the modified retrospective method for all financial assets measured at amortized cost. Results for reporting periods beginning after July 1, 2023, are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable U.S. GAAP. This ASU does not have a significant impact on the financial statements as of July 1, 2023, and no prior period adjustment for the cumulative effect of a change in accounting principle has been recorded.

CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 2—Summary of significant accounting policies (continued)

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 statements of activities and changes in net assets.

Leases – Catholic Charities determines if an arrangement is or contains a lease at inception. All leases are recorded on the statements of financial position except for leases with an initial term less than 12 months for which Catholic Charities made the short-term lease election. Therefore, Catholic Charities' short-term lease expense for the period does not reflect the ongoing short-term lease commitments. Right-of-use ("ROU") operating lease assets and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term discounted using a risk-free borrowing rate. ROU assets also include adjustments related to lease payments made and lease incentives received at or before the commencement date. ROU finance lease assets are amortized on a straight-line basis over the life of the lease, or if the lease transfers ownership, over the useful life of the lease asset. At lease commencement, finance lease liabilities are recognized based on the present value of the remaining lease payments and discounted using a risk-free borrowing rate. Operating lease cost is recognized on a straight-line basis over the lease term and reported as rent expense within the statements of functional expenses. Lease terms may include options to extend or terminate the lease when it is reasonably certain the Catholic Charities will exercise that option. As a result of implementing this ASU during the year ended June 30, 2023, Catholic Charities recognized right-of use assets of \$614,554 and lease liabilities of \$741,221 related to leases in its statement of financial position as of July 1, 2022. The adoption did not result in a significant effect on the amounts reported in the statement of activities or cash flows for the year ended June 30, 2023.

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. Property and equipment are reviewed for impairment if the use of the asset significantly changes, or another indicator of possible impairment is noted. If the carrying amount for the asset is not recoverable, the value is written down to the asset's fair value. There was no indication of the need for review of impairment noted as of June 30, 2024 or 2023.

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.

CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

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 contributions receivable 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. No allowance was considered necessary as of June 30, 2024 or 2023. Contributions receivable are net of a discount of \$102,539 and \$57,536 as of June 30, 2024 and 2023, respectively.

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, 2024 and 2023, promises to give of \$62,625 and \$35,400, respectively, have not been recognized in the accompanying statements 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 \$149,112 and \$753,555 that have not been recognized as of June 30, 2024 and 2023, respectively, 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 financial statements. The amounts of these intentions to give is indeterminable.

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 fees, counseling fees, and the Healthy Opportunities Pilot program. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 2—Summary of significant accounting policies (continued)

Additionally, Catholic Charities derives a portion of their revenue from program fees charged for services provided to eligible Medicaid recipients under the Healthy Opportunities Pilot Program, a pilot program administered on behalf of the North Carolina Department of Health and Human Services to test the impact of providing evidence-based, non-medical interventions to high-need Medicaid recipients through North Carolina's Medicaid Managed Care program. The transaction prices are defined in the terms of the contract based on the nature of the service provided and are billed and collected after the food boxes are delivered or performance of services are rendered, with revenue recorded once it is earned.

The timing of revenue recognition, billings and cash collections results in billed accounts receivable, and deferred revenue on the statements of financial position. As of June 30, 2024 and 2023, total accounts receivable were \$322,408 and \$101,976, respectively, and there were no deferred revenues. The opening balances of accounts receivable and deferred revenue were \$9,894 and \$-0- respectively, as of July 1, 2022.

In accordance with ASC 326 *Financial Instruments – Credit Losses*, Catholic Charities makes ongoing estimates relating to the collectability of accounts receivable and records an allowance of estimated losses expected from the inability of its customers to make required payments. Catholic Charities establishes expected credit losses by evaluating historical levels of credit losses, current economic conditions that may affect a customer's ability to pay, and the creditworthiness of significant customers. These inputs are used to determine a range of expected credit losses and an allowance is recorded within the range. Accounts receivable are written off when there is no reasonable expectation of recovery. As of June 30, 2024 and 2023, no allowance for estimated losses was deemed necessary.

Compensated Absences – Employees are permitted to carry over up to five days of vacation time earned. As of June 30, 2024 and 2023, Catholic Charities had \$48,057 and \$45,847, respectively, accrued for compensated absences. Compensated absences are included with accounts payable and other liabilities on the statements 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.

Expense Recognition and Allocation – The cost of providing Catholic Charities' programs and other activities is summarized on a functional basis in the statements 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.

Expense Type

Salaries and benefits
Supplies and maintenance
Depreciation and amortization
Printing and postage
Professional services
Occupancy expenses
Travel and training
Other program expenses
Other

Method of Allocation

Time and effort
Percentage of usage
Directly charged or square footage
Percentage of usage
Time and effort
Square footage
Time and effort
Time and effort
Time and effort

CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 2—Summary of significant accounting policies (continued)

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 Catholic Charities continues to satisfy the requirements of a tax-exempt organization at June 30, 2024 and 2023. 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, 2024 or 2023. 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.

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 ended 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 are reported at fair value in the statements of financial position with changes in fair value recognized in the statements of activities and changes in net assets. As of June 30, 2024, the endowment fund had a value of \$3,442,965, of which \$520,463 is reported in net assets with donor restrictions and \$2,922,502 is reported as board-designated net assets. As of June 30, 2023, the endowment fund had a value of \$3,236,700, of which \$619,225 is reported in net assets with donor restrictions and \$2,617,475 is reported as board-designated net assets.

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

JUNE 30, 2024 AND 2023

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 statements of financial position as of June 30, are as follows:

	2024	2023
Cash	\$ 1,256,648	\$ 1,225,278
Diocesan savings	4,821,494	4,702,411
Certificate of deposit and other savings	634,570	620,813
Beneficial interests in endowments held by the Foundation of the Roman Catholic Diocese of Raleigh, Inc.	3,442,965	3,236,700
Contributions receivable, net	872,717	394,864
Accounts receivable	452,405	396,868
Total financial assets	11,480,799	10,576,934
Less:		
Contractual, donor-imposed or time restrictions making financial assets unavailable for general expenditure	(2,413,753)	(2,171,056)
Amounts designated by the Catholic Charities Board of Directors as an operating reserve	(1,694,030)	(1,652,190)
Amounts designated by the Catholic Charities Board of Directors for the benefit of the Nourishing our Neighbors campaign	(1,000,000)	-
Quasi-endowment fund, designated by the Board of Directors primarily for long term investing	(2,058,339)	(1,828,840)
Quasi-endowment fund, designated by the Board of Directors primarily for operating reserve	(864,163)	(788,635)
Total liquid financial assets available	\$ 3,450,514	\$ 4,136,213

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Catholic Charities considers all expenditures related to its ongoing activities of Catholic Charities as well as the services undertaken to support those activities to be general expenditures.

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 Catholic Charities' 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, 2024 AND 2023

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, 2024 and 2023, Catholic Charities had balances in excess of FDIC limits of \$932,054 and \$967,443, respectively. 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, net

During the year ended June 30, 2023, Catholic Charities began the Nourishing Our Neighbors campaign, a capacity building program to upgrade food services to be more accessible, educational, and sustainable with the ultimate goal of reducing the effects of poverty for families experiencing food insecurity. In connection with the campaign, Catholic Charities has received unconditional promises to give. The promises to give are generally payable over five years and were recorded at the present value of their estimated cash flows.

The following net unconditional promises to give were outstanding as of June 30:

	<u>2024</u>	<u>2023</u>
Gross contributions receivable - Nourishing our Neighbors Campaign:		
Contributions receivable in less than one year	\$ 270,202	\$ 104,500
Contributions receivable in one to five years	705,054	347,900
Less discount for present value of contributions receivable	<u>(102,539)</u>	<u>(57,536)</u>
Contributions receivable, net	<u>\$ 872,717</u>	<u>\$ 394,864</u>

Discount rates for present value of contributions receivable ranged from 3.84% to 4.67% as of June 30, 2024, and 3.84% to 4.87% as of June 30, 2023.

Additionally, as of June 30, 2024, four donors comprised approximately 61.3% of the balance of contributions receivable. As of June 30, 2023, three donors comprised approximately 99.4% of contributions receivable.

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

JUNE 30, 2024 AND 2023

Note 7—Accounts receivable

Accounts receivable are as follows as of June 30:

	2024	2023
Grants receivable:		
City of Raleigh, NC	\$ 22,427	\$ -
City of New Bern, NC	1,516	7,340
United Way	66,963	65,376
Healthy Opportunities Capacity Grant	-	181,103
Other	14,570	1,000
Total grants receivable	105,476	254,819
Accounts receivable	332,118	118,129
Sales taxes receivable	14,811	23,920
	<u>\$ 452,405</u>	<u>\$ 396,868</u>

Note 8—Inventory

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

	2024	2023
Donated and purchased groceries	\$ 327,763	\$ 593,097
Donated clothing and household goods	116,216	123,942
	<u>\$ 443,979</u>	<u>\$ 717,039</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 OF THE DIOCESE OF RALEIGH, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 9—Fair value measurements (continued)

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

2024				
	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	\$ 3,442,965	\$ -	\$ -	\$ 3,442,965
2023				
	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	\$ 3,236,700	\$ -	\$ -	\$ 3,236,700

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 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 years ended June 30, 2024 or 2023.

The table below sets forth a summary of changes in the fair value of Level 3 assets for the years ended June 30:

	2024	2023
	Beneficial Interests in Endowments Held by the Foundation	Beneficial Interests in Endowments Held by the Foundation
Balance, beginning of the year	\$ 3,236,700	\$ 3,135,900
Investment return, net	310,265	208,800
Distributions	(104,000)	(108,000)
Balance, ending of the year	\$ 3,442,965	\$ 3,236,700

CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 10—Funds functioning as endowment

Classified in the statements 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.

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 10-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.

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

JUNE 30, 2024 AND 2023

Note 10—Funds functioning as endowment (continued)

Spending Policy – Catholic Charities’ policy is that the annual income distribution available from endowment funds is a maximum of 4.00% for the fiscal years ended June 30, 2024 and 2023, of the 12-quarter average fair value of the endowment, measured as of the calendar quarter end dates for the previous 12 quarters.

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

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Original donor-restricted gifts required to be maintained in perpetuity	\$ -	\$ 49,822	\$ 49,822
Accumulated investment gains	-	10,105	10,105
Donor-restricted term endowment funds	-	460,536	460,536
Board-designated endowment	2,922,502	-	2,922,502
	<u>\$ 2,922,502</u>	<u>\$ 520,463</u>	<u>\$ 3,442,965</u>
	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Original donor-restricted gifts required to be maintained in perpetuity	\$ -	\$ 49,822	\$ 49,822
Accumulated investment gains	-	4,867	4,867
Donor-restricted term endowment funds	-	564,536	564,536
Board-designated endowment	2,617,475	-	2,617,475
	<u>\$ 2,617,475</u>	<u>\$ 619,225</u>	<u>\$ 3,236,700</u>

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

JUNE 30, 2024 AND 2023

Note 10—Funds functioning as endowment (continued)

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

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment beginning of year	\$ 2,617,475	\$ 619,225	\$ 3,236,700
Net investment gains	305,027	5,238	310,265
Amounts expended	-	(104,000)	(104,000)
	<u>\$ 2,922,502</u>	<u>\$ 520,463</u>	<u>\$ 3,442,965</u>
	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment beginning of year	\$ 2,411,986	\$ 723,914	\$ 3,135,900
Net investment gains	205,489	3,311	208,800
Amounts expended	-	(108,000)	(108,000)
	<u>\$ 2,617,475</u>	<u>\$ 619,225</u>	<u>\$ 3,236,700</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 statements of activities and changes in net assets.

Note 11—Property and equipment

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

	2024	2023
Leasehold improvements	\$ 871,765	\$ 848,041
Computers and equipment	449,941	439,940
Furniture and fixtures	16,351	16,351
Vehicles	555,425	404,928
	1,893,482	1,709,260
Less accumulated depreciation	(813,034)	(690,500)
Property and equipment, net	<u>\$ 1,080,448</u>	<u>\$ 1,018,760</u>

Of total depreciation expense of \$142,882 for the year ended June 30, 2024, exclusive of amortization expense related to ROU financing lease assets, \$24,507 is reflected in support services expenses and \$118,375 is included in program services expenses. Of total depreciation expense of \$111,202 for the year ended June 30, 2023, exclusive of amortization expense related to ROU financing lease assets, \$25,711 is reflected in support services expenses and \$85,491 is included in program services expenses.

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

JUNE 30, 2024 AND 2023

Note 12—Net assets with donor restrictions

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

	<u>2024</u>	<u>2023</u>
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	\$ 59,927	\$ 54,689
Subject to appropriation and expenditure for a specific purpose restricted by donors for:		
Children and Family Programs	460,536	564,536
	<u>520,463</u>	<u>619,225</u>
Subject to the passage of time:		
Contributions receivable, the proceeds from which have been restricted by donors for:		
Nourishing Our Neighbors Campaign	872,717	394,864
Subject to expenditure for a specified purpose:		
Catholic Parish Outreach Food Pantry	14,493	14,493
Food Security	255,659	176,129
Disaster Response	426,857	535,125
Immigration Services	35,000	5,000
Capital expenditures	-	133,016
COVID-19 Relief Efforts	-	27,153
Use of the Fayetteville Office	-	5,250
Economic Self-Sufficiency Program	4,500	4,500
Assistance funded by the Endowment for the Poor	-	2,304
Kathleen Walsh Charitable Fund	61,378	66,288
Support Circle Program	146,643	124,014
Sustaining the Family Table	10,605	21,210
Senior Pharmacy	10,000	10,000
Other programs	55,438	32,485
	<u>1,020,573</u>	<u>1,156,967</u>
	<u>\$ 2,413,753</u>	<u>\$ 2,171,056</u>

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

JUNE 30, 2024 AND 2023

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:

	<u>2024</u>	<u>2023</u>
Assets designated to function as an endowment subject to appropriation and expenditure for a specific purpose:		
For the benefit of:		
Long-term investing	\$ 2,058,339	\$ 1,828,840
Operating reserves	864,163	788,635
	<u>2,922,502</u>	<u>2,617,475</u>
Board designated for other purposes:		
Operating reserves	1,694,030	1,652,190
Nourishing Our Neighbors Campaign	1,000,000	-
	<u>2,694,030</u>	<u>1,652,190</u>
	<u>\$ 5,616,532</u>	<u>\$ 4,269,665</u>

Note 14—Governmental assistance

Catholic Charities recorded governmental revenues at a federal, state, county, and local level totaling \$1,373,150 and \$1,854,683 for the years ended June 30, 2024 and 2023, respectively, representing 9.54% and 14.71% of total revenues, respectively. Of these amounts, \$574,059 and \$381,527 represented federal commodities received during the years ended June 30, 2024 and 2023, respectively.

Note 15—Related party transactions

Catholic Charities maintains several savings accounts with the Diocese. Catholic Charities earned \$119,082 and \$45,783 in interest on these accounts for the years ended June 30, 2024 and 2023, respectively. Catholic Charities had \$4,821,494 and \$4,702,411 invested in the accounts bearing an interest rate of 2.50% at June 30, 2024 and 2023, respectively.

In addition to interest, Catholic Charities received in support and revenue from the Diocese the amount of \$1,864,094 and \$1,732,142 during the years ended June 30, 2024 and 2023, respectively. This included \$1,846,041 and \$1,700,779 of allocations from the Bishop's Annual Appeal for the years ended June 30, 2024 and 2023, respectively. Catholic Charities incurred charges from the Diocese of \$106,864 and \$125,726 for rent, accounting, and other fiscal services during the years ended June 30, 2024 and 2023, respectively. Included in accounts payable and other liabilities on the accompanying statements of financial position is \$64,100 and \$63,619 of amounts payable to the Diocese as of June 30, 2024 and 2023, respectively.

Catholic Charities holds a position on the board of Oak City Cares, Inc. ("Oak City Cares"), a nonprofit 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 the years ended June 30, 2024 and 2023, there were no financial transactions between the two entities.

CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

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 Lay Plan becomes fully vested after five years of eligible service. The Lay Plan was amended during the year ended June 30, 2024 to allow eligible participants a one-time opportunity for a special lump sum benefit in lieu of and in full satisfaction of the participant's accrued benefit provided under the Plan. To take advantage of the special lump sum benefit, eligible participants were required to make an election to do so between February 20, 2024 and April 5, 2024, and payments were made on or about May 1, 2024. 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.

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 \$122,222 and \$102,233 to the Lay Plan for the years ended June 30, 2024 and 2023, respectively, which represented approximately 4.98% and 4.36%, respectively, 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 pension obligations under the Lay Plan are met. In the event individual employers of the Lay Plan are unable to make their required contributions, the obligations would be reallocated to the remaining contributing units.

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

JUNE 30, 2024 AND 2023

Note 16—Defined benefit pension plan (continued)

	As of January 1, 2024	As of January 1, 2023
Market value of plan assets	\$ 38,032,849	\$ 34,199,637
Present value of accrued plan benefits	38,401,178	38,982,944
Percent funded	99.0%	87.7%
Total contributions to the plan	2,452,204	2,343,549
Total employees covered under the plan	1,188	1,200
Discount rate used to value the plan liability	6.50%	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 years ended June 30, 2024 and 2023, 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 years ended June 30, 2024 and 2023, contributions to the 403(b) Plan totaled \$200,342 and \$176,373, respectively.

Note 18—Leases

As a lessee, Catholic Charities leases various office and warehouse spaces under noncancelable operating leases with various expiration dates through 2028. Catholic Charities also leases office and warehouse space under a noncancelable financing lease expiring in 2033.

Lease expense:	2024	2023
Finance lease expense included in depreciation and amortization:		
Amortization of ROU assets	\$ 66,266	\$ 33,132
Interest on lease liabilities	25,741	13,523
Operating lease expense included in rent expenses	416,095	242,223
Short-term lease expense, of which \$8,600 in 2024 and 2023 are in-kind space donations	63,619	388,501
	<u>\$ 571,721</u>	<u>\$ 677,379</u>
Other information for the year ended June 30:	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	\$ 25,890	\$ 11,299
Financing cash flows from finance leases	47,098	18,676
Operating cash flows from operating leases	415,073	229,776

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

JUNE 30, 2024 AND 2023

Note 18—Leases (continued)

Supplemental statement of net position information related to leases:

	2024		2023	
	Finance	Operating	Finance	Operating
Right-of-use lease assets	\$ 728,923	\$ 1,789,086	\$ 728,923	\$ 1,776,443
Accumulated amortization	(99,398)	(705,975)	(33,132)	(335,734)
	<u>\$ 629,525</u>	<u>\$ 1,083,111</u>	<u>\$ 695,791</u>	<u>\$ 1,440,709</u>
Lease liabilities	<u>\$ 659,379</u>	<u>\$ 1,203,333</u>	<u>\$ 706,477</u>	<u>\$ 1,559,908</u>
Weighted-average remaining lease term in years	9.50 years	3.59 years	10.50 years	4.40 years
Weighted-average discount rate	3.79%	3.79%	3.79%	3.78%
<u>Maturity Analysis</u>			<u>Finance</u>	<u>Operating</u>
2025			\$ 74,660	\$ 395,256
2026			76,527	309,712
2027			78,440	309,616
2028			80,401	242,054
2029			82,411	29,814
Thereafter			396,813	-
Total undiscounted cash flows			789,252	1,286,452
Less present value discount			<u>(129,873)</u>	<u>(83,119)</u>
Total lease liabilities			<u>\$ 659,379</u>	<u>\$ 1,203,333</u>

Catholic Charities' rent expenses were \$479,714 and \$630,724 for the years ended June 30, 2024 and 2023, respectively. Of that amount, \$8,600 in each year represented the value of in-kind space donations to the organization.

CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC.
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Note 19—Contributed nonfinancial assets

Catholic Charities received the following contributions of nonfinancial assets for the years ended June 30:

2024				
Program or Supporting Service	Donated Groceries	Donated Clothing and Household Goods / Equipment	Donated Occupancy Costs	Total
Administrative	\$ -	\$ 6,998	\$ 3,600	\$ 10,598
Case management	-	-	5,000	5,000
Food and basic needs assistance	4,461,079	301,567	-	4,762,646
	<u>\$ 4,461,079</u>	<u>\$ 308,565</u>	<u>\$ 8,600</u>	<u>\$ 4,778,244</u>
2023				
Program or Supporting Service	Donated Groceries	Donated Clothing and Household Goods	Donated Occupancy Costs	Total
Administrative	\$ -	\$ -	\$ 3,600	\$ 3,600
Case management	-	-	5,000	5,000
Food and basic needs assistance	3,342,165	233,554	-	3,575,719
	<u>\$ 3,342,165</u>	<u>\$ 233,554</u>	<u>\$ 8,600</u>	<u>\$ 3,584,319</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 \$1.97 and \$1.93 per pound as of June 30, 2024 and 2023, respectively, 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 years ended June 30, 2024 and 2023, Catholic Charities made disbursements of \$5,035,705 and \$3,625,045, respectively.

Catholic Charities' primary facility for the receipt and subsequent distribution of donated groceries is Catholic Parish Outreach. Catholic Parish Outreach received and distributed approximately 846 and 602 tons of donated groceries during the years ended June 30, 2024 and 2023, respectively.

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.

During the year ended June 30, 2024, Catholic Charities received two copy machines used for its supporting services. Catholic Charities recognized in-kind contribution revenue and capitalized the copy machines over their estimated useful lives. The value of the equipment donated was estimated based on comparisons of prices of similar equipment publicly available.

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Note 20—Subsequent events

Catholic Charities has evaluated subsequent events for disclosure and recognition through January 28, 2025, the date on which these financial statements were available to be issued.