

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

FINANCIAL STATEMENTS AND COMPLIANCE

As of and for the Years Ended June 30, 2025 and 2024

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.
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, 2025 and 2024, 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, 2025 and 2024 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 and *Government 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 and *Government 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and are 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 schedule of expenditures of federal awards 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 February 5, 2026, on our consideration of 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.

Cherry Bekaert LLP

Raleigh, North Carolina
February 5, 2026

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

JUNE 30, 2025 AND 2024

	2025	2024
ASSETS:		
Cash	\$ 2,034,778	\$ 1,256,648
Diocesan savings	6,285,578	4,821,494
Certificate of deposit and other savings	654,811	634,570
Beneficial interests in endowments held by the Foundation of the Roman Catholic Diocese of Raleigh, Inc.	4,031,501	3,442,965
Contributions receivable, net	570,073	872,717
Accounts receivable	772,322	452,405
Prepaid expenses	54,977	37,359
Inventory	512,858	443,979
Right-of-use operating lease assets, net	863,943	1,083,111
Right-of-use finance lease assets, net	563,259	629,525
Property and equipment, net	1,376,116	1,080,448
Security deposits	32,889	32,889
Total Assets	\$ 17,753,105	\$ 14,788,110
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and other liabilities	\$ 495,903	\$ 436,358
Lease liability - operating	973,917	1,203,333
Lease liability - finance	608,606	659,379
Total Liabilities	2,078,426	2,299,070
Net Assets:		
Without Donor Restrictions:		
Designated	6,381,129	5,616,532
Undesignated	6,531,193	4,458,755
Total Without Donor Restrictions	12,912,322	10,075,287
With Donor Restrictions:		
Restricted in perpetuity - endowment	66,577	59,927
Restricted subject to Foundation's endowment spending policy	634,944	460,536
Time-restricted for future periods	570,073	872,717
Program restrictions	1,490,763	1,020,573
Total With Donor Restrictions	2,762,357	2,413,753
Total Net Assets	15,674,679	12,489,040
Total Liabilities and Net Assets	\$ 17,753,105	\$ 14,788,110

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, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Contributions of Cash and Other Financial Assets:			
Diocese of Raleigh allocations	\$ 1,999,250	\$ -	\$ 1,999,250
Grants revenue	1,081,139	581,140	1,662,279
Emergency Food Shelter Program/FEMA	95,329	-	95,329
Gifts and bequests	1,603,327	276,844	1,880,171
	<u>4,779,045</u>	<u>857,984</u>	<u>5,637,029</u>
Contributions of Nonfinancial Assets:			
Federal commodities revenue	973,678	-	973,678
Donated materials	6,893,145	-	6,893,145
Donated occupancy	8,600	-	8,600
	<u>7,875,423</u>	<u>-</u>	<u>7,875,423</u>
Program service fees	5,803,730	-	5,803,730
Special events	1,236,918	-	1,236,918
Investment return, net	184,326	-	184,326
Loss on disposal of property and equipment	(36,711)	-	(36,711)
Other income	10,468	-	10,468
Total Support and Revenue Before Release of Restrictions	<u>19,853,199</u>	<u>857,984</u>	<u>20,711,183</u>
Net Assets Released from Restrictions:			
Appropriation from donor endowment and subsequent satisfaction of any related donor restrictions	137,605	(137,605)	-
Satisfaction of program restrictions	690,438	(690,438)	-
Net Assets Released from Restrictions	<u>828,043</u>	<u>(828,043)</u>	<u>-</u>
Total Support and Revenue After Release of Restrictions	<u>20,681,242</u>	<u>29,941</u>	<u>20,711,183</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, 2025

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Expenses:			
Program Services:			
Immigration services	\$ 436,953	\$ -	\$ 436,953
Disaster response	424,562	-	424,562
Counseling services	163,735	-	163,735
Food and basic needs assistance	13,919,897	-	13,919,897
Case management	536,007	-	536,007
Smart Start Wake	178,526	-	178,526
Total Program Services	<u>15,659,680</u>	<u>-</u>	<u>15,659,680</u>
Support Services:			
Administrative	1,769,254	-	1,769,254
Fundraising	822,751	-	822,751
Total Support Services	<u>2,592,005</u>	<u>-</u>	<u>2,592,005</u>
Total Expenses	<u>18,251,685</u>	<u>-</u>	<u>18,251,685</u>
Increase in			
Net Assets from Operations	<u>2,429,557</u>	<u>29,941</u>	<u>2,459,498</u>
Change in beneficial interests in endowments held by Foundation of the Roman Catholic Diocese of Raleigh, Inc.	<u>407,478</u>	<u>318,663</u>	<u>726,141</u>
Change in net assets	2,837,035	348,604	3,185,639
Net assets, beginning of year	<u>10,075,287</u>	<u>2,413,753</u>	<u>12,489,040</u>
Net assets, end of year	<u>\$ 12,912,322</u>	<u>\$ 2,762,357</u>	<u>\$ 15,674,679</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

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
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)	-
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	<u>11,408,397</u>	<u>-</u>	<u>11,408,397</u>
Support Services:			
Administrative	1,681,920	-	1,681,920
Fundraising	446,559	-	446,559
Total Support Services	<u>2,128,479</u>	<u>-</u>	<u>2,128,479</u>
Total Expenses	<u>13,536,876</u>	<u>-</u>	<u>13,536,876</u>
Increase in Net Assets from Operations	<u>620,731</u>	<u>237,459</u>	<u>858,190</u>
Change in beneficial interests in endowments held by Foundation of the Roman Catholic Diocese of Raleigh, Inc.	<u>305,027</u>	<u>5,238</u>	<u>310,265</u>
Change in net assets	925,758	242,697	1,168,455
Net assets, beginning of year	<u>9,149,529</u>	<u>2,171,056</u>	<u>11,320,585</u>
Net assets, end of year	<u>\$ 10,075,287</u>	<u>\$ 2,413,753</u>	<u>\$ 12,489,040</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 FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2025

	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	\$ 372,630	\$ 228,362	\$ 105,849	\$ 2,137,707	\$ 412,829	\$ 162,617	\$ 1,315,788	\$ 340,968	\$ 5,076,750
Equipment and supplies	2,140	4,710	1,446	62,978	921	-	5,523	81	77,799
Depreciation and amortization	1,119	15,381	-	183,658	952	-	32,823	483	234,416
Repairs and maintenance	1,813	4,312	179	134,164	10,883	2,200	5,739	-	159,290
Telephone	-	1,945	1,318	29,290	9,255	-	10,078	-	51,886
Utilities	-	3,210	-	49,644	6,063	1,200	6,672	-	66,789
Rent	23,385	9,240	14,587	343,263	42,835	11,784	53,891	1,000	499,985
Auto and travel	7,753	28,079	45	61,876	3,030	134	23,374	2,019	126,310
Postage and printing	5,952	673	104	4,091	257	-	22,907	-	33,984
Conferences and meetings	2,356	738	100	2,017	280	-	13,229	-	18,720
Dues and subscriptions	1,700	-	2,740	3,270	151	160	35,917	7,842	51,780
Program expenses	17,317	120,364	36,794	10,840,903	45,492	431	4,599	-	11,065,900
Professional services	623	46	573	8,068	993	-	200,348	69,042	279,693
Other	165	7,502	-	58,968	2,066	-	38,366	401,316	508,383
	<u>\$ 436,953</u>	<u>\$ 424,562</u>	<u>\$ 163,735</u>	<u>\$ 13,919,897</u>	<u>\$ 536,007</u>	<u>\$ 178,526</u>	<u>\$ 1,769,254</u>	<u>\$ 822,751</u>	<u>\$ 18,251,685</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 FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2024

	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	\$ 359,050	\$ 172,068	\$ 167,219	\$ 1,686,294	\$ 450,149	\$ 161,479	\$ 1,200,827	\$ 256,835	\$ 4,453,921
Equipment and supplies	2,356	7,044	540	50,270	1,284	-	9,471	-	70,965
Depreciation and amortization	735	14,123	-	155,794	7,362	-	31,030	104	209,148
Repairs and maintenance	1,647	6,562	166	128,781	10,437	2,200	5,859	-	155,652
Telephone	-	2,023	1,633	39,999	16,249	-	12,111	-	72,015
Utilities	-	4,487	-	47,458	5,131	1,200	5,397	-	63,673
Rent	25,678	9,240	15,106	328,852	44,075	12,236	43,567	960	479,714
Auto and travel	3,734	16,875	507	44,073	4,457	39	18,151	892	88,728
Postage and printing	6,121	1,781	185	6,864	465	-	14,530	1,331	31,277
Conferences and meetings	4,812	4,566	-	6,646	902	-	11,003	-	27,929
Dues and subscriptions	1,200	100	1,870	1,455	280	-	28,830	2,628	36,363
Program expenses	17,764	157,105	36,806	7,037,406	54,353	461	54,463	-	7,358,358
Professional services	70	-	520	4,167	1,069	-	215,564	68,759	290,149
Other	354	2,538	-	46,022	3,903	-	31,117	115,050	198,984
	<u>\$ 423,521</u>	<u>\$ 398,512</u>	<u>\$ 224,552</u>	<u>\$ 9,584,081</u>	<u>\$ 600,116</u>	<u>\$ 177,615</u>	<u>\$ 1,681,920</u>	<u>\$ 446,559</u>	<u>\$ 13,536,876</u>

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, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Cash received from grantors, donors and clients	\$ 12,923,924	\$ 9,460,492
Cash paid to suppliers and employees	(10,110,167)	(9,051,612)
Net cash flows from operating activities	<u>2,813,757</u>	<u>408,880</u>
Cash flows from investing activities:		
Purchase of fixed assets	(500,529)	(197,572)
Net cash flows from investing activities	<u>(500,529)</u>	<u>(197,572)</u>
Cash flows from financing activities:		
Principal payments on finance leases	(50,773)	(47,098)
Net cash flows from financing activities	<u>(50,773)</u>	<u>(47,098)</u>
Change in cash and cash equivalents	2,262,455	164,210
Cash and cash equivalents, beginning of year	6,712,712	6,548,502
Cash and cash equivalents, end of year	<u>\$ 8,975,167</u>	<u>\$ 6,712,712</u>
Summarized data:		
Cash	\$ 2,034,778	\$ 1,256,648
Diocesan savings	6,285,578	4,821,494
Certificate of deposit and other savings	654,811	634,570
	<u>\$ 8,975,167</u>	<u>\$ 6,712,712</u>
Supplemental disclosure of cash flow information:		
Donated occupancy costs	\$ 8,600	\$ 8,600
Donated program supplies and materials	\$ 7,866,823	\$ 4,762,646
Donated equipment	\$ -	\$ 6,998
Loss on disposal of property and equipment	\$ 36,711	\$ -
Right-of-use assets obtained in exchange for new operating lease liabilities	<u>\$ 138,265</u>	<u>\$ 12,643</u>

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, 2025 AND 2024

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.

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. Lease payments for short-term leases are recognized on a straight-line basis and reported as rent expense within the statements of functional expenses. 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.

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

JUNE 30, 2025 AND 2024

Note 2—Summary of significant accounting policies (continued)

Property and Equipment – Property and equipment, primarily consisting of leasehold improvements, office furniture, vehicles, 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, property and equipment 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, 2025 or 2024.

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 contributions receivable as well as the status of any significant past due accounts to determine if any balances are uncollectible. When management determines 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. An allowance of \$83,130 and \$-0- was considered necessary as of June 30, 2025 and 2024, respectively. As of July 1, 2023, an allowance was not considered necessary. Contributions receivable are net of a discount of \$55,681 and \$102,539 as of June 30, 2025 and 2024, 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, 2025 and 2024, promises to give of \$61,801 and \$62,625, 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 \$976,811 and \$149,112 that have not been recognized as of June 30, 2025 and 2024, respectively, because qualifying expenditures have not yet been incurred.

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

JUNE 30, 2025 AND 2024

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.

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.

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 on the statements of financial position. As of June 30, 2025 and 2024, total accounts receivable were \$594,720 and \$322,408, respectively, and there were no deferred revenues. The opening balances of accounts receivable and deferred revenue were \$101,976 and \$-0- respectively, as of July 1, 2023. Accounts receivable related to these revenue streams are included in accounts receivable.

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

JUNE 30, 2025 AND 2024

Note 2—Summary of significant accounting policies (continued)

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, 2025 and 2024, Catholic Charities considered any allowance for credit losses to be immaterial, and thus, none were recorded.

Compensated Absences – Employees are permitted to carry over up to five days of vacation time earned. As of June 30, 2025 and 2024, Catholic Charities had \$54,622 and \$48,057, 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.

<u>Expense Type</u>	<u>Method of Allocation</u>
Salaries and fringe benefits	Time and effort
Supplies and maintenance	Percentage of usage
Depreciation and amortization	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.

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

JUNE 30, 2025 AND 2024

Note 2—Summary of significant accounting policies (continued)

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, 2025 and 2024. 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, 2025 or 2024. 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. During the year ended June 30, 2025, two additional endowments were established for Catholic Charities' benefit by donors. The terms of one of the endowments, which was initially valued at \$280,764, granted variance power to the Foundation and specified distributions were to exhaust the endowment over an eight-year period. The terms of the second endowment, which was initially valued at \$30,000, requires distributions to Catholic Charities subject to the spending policy of the Foundation and did not grant variance power to the Foundation.

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, 2025, the endowment fund had a value of \$4,031,501, of which \$701,521 is reported in net assets with donor restrictions and \$3,329,980 is reported as board-designated 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.

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

JUNE 30, 2025 AND 2024

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:

	<u>2025</u>	<u>2024</u>
Cash	\$ 2,034,778	\$ 1,256,648
Diocesan savings	6,285,578	4,821,494
Certificate of deposit and other savings	654,811	634,570
Beneficial interests in endowments held by the Foundation of the Roman Catholic Diocese of Raleigh, Inc.	4,031,501	3,442,965
Contributions receivable, net	570,073	872,717
Accounts receivable	<u>772,322</u>	<u>452,405</u>
Total financial assets	14,349,063	11,480,799
Less:		
Contractual, donor-imposed or time restrictions making financial assets unavailable for general expenditure	(2,762,357)	(2,413,753)
Amounts designated by the Catholic Charities Board of Directors as an operating reserve	(2,051,149)	(1,694,030)
Amounts designated by the Catholic Charities Board of Directors for the benefit of the Nourishing our Neighbors campaign	(1,000,000)	(1,000,000)
Quasi-endowment fund, designated by the Board of Directors primarily for long term investing	(2,369,910)	(2,058,339)
Quasi-endowment fund, designated by the Board of Directors primarily for operating reserve	<u>(960,070)</u>	<u>(864,163)</u>
Total liquid financial assets available	<u>\$ 5,205,577</u>	<u>\$ 3,450,514</u>

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, 2025 AND 2024

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, 2025 and 2024, Catholic Charities had balances in excess of FDIC limits of \$1,874,738 and \$932,054, 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>2025</u>	<u>2024</u>
Gross contributions receivable - Nourishing our Neighbors Campaign:		
Contributions receivable in less than one year	\$ 274,532	\$ 270,202
Contributions receivable in one to five years	434,352	705,054
Less discount for present value of contributions receivable	(55,681)	(102,539)
Less allowance for doubtful contributions	(83,130)	-
Contributions receivable, net	<u>\$ 570,073</u>	<u>\$ 872,717</u>

Discount rates for present value of contributions receivable ranged from 3.68% to 4.67% as of June 30, 2025 and 2024.

Additionally, as of June 30, 2025, three donors comprised approximately 68.5% of the balance of contributions receivable. As of June 30, 2024, four donors comprised approximately 61.3% of contributions receivable.

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

JUNE 30, 2025 AND 2024

Note 7—Accounts receivable

Accounts receivable are as follows as of June 30:

	<u>2025</u>	<u>2024</u>
Grants receivable:		
Wake County, NC	\$ 5,030	\$ -
Brunswick County, NC	5,603	-
City of Raleigh, NC	-	22,427
City of New Bern, NC	-	1,516
United Way	42,393	66,963
Other	90,549	14,570
Total grants receivable	143,575	105,476
Accounts receivable	598,892	332,118
Sales taxes receivable	29,855	14,811
	<u>\$ 772,322</u>	<u>\$ 452,405</u>

Note 8—Inventory

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

	<u>2025</u>	<u>2024</u>
Donated and purchased groceries	\$ 342,065	\$ 327,763
Donated clothing and household goods	170,793	116,216
	<u>\$ 512,858</u>	<u>\$ 443,979</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, 2025 AND 2024

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, as of June 30:

2025				
	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	\$ 4,031,501	\$ -	\$ -	\$ 4,031,501
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

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, 2025 or 2024.

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

	2025	2024
	Beneficial Interests in Endowments Held by the Foundation	Beneficial Interests in Endowments Held by the Foundation
Balance, beginning of the year	\$ 3,442,965	\$ 3,236,700
Purchases/contributions of investments	310,769	-
Investment return, net	415,372	310,265
Distributions	(137,605)	(104,000)
Balance, end of the year	\$ 4,031,501	\$ 3,442,965

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

JUNE 30, 2025 AND 2024

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 six individual funds established primarily for children and family programs, long-term investing, operating reserves, for support of the Piedmont Region of Catholic Charities, and the immigration program. 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 six endowments.

Catholic Charities has two donor-restricted endowment funds 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, real assets, and alternative investments.

Spending Policy – Catholic Charities' policy is that the annual income distribution available from endowment funds is generally 4.00% for the fiscal years ended June 30, 2025 and 2024, of the 12-quarter average fair value of the endowments, measured as of the calendar quarter end dates for the previous 12 quarters preceding December 31st of each calendar year.

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

JUNE 30, 2025 AND 2024

Note 10—Funds functioning as endowment (continued)

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

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Original donor-restricted gifts required to be maintained in perpetuity	\$ -	\$ 49,822	\$ 49,822
Accumulated investment gains	-	16,755	16,755
Donor-restricted term endowment funds	-	634,944	634,944
Board-designated endowment	3,329,980	-	3,329,980
	<u>\$ 3,329,980</u>	<u>\$ 701,521</u>	<u>\$ 4,031,501</u>
	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>

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

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment beginning of year	\$ 2,922,502	\$ 520,463	\$ 3,442,965
Contributions	30,005	280,764	310,769
Net investment gains	377,473	37,899	415,372
Amounts expended	-	(137,605)	(137,605)
	<u>\$ 3,329,980</u>	<u>\$ 701,521</u>	<u>\$ 4,031,501</u>

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

JUNE 30, 2025 AND 2024

Note 10—Funds functioning as endowment (continued)

	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>

Net investment income of the endowment has been included in 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:

	2025	2024
Leasehold improvements	\$ 871,765	\$ 871,765
Computers and equipment	544,373	449,941
Furniture and fixtures	40,024	16,351
Vehicles	874,851	555,425
	<u>2,331,013</u>	<u>1,893,482</u>
Less accumulated depreciation	(954,897)	(813,034)
Property and equipment, net	<u>\$ 1,376,116</u>	<u>\$ 1,080,448</u>

Of total depreciation expense of \$168,150 for the year ended June 30, 2025, exclusive of amortization expense related to ROU financing lease assets, \$26,196 is reflected in support services expenses and \$141,954 is included in program services expenses. 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.

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

JUNE 30, 2025 AND 2024

Note 12—Net assets with donor restrictions

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

	<u>2025</u>	<u>2024</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	\$ 66,577	\$ 59,927
Subject to appropriation and expenditure for a specific purpose restricted by donors for:		
Immigration	275,521	-
Children and family programs	359,423	460,536
	<u>701,521</u>	<u>520,463</u>
Subject to the passage of time:		
Contributions receivable, the proceeds from which have been restricted by donors for:		
Nourishing Our Neighbors Campaign	570,073	872,717
	<u>570,073</u>	<u>872,717</u>
Subject to expenditure for a specified purpose:		
Catholic Parish Outreach Food Pantry	14,493	14,493
Food security	627,368	255,659
Disaster response	671,249	426,857
Immigration services	34,000	35,000
Economic Self-Sufficiency Program	3,625	4,500
Kathleen Walsh Charitable Fund	60,548	61,378
Support Circle Program	-	146,643
Sustaining the Family Table	1,768	10,605
Senior pharmacy	22,273	10,000
Other programs	55,439	55,438
	<u>1,490,763</u>	<u>1,020,573</u>
	<u>\$ 2,762,357</u>	<u>\$ 2,413,753</u>

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

JUNE 30, 2025 AND 2024

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>2025</u>	<u>2024</u>
Assets designated to function as an endowment subject to appropriation and expenditure for a specific purpose:		
For the benefit of:		
Long-term investing	\$ 2,369,910	\$ 2,058,339
Operating reserves	<u>960,070</u>	<u>864,163</u>
	<u>3,329,980</u>	<u>2,922,502</u>
Board designated for other purposes:		
Operating reserves	2,051,149	1,694,030
Nourishing Our Neighbors Campaign	<u>1,000,000</u>	<u>1,000,000</u>
	<u>3,051,149</u>	<u>2,694,030</u>
	<u>\$ 6,381,129</u>	<u>\$ 5,616,532</u>

Note 14—Governmental assistance

Catholic Charities recorded governmental revenues at a federal, state, county, and local level totaling \$1,800,055 and \$1,373,150 for the years ended June 30, 2025 and 2024, respectively, representing 8.69% and 9.54% of total revenues, respectively. Of these amounts, \$973,678 and \$574,059 represented federal commodities received during the years ended June 30, 2025 and 2024, respectively.

Note 15—Related party transactions

Catholic Charities maintains several savings accounts with the Diocese. Catholic Charities earned \$164,085 and \$119,082 in interest on these accounts for the years ended June 30, 2025 and 2024, respectively. Catholic Charities had \$6,285,578 and \$4,821,494 invested in the accounts bearing an interest rate of 3.00% and 2.50% at June 30, 2025 and 2024, respectively.

In addition to interest, Catholic Charities received in support and revenue from the Diocese the amount of \$2,029,250 and \$1,864,094 during the years ended June 30, 2025 and 2024, respectively. This included \$1,999,250 and \$1,846,041 of allocations from the Bishop's Annual Appeal for the years ended June 30, 2025 and 2024, respectively. Catholic Charities incurred charges from the Diocese of \$131,544 and \$106,864 for rent, accounting, and other fiscal services during the years ended June 30, 2025 and 2024, respectively. Included in accounts payable and other liabilities on the accompanying statements of financial position is \$77,980 and \$64,100 of amounts payable to the Diocese as of June 30, 2025 and 2024, 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, 2025 and 2024, there were no financial transactions between the two entities.

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

JUNE 30, 2025 AND 2024

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 1/12 of the product of the years of qualified benefit service not to exceed 40 years and 1.20% of the final average compensation (1% of final average compensation if employment terminated prior to January 1, 2006) 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.

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 \$133,027 and \$122,222 to the Lay Plan for the years ended June 30, 2025 and 2024, respectively, which represented approximately 6.99% and 4.98%, respectively, of the total contributions of all employing units to the Lay Plan.

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.

During the year ended June 30, 2025, the Diocesan Finance Council approved a recommendation by management to begin termination of the Lay Plan. Accordingly, the Plan obtained participant elections and has taken steps toward terminating and liquidating Plan assets through the planned purchase of annuity contracts for those participants who do not elect to receive lump sum payments. While most of the Plan assets were liquidated or annuitized prior to year-end, the remainder of the Plan termination is expected to be completed in fiscal year 2026.

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.

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, 2025 AND 2024

Note 16—Defined benefit pension plan (continued)

	<u>As of January 1,</u> <u>2025</u>	<u>As of January 1,</u> <u>2024</u>
Market value of plan assets	\$ 39,720,459	\$ 38,032,849
Present value of accrued plan benefits	\$ 35,652,426	\$ 38,401,178
Percent funded	111.4%	99.0%
Total contributions to the plan	\$ 1,903,331	\$ 2,452,204
Total employees covered under the plan	1,077	1,188
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, 2025 and 2024, 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, 2025 and 2024, contributions to the 403(b) Plan totaled \$228,709 and \$200,342, respectively.

Note 18—Leases

As a lessee, Catholic Charities leases various office and warehouse spaces under noncancelable operating leases with various expiration dates through 2029. Catholic Charities also leases office and warehouse space under a noncancelable financing lease expiring in 2033.

Lease expense:	<u>2025</u>	<u>2024</u>
Finance lease expense:		
Amortization of ROU assets included in depreciation and amortization	\$ 66,266	\$ 66,266
Interest on lease liabilities included in other	23,887	25,741
Operating lease expense included in rent expenses	401,118	416,095
Short-term lease expense, of which \$8,600 in 2025 and 2024 are in-kind space donations	98,867	63,619
	<u>\$ 590,138</u>	<u>\$ 571,721</u>
Other information for the year ended June 30:	<u>2025</u>	<u>2024</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	\$ 23,887	\$ 25,890
Financing cash flows from finance leases	50,773	47,098
Operating cash flows from operating leases	411,366	415,073

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

JUNE 30, 2025 AND 2024

Note 18—Leases (continued)

Supplemental statement of net position information related to leases as of June 30:

	2025		2024	
	Finance	Operating	Finance	Operating
Right-of-use lease assets	\$ 728,923	\$ 1,931,378	\$ 728,923	\$ 1,789,086
Accumulated amortization	(165,664)	(1,067,435)	(99,398)	(705,975)
	<u>\$ 563,259</u>	<u>\$ 863,943</u>	<u>\$ 629,525</u>	<u>\$ 1,083,111</u>
Lease liabilities	<u>\$ 608,606</u>	<u>\$ 973,917</u>	<u>\$ 659,379</u>	<u>\$ 1,203,333</u>
Weighted-average remaining lease term in years	8.50 years	2.83 years	9.50 years	3.59 years
Weighted-average discount rate	3.79%	3.83%	3.79%	3.79%

Maturity Analysis

	Finance	Operating
2026	\$ 76,527	\$ 358,687
2027	78,440	360,550
2028	80,401	276,906
2029	82,411	29,814
2030	84,471	-
Thereafter	312,341	-
Total undiscounted cash flows	714,591	1,025,957
Less present value discount	(105,985)	(52,040)
Total lease liabilities	<u>\$ 608,606</u>	<u>\$ 973,917</u>

Catholic Charities' rent expenses were \$499,985 and \$479,714 for the years ended June 30, 2025 and 2024, respectively. Of that amount, \$8,600 in each year represented the value of in-kind space donations to Catholic Charities.

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

JUNE 30, 2025 AND 2024

Note 19—Contributed nonfinancial assets

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

2025				
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	7,524,566	342,257	-	7,866,823
	<u>\$ 7,524,566</u>	<u>\$ 342,257</u>	<u>\$ 8,600</u>	<u>\$ 7,875,423</u>
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>

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 \$1.90 and \$1.97 per pound as of June 30, 2025 and 2024, 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, 2025 and 2024, Catholic Charities made disbursements of \$7,797,944 and \$5,035,705, 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 1,078 and 846 tons of donated groceries during the years ended June 30, 2025 and 2024, respectively. The Durham Community Food Pantry has grown since its inception and received and distributed approximately 644 tons of donated groceries during the year ended June 30, 2025.

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, valued at \$6,998, 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.

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

JUNE 30, 2025 AND 2024

Note 20—Subsequent events

Effective August 1, 2025, an amendment to formally terminate the Lay Plan was adopted by the Bishop of the Roman Catholic Diocese of Raleigh, North Carolina. See Note 16 for further information regarding the Plan termination. Excesses of the Plan assets above those amounts required to liquidate and terminate the Lay Plan are being rebated back to the various employing units throughout the Diocese.

Subsequent to year-end, in conjunction with the termination of the Lay Plan, the 403(b) benefit has been enhanced, with the core contribution for eligible employees increasing from 4% of qualified compensation to 5% of qualified compensation. The 403(b) match, for participating employees, will increase from \$0.50 for each \$1 invested by the employee up to the first 5% of qualified compensation to \$0.50 for each \$1 invested by the employee up to the first 8% of qualified compensation.

During the years ended June 30, 2025 and 2024, Catholic Charities derived 26.3% and 18.0%, respectively, of total revenues from participation in the Healthy Opportunities Pilot (HOP) program. Effective July 1, 2025, the State of North Carolina ended the program when it did not appropriate funding for fiscal year 2026. It is currently unknown as to whether the program will be resumed in the future.

In November 2025, Catholic Charities launched the Savor food truck. As a social enterprise of Catholic Charities, Savor offers healthy, flavorful meals with net profit providing critical funds to expand mobile food pantries across Eastern and Central North Carolina.

Catholic Charities has evaluated subsequent events for disclosure and recognition through February 5, 2026, 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, 2025

Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	State/Pass-Through Grantor's Number	Federal Expenditures (Direct and Pass-Through)
Federal Grants			
<u>U.S. Department of the Treasury</u>			
Passed through North Carolina Association of Free and Charitable Clinics Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	\$ 24,500
Passed through the Eastern Carolina Council Area Agency on Aging Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	29,472
Total Coronavirus State and Local Fiscal Recovery Funds			53,972
Passed through Wake County, NC Coronavirus Relief Fund	21.019	EC00000000012587	74,366
Total Assistance - U.S. Department of the Treasury			128,338
<u>U.S. Department of Health and Human Services</u>			
Passed through the Eastern Carolina Council Area Agency on Aging Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045COVID	N/A	18,323
Passed through Positive Childhood Alliance North Carolina, Inc. Community-Based Child Abuse Prevention Grants	93.590COVID	N/A	42,392
Total Assistance - U.S. Department of Health and Human Services			60,715
<u>U.S. Department of Agriculture</u>			
Passed through the Food Bank of Central and Eastern North Carolina Emergency Food Assistance Program-Raleigh	10.569	N/A	275,111
Emergency Food Assistance Program-Piedmont	10.569	N/A	314,044
Passed through Second Harvest Food Bank of Southeast North Carolina Emergency Food Assistance Program-Fayetteville	10.569	N/A	384,523
Total Emergency Food Assistance Program			973,678
Total Assistance - U.S. Department of Agriculture			973,678
<u>U.S. Department of Homeland Security</u>			
Passed through the United Way - Cumberland County Emergency Food & Shelter Local Board Emergency Food and Shelter National Board Program-Phase 41	97.024	LRO ID: 637200-002	18,553
Passed through the United Way Worldwide - Emergency Food and Shelter Program Emergency Food and Shelter National Board Program-Phase 41	97.024	LRO ID: 637000-003	29,828
Emergency Food and Shelter National Board Program-Phase 41	97.024	LRO ID: 647800-001	4,302
Emergency Food and Shelter National Board Program-Phase 41	97.024	LRO ID: 652000-008	32,239
Emergency Food and Shelter National Board Program-Phase 41	97.024	LRO ID: 638800-049	10,407
Total Emergency Food and Shelter National Board Program			95,329
Total Assistance - U.S. Department of Homeland Security			95,329
<u>U.S. Department of Housing and Urban Development</u>			
Passed through the City of New Bern, North Carolina Community Development Block Grants	14.218	N/A	22,484
Total Assistance - U.S. Department of Housing and Urban Development			22,484
Total Assistance - Federal Programs			\$ 1,280,544

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

JUNE 30, 2025

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, 2025. 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.

Note 3 – Indirect cost rate

Catholic Charities has elected not to use the 15% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4—Subrecipients

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

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

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, 2025, 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 February 5, 2026.

Report on 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 or significant deficiencies may exist that have not been identified.

Report on 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Cherry Bekaert LLP

Raleigh, North Carolina

February 5, 2026

Report of Independent Auditor on Compliance for the 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 the Major Federal Program

Opinion on the 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 identified as subject to audit 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, 2025. Catholic Charities' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 its major federal program for the year ended June 30, 2025.

Basis for Opinion on the Major Federal Program

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"). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of Catholic Charities and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of Catholic Charities' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Catholic Charities' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Catholic Charities' compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Catholic Charities' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Catholic Charities' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Catholic Charities' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Catholic Charities' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Cherry Bekaert LLP

Raleigh, North Carolina
February 5, 2026

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

JUNE 30, 2025

Section I—Summary of Auditor’s Results

Financial Statements

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 _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified _____ yes X none reported

Noncompliance material to federal awards? _____ yes X no

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:

<u>Federal Assistance Listing #</u>	<u>Program Name</u>
10.569	Emergency Food Assistance Program

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

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

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

JUNE 30, 2025

Section II—Financial Statement Findings

None noted.

Section III—Federal Award Findings and Questioned Costs

None noted.

CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC.
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

JUNE 30, 2025

Section IV—Status of Prior Year Findings and Questioned Costs

None noted.