

**THE FOUNDATION OF THE ROMAN
CATHOLIC DIOCESE OF RALEIGH, INC.**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2024



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**THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF RALEIGH, INC.
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YEAR ENDED JUNE 30, 2024**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Foundation of the Roman Catholic Diocese of Raleigh, Inc.
Raleigh, North Carolina

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The Foundation of the Roman Catholic Diocese of Raleigh, Inc. (the Foundation), which comprise the statement of financial position as of June 30, 2024, 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.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that 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 the 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 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 the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility for the Audit of 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 auditing standards generally accepted in the United States of America 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 GAAS, 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 the Foundation's 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 the Foundation's 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.



CliftonLarsonAllen LLP

Raleigh, North Carolina
October 30, 2024

THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF RALEIGH, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024

ASSETS

Cash and Cash Equivalents	\$	182,931
Other Current Receivables		1,079
Prepaid Expenses		3,395
Promises to Give, Seminarian Partnership Program		9,140
Charitable Gift Annuity Receivable		286,849
Investments, Endowments		80,431,020
Investments, Charitable Gift Annuities		<u>1,319,951</u>
 Total Assets	 \$	 <u><u>82,234,365</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable	\$	37,825
Charitable Gift Annuity Obligations		791,074
Total Liabilities		<u>828,899</u>

NET ASSETS

Without Donor Restrictions:		
Designed for Endowments		38,571,944
Designated for Charitable Gift Annuities		821,881
Undesignated		<u>149,580</u>
Total Without Donor Restrictions		39,543,405
With Donor Restrictions:		
Restricted in Perpetuity - Endowments		17,170,606
Restricted Subject to the Foundation's Spending Policy - Endowments		24,688,470
Charitable Gift Annuities		(6,155)
Seminarian Partnership Program		<u>9,140</u>
Total With Donor Restrictions		<u>41,862,061</u>
Total Net Assets		<u>81,405,466</u>
 Total Liabilities and Net Assets	 \$	 <u><u>82,234,365</u></u>

See accompanying Notes to Financial Statements.

**THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF RALEIGH, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2024**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Gifts and Bequests	\$ 1,556,882	\$ 1,871,519	\$ 3,428,401
Net Investment Return	3,791,186	4,066,567	7,857,753
Net Assets Released from Restrictions	<u>2,306,053</u>	<u>(2,306,053)</u>	<u>-</u>
Total Revenue, Gains, and Other Support	7,654,121	3,632,033	11,286,154
EXPENSES			
Program Areas:			
Grant Disbursements	2,687,193	-	2,687,193
Other Program Expenses	<u>112,064</u>	<u>-</u>	<u>112,064</u>
Total Program Areas	2,799,257	-	2,799,257
Support Services:			
Management and General	414,466	-	414,466
Fundraising and Development	<u>286,367</u>	<u>-</u>	<u>286,367</u>
Total Support Services	700,833	-	700,833
Total Expenses	<u>3,500,090</u>	<u>-</u>	<u>3,500,090</u>
CHANGE IN NET ASSETS FROM OPERATIONS	4,154,031	3,632,033	7,786,064
NONOPERATING INCOME (EXPENSES)			
Change in Value of Charitable Gift Annuity Receivable	60,259	-	60,259
Transfers to Closeout Charitable Gift Annuity	(51,263)	51,263	-
Change in Value of Charitable Gift Annuity Obligations	<u>(32,146)</u>	<u>52,269</u>	<u>20,123</u>
Total Nonoperating Income (Expenses)	<u>(23,150)</u>	<u>103,532</u>	<u>80,382</u>
EQUITY TRANSFER	<u>1,917,586</u>	<u>-</u>	<u>1,917,586</u>
CHANGE IN NET ASSETS	6,048,467	3,735,565	9,784,032
Net Assets - Beginning of Year	<u>33,494,938</u>	<u>38,126,496</u>	<u>71,621,434</u>
NET ASSETS - END OF YEAR	<u>\$ 39,543,405</u>	<u>\$ 41,862,061</u>	<u>\$ 81,405,466</u>

See accompanying Notes to Financial Statements.

THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF RALEIGH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024

	Program Areas			Support Services			Total
	Grants	Other	Total	Management and General	Fundraising and Development	Total	
Grants Disbursed:							
Assistance for the Needy	\$ 38,400	\$ -	\$ 38,400	\$ -	\$ -	\$ -	\$ 38,400
Capital Improvements	501,625		501,625			-	501,625
Catholic Charities	107,000	-	107,000	-	-	-	107,000
Catholic Schools and Education Initiatives	203,287	-	203,287	-	-	-	203,287
Cemetery Maintenance	16,936	-	16,936	-	-	-	16,936
Church Expansion	145,216	-	145,216	-	-	-	145,216
Diocesan Support and Assistance	187,359	-	187,359	-	-	-	187,359
Lay Formation and Education	134,144	-	134,144	-	-	-	134,144
Parish Support and Assistance	156,321	-	156,321	-	-	-	156,321
Seminarian Education and Welfare	617,318	-	617,318	-	-	-	617,318
Special Ministries	342,340	-	342,340	-	-	-	342,340
Tuition Assistance and Scholarships	236,947	-	236,947	-	-	-	236,947
Other	300	-	300	-	-	-	300
Salaries and Fringe Benefits	-	65,140	65,140	124,026	239,102	363,128	428,268
Supplies and Office Expenses	-	429	429	3,447	4,739	8,186	8,615
Travel and Training	-	2,754	2,754	22,030	30,292	52,322	55,076
Purchased Services	-	26,124	26,124	235,112	-	235,112	261,236
Occupancy Expenses	-	17,029	17,029	28,381	11,352	39,733	56,762
Depreciation	-	588	588	1,470	882	2,352	2,940
Total Expenses by Function	\$ 2,687,193	\$ 112,064	\$ 2,799,257	\$ 414,466	\$ 286,367	\$ 700,833	\$ 3,500,090

See accompanying Notes to Financial Statements.

THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF RALEIGH, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Contributions, Net of Amounts Restricted for Endowment	\$ 845,226
Interest Income from Investments, Net of Fees	809,038
Cash Payments to Employees and Vendors	(802,127)
Grants Disbursed	(2,687,193)
Charitable Gift Annuity Payments	(126,967)
Net Cash Used by Operating Activities	<u>(1,962,023)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from the Sale of Investments	1,916,790
Purchase of Investments	(4,500,056)
Net Cash Used by Investing Activities	<u>(2,583,266)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Contributions Restricted for Investment in Endowment	4,448,392
Net Cash Provided by Financing Activities	<u>4,448,392</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (96,897)

Cash and Cash Equivalents - Beginning of Year 279,828

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 182,931

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Change in Net Assets	\$ 9,784,032
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:	
Depreciation and Amortization	2,940
Realized and Unrealized Gain on Investment	(7,156,746)
Loss on sale of property and equipment	10,287
Contributions Restricted for Investment in Endowment	(4,448,392)
Change in Value of Split-Interest Agreements Held	(147,090)
Collections of Charitable Gift Annuity Receivable	38,071
(Increase) Decrease in:	
Other Current Receivables	155
Right-of-Use Assets and Liabilities	(586)
Promises to Give, Seminarian Partnership Program	7,735
Charitable Gift Annuity Receivable	(60,259)
Prepaid Expenses	(3,395)
Increase (Decrease) in:	
Accounts Payable	37,825
Accrued Expenses	(26,600)
Net Cash Used by Operating Activities	<u><u>\$ (1,962,023)</u></u>

See accompanying Notes to Financial Statements.

THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF RALEIGH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Foundation of the Roman Catholic Diocese of Raleigh, Inc. (the Foundation) was established on August 14, 2018 as a North Carolina nonprofit corporation. The Foundation, headquartered in Raleigh, North Carolina, was formed to cultivate endowed and major gifts for the long-term benefit of the administrative offices, parishes, schools, programs, and ministries of the Catholic Diocese of Raleigh while providing effective and efficient management and distribution of invested funds. Under U.S. generally accepted accounting principles, the financial statements of the Foundation are considered financially interrelated with those of the Catholic Diocese of Raleigh (the Diocese). Thus, under the principles of consolidation, the Diocese consolidates these separately issued financial statements with those of the Diocese.

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) has established the *Accounting Standards Codification* (ASC) as the source of authoritative accounting principles to be applied in the preparation of financial statements in accordance with U.S. GAAP.

Cash and Cash Equivalents

The Foundation considers short-term investments with original maturities of three months or less to be cash equivalents, except for those short-term investments managed as part of investment management strategies.

Property and Equipment, Net

Property and equipment acquisitions are capitalized at cost when purchased, or if received as a gift, acquisitions are capitalized at fair value on the date of donation, with a capitalization threshold of \$1,000. Expenditures for maintenance and repairs are charged against operations. Renewals and betterments that materially extend the life of the assets are capitalized. In accordance with Foundation policy, property and equipment, and proceeds from the sale of property and equipment, are categorized within net assets based on the presence or absence of donor restrictions. Depreciation on buildings and equipment is determined under the straight-line method based on the following estimated useful lives:

Furniture and Fixtures	8 Years
Computer Equipment	3 Years

Long-lived assets held and used by the Foundation are reviewed for impairment whenever changes in circumstances indicate the carrying value of an asset may not be recoverable.

THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF RALEIGH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

The Foundation reports information regarding its financial position and activities according to two net asset categories as follows:

Net Assets Without Donor Restrictions – includes unrestricted resources which represent the portion of funds that are available for the operating objectives of the Foundation.

Net Assets With Donor Restrictions – consist of donor restricted contributions. Amounts restricted by donors for a specific purpose are deemed to be earned and reported as donor-restricted revenue when received, and such unexpended amounts are reported as donor-restricted net assets at year-end. When the donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, donor-restricted net assets are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as Net Assets Released from Restrictions.

Revenue Recognition

Contributions are recognized when the donor makes an unconditional promise to transfer assets. Contributions received are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor stipulations. Amounts received 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. In the event monies both with and without donor restrictions are available for use for activities that comply with donor restrictions, the Foundation will use funds having donor restrictions first.

Promises to give expected to be collected within one year are recorded at net realizable value. Promises to give expected to be collected in future years are recorded at the present value of their estimated future cash flows. The Foundation reviews pledge and other receivables for collectability on a recurring basis and, based on an assessment of creditworthiness, estimates the portion, if any, of the balance that will not be collected. Such amounts are recorded as an allowance, if necessary.

Conditional promises to give, which are 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, the Foundation reports the support as unrestricted. The Foundation is named as a beneficiary in numerous wills and testaments. These intentions to give are considered conditional as they may be changed during the lifetime of the donors and, as such, they are not recorded as revenue in the financial statements. The amount of these intentions to give are indeterminable.

THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF RALEIGH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Employees are permitted to carry over up to five days of vacation time earned, but only within the calendar year. As of June 30, 2024, the Foundation had \$-0- accrued for compensated absences.

Donated Services

The Foundation records contributed services if the services received create or enhance long-lived assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A number of unpaid volunteers, who serve primarily in the capacity of board members, have made significant contributions of their time in the furtherance of the Foundation's programs. The value of this contributed time is not reflected in these financial statements because it does not meet the above recognition criteria.

Charitable Gift Annuities

The Foundation is the beneficiary of several irrevocable remainder interests of one-life and two-life charitable gift annuities. These interests are measured at fair value. Annuity obligations arising from these split-interest gifts are reported as charitable gift annuity obligations in the accompanying statement of financial position. The change in fair value of the annuity liabilities is reported as a change in value of charitable gift annuity obligations in the accompanying statement of activities and changes in net assets.

The Foundation also has a charitable gift annuity receivable for underwater annuities. The charitable gift annuity receivable, as reported in the accompanying statement of financial position, is measured at fair value. The change in fair value of the receivable is reported as a change in value of charitable gift annuity receivable in the accompanying statement of activities and changes in net assets.

As further discussed in Note 12, payments received to liquidate underwater charitable gift annuities occur when the donor passes away. At the time the annuities are closed, the Foundation records transfers between net asset classes to administratively close the annuities. These transfers are reflected on the statement of activities and changes in net assets as transfers to close out charitable gift annuity.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. 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 on accounting for uncertainty in income taxes. Management believes that the Foundation continues to satisfy the requirements of a tax-exempt Institute at June 30, 2024. Management has evaluated all other tax positions that could have a significant effect on the financial statements and determined the Institute had no uncertain income tax positions at June 30, 2024.

THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF RALEIGH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expense Allocation

The cost of providing the Foundation's programs and other activities is summarized on a functional basis in the statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefitted. These expenses, excluding depreciation and grant disbursements, are allocated on the basis of estimates of time and effort except for supplies and office expenses, which are allocated based on the percentage of usage.

Use of Estimates

The preparation of the financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

NOTE 2 LIQUIDITY AND AVAILABILITY

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

Cash and Cash Equivalents	\$ 182,931
Other Current Receivables	1,079
Total	<u>\$ 184,010</u>

Endowment funds consist of donor-restricted endowments and board-designated endowments. Income from donor-restricted endowments that are restricted for specific purposes and board-designated endowments held on behalf of others are not available for general expenditure.

As part the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. To meet this objective, the Foundation has obtained the commitment of the Diocese to provide short-term cash flow assistance to address cash shortages in the event that they occur. The Foundation invests cash in excess of daily requirements in short-term investments and money market funds.

THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF RALEIGH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 3 FINANCIAL INSTRUMENTS AND OTHER CONCENTRATIONS

The Foundation places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. During the year ended June 30, 2024, the Foundation, from time to time, may have had amounts on deposit in excess of the insured limits. The cash balances are maintained at financial institutions with high credit quality ratings and the Foundation believes no significant risk of loss exists with respect to those balances.

A substantial amount of the Foundation's 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 the Foundation. Also, the limited geographic area in which the Foundation's contributors reside, increases the Foundation's exposure to certain business concentrations.

NOTE 4 INVESTMENTS

The Foundation maintains investments in equity, debt securities, and private equity funds. Net investment return, which consists of interest and dividends, realized gains and losses, and unrealized gains and losses, from these securities are allocated to the various funds with and without donor restrictions based on each fund's percentage ownership of total invested assets. Net investment return is reported net of investment fees on a separate line in the statement of activities and changes in net assets. Net investment return is recorded as with or without donor restrictions, depending on the existence and/or nature of any donor stipulations. Amounts received designated for future periods or restricted by the donor for a specific purpose are reported as net investment return with donor restrictions and as an increase or decrease to the related net asset class.

Investments are carried at fair value with the following underlying asset concentrations at June 30, 2024:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
Cash Equivalents	\$ 1,972,079	\$ 1,972,079	\$ -
Fixed Income	20,507,842	19,000,847	(1,506,995)
Equities	41,703,942	46,238,082	4,534,140
Real Assets	8,522,207	7,916,823	(605,384)
Private Funds	5,846,826	6,623,140	776,314
Total	<u>\$ 78,552,896</u>	<u>\$ 81,750,971</u>	<u>\$ 3,198,075</u>

THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF RALEIGH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 5 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. The Foundation's assets and liabilities recorded at fair value, except certain assets for which the NAV per share is used as a practical expedient, are measured and classified in accordance with a fair value hierarchy consisting of three levels based on the observability of the inputs used in measuring the fair value.

The hierarchy consists of three broad levels of inputs that may be used to measure fair value 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.

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize use of observable inputs and minimize the use of unobservable inputs.

Equity Securities and Fixed Income Securities – These investments consist primarily of individual corporate stocks and bonds and are valued based on quoted market prices in an active market.

Investments Measured at Net Asset Value – These investments consist of interests in three different private placement alternative investment hedge funds that are valued at NAV provided by the administrators of the funds. These investments are not valued and traded in an active market and NAV is based on the value of the Foundation's capital accounts, which consist of the Foundation's capital contributions and withdrawals and an allocation of net income or loss from the underlying investment activity of the funds.

Real Assets – These investments are public investment vehicles valued using the NAV provided by the administrator of the fund. NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. NAV is a quoted price in an active market.

Charitable Gift Annuity Receivable and Obligations – The fair value of the charitable gift annuity receivable and obligations is discussed in Note 12.

THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF RALEIGH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

Below are the Foundation's financial instruments carried at fair value on a recurring basis by the fair value hierarchy levels:

	Fair Value	Level 1	Level 2	Level 3
Assets:				
Fixed Income	\$ 19,000,847	\$ -	\$ 19,000,847	\$ -
Equities	46,238,082	46,238,082	-	-
Real Assets	7,916,823	-	7,916,823	-
Total Investments at Fair Value	73,155,752	46,238,082	26,917,670	-
Investments Measured at Net Asset Value (a)	6,623,140	-	-	-
Investments at Fair Value	79,778,892	46,238,082	26,917,670	-
Charitable Gift Annuity Receivable	286,849	-	-	286,849
Total Assets	<u>\$ 80,065,741</u>	<u>\$ 46,238,082</u>	<u>\$ 26,917,670</u>	<u>\$ 286,849</u>
Liabilities:				
Charitable Gift Annuity Obligations	\$ 791,074	\$ -	\$ -	\$ 791,074
Total Liabilities	<u>\$ 791,074</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 791,074</u>

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

The investment balance reported on the statement of financial position includes money market funds of \$1,972,079 at June 30, 2024, which are not included in the above fair value hierarchy table.

The following reconciles the beginning and ending balances of financial assets measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the year ended June 30, 2024:

Charitable Gift Annuity Receivable:	
Balance - Beginning of Year	\$ 264,661
Receipts	(38,071)
Change in Estimate of Commitment to Fund Underwater CGA by the Diocese of Raleigh	60,259
Balance - End of Year	<u>\$ 286,849</u>

THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF RALEIGH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

The following reconciles the beginning and ending balances of financial liabilities measured at fair value on a recurring basis using significant unobservable inputs during the year ended June 30, 2024:

Charitable Gift Annuity Obligations:	
Balance - Beginning of Year	\$ (938,164)
Distributions	126,967
Change in Value	20,123
Balance - End of Year	<u>\$ (791,074)</u>

The following table provides additional information for investments measured at fair value using NAV as a practical expedient:

	Fair Value	Redemptions Frequency	Notice Period (Days)
TrueBridge Seed & Micro VC Fund I & II (a)	\$ 1,172,782	Withdrawal not permitted	Withdrawal not permitted
BP Transtrend Diversified Fund (b)	3,064,444	Allowed Monthly	5 Business Days
ACL Alternative Fund (c)	2,385,914	Daily	Daily

(a) TrueBridge Seed & Micro-VC Fund I (Cayman), L.P. and TrueBridge Seed & Micro-VC Fund II (Cayman Feeder), L.P. (The Funds) are Cayman Islands exempted limited partnerships (LP). The Funds were organized with the purpose of investing in venture capital and growth-related private equity funds, and direct investments into start-up and development stage companies. The Foundation's investments in the Funds are long-term investments and the Foundation may not assign, transfer, encumber, or otherwise redeem, its interest in the Funds. The Foundation bears the economic risk of its investments until termination of the fund Partnerships.

(b) BP Transtrend Diversified Fund, LLC is a Delaware limited liability company, which utilizes an adaptive trend-based strategy following major developments in the world. The Fund is designed to pursue capital growth within the limits of a defined risk tolerance and has an absolute return objective that neither follows nor strives to outperform any benchmark or index. Instead, the program analyzes the price behavior of markets and aims to profit from the underlying trends that move these markets, primarily medium to long term price trends. The fund seeks to identify underlying trends through analysis of price trends in multiple markets and its portfolio is based on being positioned in different underlying trends based on a defined risk tolerance.

(c) Abbey Capital Limited (ACL) Alternative Fund is a segregated account of ACL Alternative Fund SAC Limited. ACL Alternative Fund SAC Limited is an open-ended investment fund, located in Bermuda with variable capital and limited liability. The Fund's investment objective is to seek long-term capital appreciation for its shareholders through allocation to 21 trading funds utilizing a variety of trading styles with market exposure that is broadly diversified with positions in global currency, financial and commodities markets.

THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF RALEIGH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

As of June 30, 2024, the Foundation has an unfunded commitment of \$190,000 for TrueBridge Seed & Micro VC Fund I. The Foundation also has an unfunded commitment of \$710,000 for TrueBridge Seed & Micro VC Fund II. The Foundation has no other unfunded commitments as of June 30, 2024.

The Foundation uses appropriate valuation techniques based on the available inputs. When available, the Foundation measures fair value using Level 1 inputs as they generally provide the most reliable evidence of fair value. Level 2 and Level 3 inputs were only used when Level 1 inputs were not available. The market approach was used for assets and liabilities classified as Level 1 and Level 2 while the income approach was used for those classified as Level 3.

The Foundation relies on fair value measurement calculations performed by third party pricing services for the majority of instruments reported in Level 2 and Level 3. Inputs, even if determined by the Foundation, include the credit risk of the issuer, maturity, current yield, and other terms and conditions of each instrument. There were no changes to the valuation techniques during the year ended June 30, 2024.

The related net investment return is reported in the statement of activities and changes in net assets as net investment return; change in value of charitable gift annuity; and change in value of charitable gift annuity obligations.

NOTE 6 ENDOWMENTS

The Foundation's endowments consist of approximately 175 individual funds established for a variety of purposes. The endowments include donor-restricted endowment funds and funds designated by the Diocesan Finance Council and the Board of Directors of the Foundation to function as endowments and all net assets 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.

The Board of Directors of the Foundation has implemented policies requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of these policies, the Foundation classifies the following as net assets with donor restrictions in perpetuity:

- a) The original value of gifts donated to the permanent endowment;
- b) The original value of subsequent gifts to the permanent endowment; and
- c) Accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF RALEIGH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 6 ENDOWMENTS (CONTINUED)

Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditures by the Foundation in a manner consistent with the standard of prudence prescribed by the North Carolina Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Foundation considers the following factors in making decisions related to appropriations for expenditures or accumulations of donor-restricted endowment funds:

- The duration and preservation of the various funds;
- The purposes of the donor-restricted endowment funds;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Foundation; and
- The investment policies of the organization.

Investment Return Objectives, Risk Parameters, and Strategies

The Foundation has adopted investment policies, approved by the Board of Directors of the Foundation, that attempt to emphasize total return. While shorter-term investment results are monitored, adherence to the sound long-term investment policy balancing short-term spending needs with the preservation of the real inflation-adjusted value of assets is of primary importance. The Foundation expects to attain an inflation-adjusted minimum average annual return, net of fees, over a rolling ten-year period. This real return is defined as the sum of capital appreciation (loss) and current income (interest and dividends) adjusted for inflation as measured by the Consumer Price Index.

Investment policies are based on principles of responsible financial stewardship, as well as ethical and social stewardship. The Foundation is 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

The Foundation's policy is the annual income distribution available from endowment funds is generally 4% of the 12-quarter average fair value of the endowment, measured as of the calendar quarter end dates for the previous 12 quarters.

Additionally, the Foundation has a policy whereby a distribution is taken from the endowment to support the operations and administration of the Foundation. This distribution is calculated annually, is not to exceed 1%, and is assessed on a quarterly basis, based on the twelve-quarter average of the fair value of the assets of each endowment fund. Administrative distributions totaled \$698,967 for the year ended June 30, 2024.

THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF RALEIGH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 6 ENDOWMENTS (CONTINUED)

Endowment composition by type of fund is as follows as of June 30, 2024:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Funds With Donor Restrictions:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	\$ -	\$ 12,326,318	\$ 12,326,318
Accumulated Investment Gains	-	4,844,288	4,844,288
Amounts Held in Term Endowments	-	24,688,470	24,688,470
Board-Designated Endowment and Other Funds	38,571,944	-	38,571,944
Total	<u>\$ 38,571,944</u>	<u>\$ 41,859,076</u>	<u>\$ 80,431,020</u>

Changes in endowment for the year ended June 30, 2024:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment - Beginning of Year	\$ 32,473,678	\$ 38,256,972	\$ 70,730,650
Contributions	3,474,468	973,924	4,448,392
Net Investment Income	3,359,223	3,664,627	7,023,850
Amounts Expended	(735,425)	(1,036,447)	(1,771,872)
Endowment - End of Year	<u>\$ 38,571,944</u>	<u>\$ 41,859,076</u>	<u>\$ 80,431,020</u>

NOTE 7 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30, 2024:

Release of Appropriated Endowment Amounts:	
Disbursements	\$ 1,036,447
Management Fee Retained by Foundation	354,284
Subtotal	<u>1,390,731</u>
Seminarian Partnership Program	244,835
Other Grants	670,487
Total	<u>\$ 2,306,053</u>

THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF RALEIGH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2024:

Subject to Appropriation and Expenditures for a Specific Purpose:

Restricted by Donors for:

Assistance for the Needy	\$ 585,117
Campus Ministry	873,335
Capital Improvements	544
Catholic Charities of the Diocese of Raleigh	1,364,838
Catholic Education	281,269
Cemetery Maintenance	181,251
Church Expansion	3,651,117
Diocesan Support and Assistance	23,404
Lay Leadership	3,459,364
Parish Assistance	2,898,965
Religious Purposes Outside of Diocese	150,612
Seminarian Education	5,071,167
Special Ministries	2,835,397
Tuition Assistance and Scholarships	<u>3,312,090</u>
Total	<u>\$ 24,688,470</u>

Perpetual in Nature, Earnings from Which are Subject to Endowment Spending Policy and Appropriation:

Assistance for the Needy	\$ 236,813
Campus Ministry	48,294
Capital Improvements	262,596
Catholic Charities of the Diocese of Raleigh	59,927
Catholic Education	588,035
Diocesan Support and Assistance	1,217,118
Parish Assistance	259,329
Seminarian Education	4,630,740
Special Ministries	727,108
Tuition Assistance and Scholarships	<u>9,140,646</u>
Total	<u>\$ 17,170,606</u>

Subject to the Passage of Time and for a Specified Purpose:

Charitable Gift Annuities	<u>\$ (6,155)</u>
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Subject to Expenditure for a Specified Purpose:

Seminarian Partnership Program	<u>\$ 9,140</u>
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THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF RALEIGH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 9 NET ASSETS WITH BOARD DESIGNATIONS

The following net assets without donor restrictions have been designated by the Board of Directors of the Foundation for the following purposes or periods as of June 30, 2024:

Subject to Appropriation and Expenditures for a	
Specific Purpose:	
Campus Ministry	\$ 283,473
Capital Improvements	111,291
Catholic Charities	2,018,201
Catholic Schools and Education Initiatives	7,525,910
Cemetery Maintenance	3,445,350
Church Expansion	2,176,197
Clergy and Religious Welfare	9,573,529
Diocesan Support and Assistance	3,400,684
Parish Assistance	1,693,317
Seminarian Education	2,424,222
Special Ministries	5,499,944
Tuition Assistance and Scholarships	419,826
Total	<u>\$ 38,571,944</u>
Charitable Gift Annuities	<u>\$ 821,881</u>

NOTE 10 INVESTMENT SAVINGS PLAN

In May 2021, the Foundation adopted an agreement to offer its employees a pretax IRC Section 403(b) Plan (403(b) Plan), which was effective July 1, 2021. Under the provisions of the Foundation's 403(b) Plan, employees of the Foundation that are regularly scheduled to work at least 30 hours per week are eligible. The Foundation contributes \$1 for each \$1 invested by employees on the first 5% of qualified compensation. In addition, the Foundation may make a noncontributory deferral of an annually determine percentage of qualified compensation into accounts of all eligible employees. Participants in the 403(b) Plan are immediately vested in their employee contributions and in the basic matching contribution provided by the Foundation. On June 30, 2024, the 403(b) plan of the Foundation ended, and the employees of the Foundation joined the Diocese plan effective July 1, 2024. During 2024, there were no changes to the contribution rate for Foundation employees, but they will be subject to the Diocese plan rates in 2025. Contributions to the 403(b) Plan for the year ended June 30, 2024 totaled \$17,336.

NOTE 11 FUNDRAISING

The Foundation conducts certain fundraising activities to generate revenues to assist in supporting its programs and activities. For the year ended June 30, 2024, fundraising expense totaled \$286,367.

THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF RALEIGH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 12 CHARITABLE GIFT ANNUITIES

The Foundation is the beneficiary of one-life and two-life annuities for which it is the trustee. Under terms of these split-interest agreements, the Foundation is required to pay the various donors an annuity until the donors' death at which time the remaining assets are to be distributed to the Foundation for use in accordance with the donor agreements. During the year ended June 30, 2024, the Foundation received no contribution revenue related to these annuities to include as Gifts in the accompanying statement of activities and changes in net assets.

Effective July 1, 2020, the Diocese transferred its interest in several irrevocable one-life and two-life charitable gift annuities to the Foundation and granted variance power on the charitable gift annuity net assets to the Foundation, which allows the Foundation to modify any condition or restriction, on the related net assets, for any specified charitable purpose, if, in the sole judgment of the Foundation's Board of Directors, such restrictions or conditions become unnecessary, incapable of fulfillment, or inconsistent with the charitable purposes for which the Foundation was established.

As per the amended assignment and assumption agreement, the Diocese of Raleigh agrees to reimburse the Foundation for payments made to the charitable gift annuity donor when the annuity obligation is greater than its allocated investment (the annuity is underwater) for those annuities transferred on July 1, 2020. The Diocese has agreed to pay the underwater payment amounts at the time when the donor passes way and the annuity account is closed. During the year ended June 30, 2024, the Diocese paid \$38,071. As of June 30, 2024, the estimated commitment to fund underwater charitable gift annuities totaled \$286,849 and is included in the accompanying statement of financial position as Charitable Gift Annuity Receivable.

The Foundation had charitable gift annuities that were underwater at June 30, 2024 totaling \$286,849.

Actuarial assumptions published by the Department of Health and Human Services and a discount rate of 5.5% were used in calculating the present value of the amounts to be received on termination of the individual annuities.

	Assets Held in Trusts	Underwater Receivable	Liability to Donors	Net Asset (Liability)
Life Annuities	\$ 1,319,951	\$ 286,849	\$ (791,074)	\$ 815,726

NOTE 13 PROMISES TO GIVE

As of June 30, 2024, the Foundation had promises to give totaling \$9,140, as shown on the statement of financial position. Promises to give are expected to be collected within one year.

THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF RALEIGH, INC.
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JUNE 30, 2024

NOTE 14 RELATED PARTY TRANSACTIONS

Effective July 1, 2020, the Diocese transferred its interest in charitable gift annuities to the Foundation. For the transferred charitable gift annuities, the Diocese has agreed to pay the underwater payment amounts at the time when the donor passes way and the annuity account is closed. As of June 30, 2024, the charitable gift annuity receivable, owed by the Diocese to the Foundation, was valued at \$286,849. The Diocese transferred \$38,071 in cash to fund underwater annuities during the year ended June 30, 2024.

Additionally, the Foundation received contributions to endowments from its affiliates including the Diocese, parishes, schools, and other-related organizations during the year ended June 30, 2024 totaling \$3,474,468.

For the year ended June 30, 2024, the Foundation made grant distributions to its affiliates including the Diocese, parishes, schools, and other-related organizations totaling \$2,687,193.

The Diocese provides certain software and IT services and executive search expenses for the Foundation. For the year ended June 30, 2024, the Diocese charged the Foundation \$172,305 for these services. As of June 30, 2024, the Foundation owed the Diocese \$3,575.

NOTE 15 COMMITMENTS

As further discussed in Note 5, the Foundation has entered into investment subscription agreements with a required capital contribution of \$2,000,000. As of June 30, 2024, the Foundation has a remaining capital commitment of \$900,000.

NOTE 16 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through October 30, 2024 in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.



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