ADMINISTRATIVE OFFICES OF THE DIOCESE OF RALEIGH

CONSOLIDATED FINANCIAL STATEMENTS

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

And Report of Independent Auditor

Cherry Bekaert LLP
Your Guide Forward

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Cherry Bekaert LLP
Your Guide Forward

Report of Independent Auditor

To the Diocesan Finance Council
Administrative Offices of the Diocese of Raleigh
Raleigh, North Carolina

Opinion

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

In our opinion, based on our audits and report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Diocese as of June 30, 2024 and 2023, and the results of its activities and changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of The Foundation of the Roman Catholic Diocese of Raleigh, Inc. (the "Foundation"), an affiliate, which statements reflect total assets of $82,234,365 and $72,625,930, as of June 30, 2024 and 2023, respectively, and total revenues of $11,286,154 and $7,026,168, respectively, for the years then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of the Diocese and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Diocese'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 consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Diocese'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.

Cherry Bekaert LLP

Raleigh, North Carolina
December 5, 2024

ADMINISTRATIVE OFFICES OF THE DIOCESE OF RALEIGH
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2024 AND 2023

	2024	2023
ASSETS		
Cash and cash equivalents	$ 134,243,565	$ 125,201,721
Investments	82,217,311	72,409,730
Accounts Receivable:		
Assessments, net	1,792,558	1,700,556
Bishop's Annual Appeal, net	68,366	151,707
Cathedral Campus Campaign, net	13,185	39,730
Other	733,852	258,469
Prepaid expenses and other assets	932,065	1,045,280
Loans receivable, parishes, and institutions, less allowance for credit losses of $772,814 and $197,409 as of June 30, 2024 and 2023, respectively:		
Interest bearing	16,844,038	14,826,706
Non-interest bearing	2,721,835	2,240,877
Beneficial interests in perpetual trusts	6,236,402	5,770,200
Beneficial interests in charitable remainder trusts	88,283	79,781
Licenses and rights	1,003,375	1,003,375
Right-of-use assets - operating leases	-	39,146
Property and equipment:		
Operating properties	9,493,491	8,785,018
Other properties	12,787,607	15,164,990
Total Assets	$ 269,175,933	$ 248,717,286

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

ADMINISTRATIVE OFFICES OF THE DIOCESE OF RALEIGH
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

JUNE 30, 2024 AND 2023

	2024	2023
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable:		
Funds held for others	$ 491,804	$ 549,704
Supplies and expenses	1,021,089	1,782,194
Accrued expenses	1,581,876	1,362,595
Lease liabilities - operating	-	39,732
Split-interest obligations	975,704	1,099,556
Deferred revenue and support	110,758	88,380
Deposits payable:		
Parishes	117,237,186	105,822,431
Catholic Charities of the Diocese of Raleigh, Inc.	4,821,494	4,702,411
Healthcare plan, current portion	533,736	499,267
Healthcare plan, long-term portion	11,745,442	11,987,642
Long-term care plan, current portion	256,365	176,651
Long-term care plan, long-term portion	7,931,748	6,523,518
Total Liabilities	146,707,202	134,634,081
Net Assets:		
Without Donor Restrictions:		
Undesignated	8,541,328	5,926,953
Designated, property, equipment, and lease accounts, net	19,377,394	20,032,708
Designated, licenses and rights	1,003,375	1,003,375
Designated, deposit and loan accounts	1,291,703	1,378,246
Designated, other purposes	28,886,829	26,421,779
Total Without Donor Restrictions	59,100,629	54,763,061
With Donor Restrictions:		
Perpetual in nature	23,407,008	20,978,463
Restricted subject to endowment spending policy	24,688,470	23,054,841
Purpose restrictions	7,806,060	8,043,195
Time-restricted for future periods	7,466,564	7,249,777
Underwater endowments	-	(6,132)
Total With Donor Restrictions	63,368,102	59,320,144
Total Net Assets	122,468,731	114,083,205
Total Liabilities and Net Assets	$ 269,175,933	$ 248,717,286

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

ADMINISTRATIVE OFFICES OF THE DIOCESE OF RALEIGH
CONSOLIDATED 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:			
Gifts and bequests	$ 1,856,709	$ 1,684,604	$ 3,541,313
Bishop's annual appeal	606,712	7,146,020	7,752,732
Departmental and project fees	4,425,414	-	4,425,414
Diocesan assessments	5,028,158	-	5,028,158
Rental income	2,897,094	20,063	2,917,157
Investment income, parish loans	623,879	-	623,879
Insurance department	5,159,088	-	5,159,088
Investment returns, net	9,308,296	4,352,328	13,660,624
Realized gain on sale of property and equipment	137,852	-	137,852
Total Support and Revenue Before Release of Restrictions	30,043,202	13,203,015	43,246,217
Releases of Restrictions:			
Appropriation from donor endowment and subsequent satisfaction of any related donor restrictions	1,390,731	(1,390,731)	-
Expirations of time restrictions	7,114,759	(7,114,759)	-
Satisfaction of program restrictions	1,127,072	(1,127,072)	-
Total Support and Revenues	39,675,764	3,570,453	43,246,217

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

ADMINISTRATIVE OFFICES OF THE DIOCESE OF RALEIGH
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)

YEAR ENDED JUNE 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Expenses:			
Offices of:			
Bishop	$ 2,736,745	$ -	$ 2,736,745
Vicar General	1,129,698	-	1,129,698
Judicial Vicar/Chancellor	804,767	-	804,767
Chief Financial Officer/Chief Operating Officer	4,321,355	-	4,321,355
Catholic formation and education	2,759,646	-	2,759,646
Evangelization and discipleship	2,969,226	-	2,969,226
Catholic Charities subsidies	1,846,041	-	1,846,041
Grants	1,154,303	-	1,154,303
Deposit and loan	3,091,032	-	3,091,032
Insurance department	5,900,650	-	5,900,650
Priest welfare	1,694,656	-	1,694,656
Capital campaign	2,119	-	2,119
Parishes and other subsidies	2,203,733	-	2,203,733
Human resources	709,155	-	709,155
Total Expenses	31,323,126	-	31,323,126
Increase in Net Assets from Operations	8,352,638	3,570,453	11,923,091
Change in obligations for priest postretirement benefits other than pensions	(1,280,213)	-	(1,280,213)
Change in value of split-interest agreements	(32,146)	11,303	(20,843)
Change in beneficial interests in perpetual trusts	-	466,202	466,202
Transfer of land, buildings, and improvements to parishes	(2,377,320)	-	(2,377,320)
Loss on the forgiveness of parish and other loans	(325,391)	-	(325,391)
Change in net assets	4,337,568	4,047,958	8,385,526
Net assets at beginning of year	54,763,061	59,320,144	114,083,205
Net assets at end of year	$ 59,100,629	$ 63,368,102	$ 122,468,731

ADMINISTRATIVE OFFICES OF THE DIOCESE OF RALEIGH
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Contributions of cash and other financial assets:			
Gifts and bequests	$ 3,024,482	$ 693,921	$ 3,718,403
Bishop's annual appeal	332,738	7,114,759	7,447,497
Capital campaigns	3,097	-	3,097
Contributions of nonfinancial assets:			
Contributed vehicle	-	19,394	19,394
Contributed construction materials	-	449,502	449,502
Departmental and project fees	3,538,674	-	3,538,674
Diocesan assessments	4,715,539	-	4,715,539
Rental income	630,006	19,415	649,421
Investment income, parish loans	555,217		555,217
Insurance department	4,176,770	-	4,176,770
Investment returns, net	4,916,214	3,048,815	7,965,029
Realized gain on sale of property and equipment	7,959	-	7,959
Total Support and Revenue Before Release of Restrictions	21,900,696	11,345,806	33,246,502
Releases of Restrictions:			
Appropriation from donor endowment and subsequent satisfaction of any related donor restrictions	1,386,340	(1,386,340)	-
Expirations of time restrictions	10,480,475	(10,480,475)	-
Satisfaction of program restrictions	162,551	(162,551)	-
Total Support and Revenues	33,930,062	(683,560)	33,246,502

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

ADMINISTRATIVE OFFICES OF THE DIOCESE OF RALEIGH
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)

YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Expenses:			
Offices of:			
Bishop	$ 2,090,568	$ -	$ 2,090,568
Vicar General	1,174,518	-	1,174,518
Judicial Vicar/Chancellor	718,815	-	718,815
Chief Financial Officer/Chief Operating Officer	3,695,612	-	3,695,612
Catholic formation and education	2,139,022	-	2,139,022
Evangelization and discipleship	2,647,506	-	2,647,506
Catholic Charities subsidies	1,713,279	-	1,713,279
Grants	683,664	-	683,664
Deposits and loans	1,324,837	-	1,324,837
Insurance department	5,073,201	-	5,073,201
Priest welfare	1,359,708	-	1,359,708
Capital campaign	15,300	-	15,300
High school tuition assistance	120,237	-	120,237
Parishes and other subsidies	1,705,207	-	1,705,207
Human resources	664,923	-	664,923
Total Expenses	25,126,397	-	25,126,397
Increase (Decrease) in Net Assets from Operations	8,803,665	(683,560)	8,120,105
Change in obligations for priest postretirement benefits other than pensions	499,374	-	499,374
Change in value of split-interest agreements	(30,401)	(86,096)	(116,497)
Change in beneficial interests in perpetual trusts	-	137,586	137,586
Change in net assets	9,272,638	(632,070)	8,640,568
Net assets at beginning of year	45,490,423	59,952,214	105,442,637
Net assets at end of year	$ 54,763,061	$ 59,320,144	$ 114,083,205

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

ADMINISTRATIVE OFFICES OF THE DIOCESE OF RALEIGH
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2024

	Salaries and Fringe Benefits	Purchased Services	Supplies and Materials	Interest	Contributions	Total
Bishop	$ 1,068,076	$ 1,507,448	$ 161,221	$ -	$ -	$ 2,736,745
Vicar General	813,757	248,663	67,278	-	-	1,129,698
Judicial Vicar/Chancellor	700,354	58,075	46,338	-	-	804,767
Chief Financial Officer/Chief Operating Officer	2,601,082	1,086,035	634,238	-	-	4,321,355
Catholic formation and education	1,127,455	764,302	99,211	-	768,678	2,759,646
Evangelization and discipleship	2,051,943	837,218	74,288	-	5,777	2,969,226
Catholic Charities subsidies	-	-	-	-	1,846,041	1,846,041
Grants	-	-	-	-	1,154,303	1,154,303
Deposit and loan	-	74,049	231,301	2,785,682	-	3,091,032
Insurance department	-	5,900,448	202	-	-	5,900,650
Priest welfare	53,524	1,636,343	4,789	-	-	1,694,656
Capital campaign	-	2,119	-	-	-	2,119
Parishes and other subsidies	428,268	165,790	462,451	-	1,147,224	2,203,733
Human resources	652,372	39,957	16,826	-	-	709,155
	$ 9,496,831	$ 12,320,447	$ 1,798,143	$ 2,785,682	$ 4,922,023	$ 31,323,126

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

ADMINISTRATIVE OFFICES OF THE DIOCESE OF RALEIGH
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023

	Salaries and Fringe Benefits	Purchased Services	Supplies and Materials	Interest	Contributions	Total
Bishop	$ 781,874	$ 1,160,097	$ 148,597	$ -	$ -	$ 2,090,568
Vicar General	908,332	208,286	57,900	-	-	1,174,518
Judicial Vicar/Chancellor	603,073	58,467	57,275	-	-	718,815
Chief Financial Officer/Chief Operating Officer	2,270,091	866,696	558,825	-	-	3,695,612
Catholic formation and education	1,101,712	544,084	153,223	-	340,003	2,139,022
Evangelization and discipleship	1,811,474	765,110	63,633	-	7,289	2,647,506
Catholic Charities subsidies	-	-	-	-	1,713,279	1,713,279
Grants	-	-	-	-	683,664	683,664
Deposit and loan	-	57,060	-	1,267,777	-	1,324,837
Insurance department	-	5,072,886	315	-	-	5,073,201
Priest welfare	55,187	1,298,438	6,083	-	-	1,359,708
Capital campaign	-	15,300	-	-	-	15,300
High school tuition assistance	-	-	-	-	120,237	120,237
Parishes and other subsidies	417,270	410,285	141,565	-	736,087	1,705,207
Human resources	575,465	75,261	14,197	-	-	664,923
	$ 8,524,478	$ 10,531,970	$ 1,201,613	$ 1,267,777	$ 3,600,559	$ 25,126,397

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

ADMINISTRATIVE OFFICES OF THE DIOCESE OF RALEIGH
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
Cash flows from operating activities:		
Cash received from contributions, net of amounts restricted for endowment	$ 8,772,821	$ 14,073,964
Cash received from departmental and project fees	4,462,797	3,550,510
Cash received for Diocesan assessments	4,936,156	4,584,364
Cash received from rent collected	2,917,157	649,421
Cash received from interest earned on parish loans	623,879	555,217
Cash received from operation of the insurance department	5,189,246	4,286,482
Cash payments to employees and vendors	(23,842,482)	(21,291,876)
Grants disbursed	(4,922,023)	(3,600,559)
Interest paid	(2,785,682)	(1,267,777)
Net investment income received	5,917,887	2,886,947
Net cash flows from operating activities	1,269,756	4,426,693
Cash flows from investing activities:		
Purchases of property and equipment	(1,179,369)	(4,269,079)
Proceeds from sales of property and equipment	282,087	231,830
Purchases of investments	(4,506,295)	(1,628,521)
Proceeds from sales of investments	1,943,020	2,893,651
New loans funded	(9,810,528)	(9,336,482)
Collections on loans	6,986,847	14,761,626
Net cash flows from investing activities	(6,284,238)	2,653,025
Cash flows from financing activities:		
Contributions restricted for investment in endowment	2,522,488	1,565,974
Parish deposits and other deposits	11,533,838	11,263,742
Net cash flows from financing activities	14,056,326	12,829,716
Net change in cash and cash equivalents	9,041,844	19,909,434
Cash and cash equivalents, beginning of year	125,201,721	105,292,287
Cash and cash equivalents, end of year	$ 134,243,565	$ 125,201,721
Noncash disclosure:		
Investment return - unrealized gains	$ 7,274,211	$ 4,078,190
Contributed property, vehicles and equipment	$ -	$ 468,896
Gain on sales of property and equipment	$ 137,852	$ 7,959
Loss on forgiveness of of parish loans	$ 325,391	$ -
Transfer of land, buildings and improvements to parishes	$ 2,377,320	$ -

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

Note 1—Description of the organization

Organization – The Catholic Diocese of Raleigh serves the Catholic Church in eastern North Carolina. The Administrative Offices of the Diocese of Raleigh, and its affiliates as described below, (collectively, the "Diocese") includes the Office of the Bishop as well as various ministerial and administrative offices. The offices exist to help the mission of the Catholic Church to be a community of faith, a community of grace, a community of charity, and a community of missionary service.

The consolidated financial statements of the Diocese include the books and records of the Foundation of the Roman Catholic Diocese of Raleigh, Inc. (the "Foundation"), incorporated on August 14, 2018. The Foundation's role is to cultivate endowed and major gifts for the long-term benefit of the Diocese, parishes, schools, programs, and ministries while providing effective and efficient management and distribution of invested funds.

Additionally, the consolidated financial statements of the Diocese include the books and records of the Catholic Community Deposit and Loan Fund, Inc. (the "Deposit and Loan"), incorporated on December 4, 2018. The Deposit and Loan's role is to provide a means through which parishes and schools can safely and securely invest excess operating funds and obtain loans to provide for capital investment and support program ministries.

The consolidated financial statements of the Diocese also include the books and records of the Catholic Housing Corporation, incorporated on March 21, 1996. The entity was initially incorporated to participate in a tax credit low-income rental housing project, of which it has since divested.

The consolidated financial statements of the Diocese also include the books and records of the Diocese of Raleigh Virtual School, Inc., incorporated on May 5, 2021. The entity's role is to operate and maintain a Catholic online education program for the instruction of students in religion, the arts, science, literature, and all branches of a thorough education. The entity commenced operations during the year ended June 30, 2022.

The accompanying consolidated financial statements exclude the financial transactions of the parishes and missions, schools, cemeteries, individual campus ministries, and residences of priests and religious clergy. These statements also exclude property beneficially owned by parishes and schools although the properties are titled to the Bishop and his successors in office.

Note 2—Summary of significant accounting policies

Basis of Accounting – The consolidated financial statements of the Diocese have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis of Consolidation – The accompanying consolidated financial statements include the Office of the Bishop as well as various ministerial and administrative offices, and the accounts of the Foundation, the Deposit and Loan, Catholic Housing Corporation, and the Diocese of Raleigh Virtual School, Inc. All significant inter-organizational transactions and balances have been eliminated in consolidation.

Note 2—Summary of significant accounting policies (continued)

Basis of Presentation – As required by U.S. GAAP, the Diocese classifies revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. As a result, the net assets of the Diocese and the 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 the organization. These net assets may be used at the discretion of the Diocese's management, the Diocesan Finance Council, and the Board of Directors of the Foundation.

Net Assets With Donor Restrictions – Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Diocese or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

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

Cash and Cash Equivalents – The Diocese considers all short-term securities purchased with an original maturity of 12 months or less to be cash equivalents.

Revenue Recognition – Contributions are recognized when the donor makes an unconditional promise to transfer assets. The Diocese reports gifts of cash, in-kind contributions, and other assets as with or without donor restrictions, depending on the existence and/or nature of any donor stipulations. 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, the Diocese reports the support as without donor restriction. In the event monies both with and without donor restrictions are available for use for activities that comply with donor restrictions, the Diocese 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. The Diocese reviews contributions 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.

Note 2—Summary of significant accounting policies (continued)

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 or right of release, 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 Diocese reports the support as without donor restriction. As of June 30, 2024 and 2023, promises to give of $-0- and $250,000, respectively, have not been recognized in the accompanying consolidated statements of activities and net assets because the conditions on which they depend have not yet been met.

The Diocese is named as a beneficiary in numerous wills and last testaments. However, because these gifts may be changed during the lifetime of the donors, they are considered conditional contributions and are not recorded as revenue in the consolidated financial statements. The amounts of these intentions to give are indeterminable.

While contribution revenue provides the majority of the support for the Diocese, the Diocese also derives a portion of their revenue from tuition to students through the virtual school, fees charged to conference and retreat attendees, registration fees for marriage preparation classes, from the sale of advertisements in NC Catholics Magazine, and for contracts for priest services.

The Diocese considers a contract with a customer to exist under Accounting Standards Codification (“ASC”) 606 when there is approval and commitment from the Diocese 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. The Diocese 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.

Tuition to students through the virtual school are generally billed, collected, and recognized prior to the beginning of the semester. Advertising revenues are generally invoiced and recognized in the same month the advertisement appears in the NC Catholic Magazine. Registration fees for marriage preparation courses are collected and recognized when customers register and pay online for access to the on demand online marriage preparation courses. Registration fees for conferences and retreats are either billed at the time of registration or after the performance of services, with revenue recorded once it is earned. Contracts for priest services are billed according to the terms of the contracts. No financing components are incorporated in the Diocese’s contracts or fee arrangements. The transaction prices are defined in the terms of the contracts or fee arrangements. Revenues are recognized as the services are rendered or the events occur and are included with departmental and project fees on the consolidated statements of activities and changes in net assets.

Note 2—Summary of significant accounting policies (continued)

The timing of revenue recognition, billings, and cash collections results in billed accounts receivable and deferred revenue and support on the consolidated statements of financial position. As of June 30, 2024 and 2023, total accounts receivable were $8,479 and $50,624, respectively, and total deferred revenues were $8,270 and $54,000, respectively. The opening balances as of July 1, 2022, of accounts receivable and deferred revenue were $22,353 and $6,400, respectively.

Additionally, the Diocese receives revenue through parish and school assessments to help fund operations. The Diocesan assessments are determined annually for parishes based on the parish's offertory and for the schools based on student enrollment. Parishes are billed monthly on a prorated basis, with a quarterly due date. Schools are billed semi-annually and are due within 30 days. Receivables for the assessments are reported as accounts receivable, assessments on the consolidated statements of financial position and are reported net of an allowance for doubtful accounts of $21,000 as of June 30, 2024 and 2023.

The Diocese operates an insurance department on behalf of the parishes and schools within the Diocese. Through this department, the Diocese negotiates insurance rates and enters into annual policies for property, general liability, and other coverages. The policies have high deductibles, a portion of which the Diocese funds on behalf of the parishes and schools. The Diocese pays the premiums on behalf of the parishes and schools and records a receivable from the insurance company and unearned revenue at the time of billing for the annual premiums, an estimate of the deductibles to be funded by the Diocese each year, and other risk management functions. Insurance and risk management revenue is recognized monthly. The insurance company bills the parishes and schools on behalf of the Diocese and remits the payments received to the Diocese. Receivables related to the insurance department are reported as accounts receivable, other on the consolidated statements of financial position. The Diocese believes the insurance receivables are fully collectible as of June 30, 2024 and 2023.

Property and Equipment – 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 Diocesan 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.

The Diocese reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where the fair value is less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment, there was no impairment loss recorded for the years ended June 30, 2024 and 2023.

Depreciation on buildings and equipment is determined under the straight-line method based on the following estimated useful lives:

Buildings and improvements	5 – 41 years
Furniture and equipment	3 – 8 years
Automobiles	3 – 5 years

Contributed Services – A substantial number of unpaid volunteers have made significant contributions of their time to develop the Diocese's programs. The value of this contributed time is not reflected in these consolidated statements as it is not susceptible to objective measurement or valuation.

Note 2—Summary of significant accounting policies (continued)

Compensated Absences – Employees are permitted to carryover up to five days of vacation time earned. As of June 30, 2024 and 2023, the Diocese had $94,729 and $97,786, respectively, accrued for compensated absences.

Estimates – The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results will differ from those estimates.

Income Taxes – The Diocese is exempt from federal and state income tax under provisions of Section 501(c)(3) of the Internal Revenue Code ("IRC") and are not subject to the filing requirements of the Form 990. The Diocese may be subject to tax to the extent it has taxable unrelated business income. The Diocese has no unrelated business income and, accordingly, no provision for income taxes has been reflected in the accompanying consolidated financial statements. The Diocese believes it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the consolidated financial statements. The Diocese is not classified as a private foundation.

Beneficial Interests in Perpetual Trusts – Beneficial interests in perpetual trusts represent irrevocable interests in assets held by third parties under perpetual trust agreements. They are measured at the fair value of the underlying trust assets in the consolidated statements of financial position, with the change in fair value reported as a change in beneficial interests in perpetual trusts in the consolidated statements of activities and changes in net assets. Because the Diocese is only entitled to income generated by the trusts and not the underlying investments, the interests are included as net assets with donor restrictions. The income generated by the trusts, if not expended during the current year and if subject to donor restrictions, is included as investment return with donor restrictions in the accompanying consolidated statements of activities and changes in net assets until such time that the donor restrictions have been met.

Life Annuities and Charitable Remainder Trusts – The Diocese is the beneficiary of several irrevocable remainder interests of one-life and two-life annuities. These interests are measured at fair value. In circumstances where the Diocese acts as the trustee of the underlying assets, the value of the trust assets is reported as part of investments and the annuity liability is reported as split-interest obligations in the accompanying consolidated statements of financial position. The change in fair value of the annuity liabilities is reported as a change in split-interest agreements in the consolidated statements of activities and changes in net assets. In the event the underlying trust assets are administered by a third party, the remainder interest is recorded as beneficial interests in charitable remainder trusts in the accompanying consolidated statements of financial position and the change in fair value is reported as a change in split-interest agreements in the consolidated statements of activities and changes in net assets. The interests are classified in net assets according to the presence or absence of donor restrictions.

Expense Recognition and Functional Allocation – The cost of providing the Diocese's programs and other activities is summarized on a functional basis in the consolidated statements of functional expenses. Substantially all expenses can be identified with a specific program and are directly charged to the applicable program. Any remaining costs common to multiple functions have been allocated among the various functions benefited and consist primarily of salaries and related fringe benefits, which have been allocated based on estimates of time and effort.

Note 3—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 consolidated statements of financial position as of June 30, are as follows:

	2024	2023
Cash and cash equivalents	$ 120,204,907	109,660,124
Accounts receivable and loans receivable, parishes, and institutions	4,770,213	4,108,371
Promises to give	135,681	208,312
Endowment spending-rate distributions and appropriations	1,273,791	1,195,483
	$ 126,384,592	$ 115,172,290

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

Endowment funds consist of donor-restricted endowments and funds designated by the Diocesan Finance Council to function as endowments. Income from donor-restricted endowments is restricted for specific purposes, except for the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The board-designated endowment designated for Diocese operations of $23,902,746 and $20,376,854 as of June 30, 2024 and 2023, respectively, is subject to an annual spending rate of 4% as described in Note 7. Although the Diocese does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board of Directors' annual budget approval and appropriation), these amounts could be made available, if necessary.

The Diocese's liquidity management plan includes investing cash in excess of daily requirements in the Insured Cash Sweep network and in laddered U.S. Treasuries. Furthermore, as discussed in Note 19, the Diocese maintains one unsecured line of credit with an available balance of $9,911,950 as of June 30, 2024. The Diocese had two unsecured lines of credit with a combined available balance of $19,779,710 as of June 30, 2023. The line of credit is available to provide additional liquidity, if necessary.

Note 4—Financial instruments and other concentrations

Financial instruments which potentially subject the Diocese to a concentration of credit risk consist principally of cash and cash equivalents, accounts receivable, and loans receivable. The activity of the Diocese is primarily with the parishes within the Diocese. The accounts receivable, contributions receivable, and loans receivable are associated with the parishes or other Diocesan activities. Any off-balance sheet risk or credit risk is dependent on the financial support of the parishioners to their local parish and the parish's subsequent support of the Diocese.

The Diocese 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. As of June 30, 2024 and 2023, the Diocese had balances with financial institutions in excess of FDIC limits of $14,318,622 and $6,454,559, respectively. The cash balances are maintained at financial institutions with high credit quality ratings and the Diocese believes no significant risk of loss exists with respect to those balances.

Note 4—Financial instruments and other concentrations (continued)

Additionally, as of June 30, 2024 and 2023, the Diocese held $106,868,430 and $-0-, respectively, of U.S. Treasuries with maturities less than 12 months that are backed by the full faith and credit of the U.S. Government. Furthermore, as of June 30, 2024, the Diocese held $10,649,424 of fully-insured funds in the Insured Cash Sweep network, and as of June 30, 2023, the Diocese held $117,029,975 of fully-insured funds in the Certificate of Deposit Account Registry Service network and the Insured Cash Sweep network.

A substantial amount of the Diocese'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 Diocese. Also, the Diocese is exposed to certain business concentrations due to the limited geographic area in which the Diocese's contributors reside.

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. 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 is 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.

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.

The following are descriptions of the valuation methodologies used for assets and liabilities measured at fair value:

Mutual Funds – These investments are public investment vehicles valued using the net asset value ("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.

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

Fixed Income Securities – These investments consist primarily of individual corporate bonds and are valued based on the market approach.

Investments Measured at Net Asset Value (Private Funds) – 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 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 determined by using a market approach.

Note 5—Fair value measurements (continued)

Money Market Funds – These investments are generally short-term money market funds valued using $1 for the unit value. The custodian establishes the market and quotes the price, on a daily basis, that is available to market participants. This valuation method is a market approach. As such, these money market funds are classified within Level 2 of the valuation hierarchy.

Beneficial Interests in Perpetual Trusts – The fair value of beneficial interests in perpetual trusts is measured based on the fair values of the underlying assets, which consist primarily of marketable debt and equity securities that are valued at quoted market prices. The Diocese calculates its percentage interest in each underlying trust's underlying assets.

Beneficial Interests in Charitable Remainder Trusts – The fair value of beneficial interests in perpetual trusts is discussed in Note 17.

Split-Interest Obligations – The fair value of split-interest obligations is discussed in Note 17.

Obligations for Postretirement Benefits Other Than Pensions – The fair value of obligations for postretirement benefits other than pensions is discussed in Note 18.

Below are the Diocese's financial instruments carried at fair value on a recurring basis by the fair value hierarchy levels as of June 30, 2024:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments:				
Mutual funds - domestic	$ 466,340	$ 466,340	$ -	$ -
Equities	46,238,082	46,238,082	-	-
Fixed income	19,000,847	-	19,000,847	-
Real assets	7,916,823	-	7,916,823	-
Money market funds	1,972,079	-	1,972,079	-
Total investments at fair value	75,594,171	46,704,422	28,889,749	-
Investments measured at net asset value [(a)]	6,623,140	-	-	-
Investments at fair value	82,217,311	46,704,422	28,889,749	-
Beneficial interests in perpetual trusts	6,236,402	-	6,236,402	-
Beneficial interests in charitable remainder trusts	88,283	-	-	88,283
Total Assets	$ 88,541,996	$ 46,704,422	$ 35,126,151	$ 88,283
Liabilities:				
Split-interest obligations	$ 975,704	$ -	$ -	$ 975,704
Obligations for postretirement benefits other than pensions:				
Healthcare plan	12,279,178	-	-	12,279,178
Long-term care plan	8,188,113	-	-	8,188,113
Total Liabilities	$ 21,442,995	$ -	$ -	$ 21,442,995

[(a)] In accordance with FASB ASC Subtopic 820-10, certain investments that were measured at NAV 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 consolidated statements of financial position.

Note 5—Fair value measurements (continued)

The following table 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:

	Beginning Balance	Additions	Distributions	Change in Value	Ending Balance
Beneficial interests in:					
Charitable remainder trusts	$ 79,781	$ -	$ -	$ 8,502	$ 88,283
Split-Interest agreements	(1,099,556)	-	153,197	(29,345)	(975,704)
Obligations for postretirement benefits other than pensions:					
Healthcare plan	(12,486,909)	-	-	207,731	(12,279,178)
Long-term care plan	(6,700,169)	-	-	(1,487,944)	(8,188,113)

The following table summarizes investments measured at fair value based on NAV per share as of June 30, 2024:

Asset	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Period
ACL Alternative Fund (a)	$ 2,385,914	None	Daily	Daily
TrueBridge Seed & Micro VC Fund I and II (b)	$ 1,172,782	$ 900,000	Withdrawal not permitted	Withdrawal not permitted
BP Transtrend Diversified Fund (c)	$ 3,064,444	None	Monthly	5 Business days

(a) 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.

(b) 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.

(c) 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.

Note 5—Fair value measurements (continued)

Below are the Diocese's financial instruments carried at fair value on a recurring basis by the fair value hierarchy levels as of June 30, 2023:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments:				
Mutual funds - domestic	$ 398,772	$ 398,772	$ -	$ -
Equities	40,021,204	40,021,204	-	-
Fixed income	17,328,556	-	17,328,556	-
Real assets	7,562,244	-	7,562,244	-
Money market funds	1,154,823	-	1,154,823	-
Total investments at fair value	66,465,599	40,419,976	26,045,623	-
Investments measured at net asset value [(a)]	5,944,131	-	-	-
Investments at fair value	72,409,730	40,419,976	26,045,623	-
Beneficial interests in perpetual trusts	5,770,200	-	5,770,200	-
Beneficial interests in charitable remainder trusts	79,781	-	-	79,781
Total Assets	$ 78,259,711	$ 40,419,976	$ 31,815,823	$ 79,781
Liabilities:				
Split-interest obligations	$ 1,099,556	$ -	$ -	$ 1,099,556
Obligations for postretirement benefits other than pensions:				
Healthcare plan	12,486,909	-	-	12,486,909
Long-term care plan	6,700,169	-	-	6,700,169
Total Liabilities	$ 20,286,634	$ -	$ -	$ 20,286,634

[(a)] In accordance with FASB ASC Subtopic 820-10, certain investments that were measured at NAV 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 consolidated statements of financial position.

The following table 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 years ended June 30, 2023:

	Beginning Balance	Additions	Distributions	Change in Value	Ending Balance
Beneficial interests in:					
Charitable remainder trusts	$ 72,292	$ -	$ -	$ 7,489	$ 79,781
Split-Interest agreements	(1,124,746)	(24,788)	173,964	(123,986)	(1,099,556)
Obligations for postretirement benefits other than pensions:					
Healthcare plan	(12,821,637)	-	-	334,728	(12,486,909)
Long-term care plan	(6,864,815)	-	-	164,646	(6,700,169)

Note 5—Fair value measurements (continued)

The following table summarizes investments measured at fair value based on NAV per share as of June 30, 2023:

Asset	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Period
ACL Alternative Fund (a)	$ 2,385,914	None	Daily	Daily
TrueBridge Seed & Micro VC Fund I and II (b)	$ 1,172,782	$ 900,000	Withdrawal not permitted	Withdrawal not permitted
BP Transtrend Diversified Fund (c)	$ 3,064,444	None	Monthly	5 Business days

(a) The Fund's investment objective is to seek long-term capital appreciation for its shareholders through allocation to 19 trading funds utilizing a variety of trading styles with market exposure that is broadly diversified with positions in global currency, financial and commodities markets.

(b) The Fund seeks to make investments in a concentrated portfolio of access-constrained seed and micro-venture capital funds targeted towards information technology. The Foundation is not permitted to sell, assign, or transfer any interest in the fund without prior written consent, which may generally be withheld in the Fund's sole discretion.

(c) 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 Diocese uses appropriate valuation techniques based on the available inputs. When available, the Diocese 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 Diocese 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 Diocese, include the credit risk of the issuer, maturity, current yield, and other terms and conditions of each instrument. There were no changes to valuation techniques during the years ended June 30, 2024 or 2023.

The related net investment return is reported in the consolidated statements of activities and changes in net assets as investment return, net, change in value of split-interest agreements, beneficial interests in perpetual trusts, priest welfare program expenses, as well as change in obligations for priest postretirement benefits other than pensions.

Note 6—Investments

The Diocese 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 endowment and other 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 consolidated 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 that are 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 to the related net asset class. If a restriction is fulfilled in the same period in which the net investment return is received, the Diocese reports the net investment return as without donor restrictions.

Investments are stated at their readily determinable fair value and are summarized by major type as follows as of June 30:

	2024			2023		
	Cost	Market Value	Unrealized Gains (Losses)	Cost	Market Value	Unrealized Gains (Losses)
Mutual funds - domestic	$ 149,922	$ 466,340	$ 316,418	$ 151,034	$ 398,772	$ 247,738
Equities	41,703,942	46,238,082	4,534,140	41,484,125	40,021,204	(1,462,921)
Fixed income	20,507,842	19,000,847	(1,506,995)	19,162,772	17,328,556	(1,834,216)
Private funds	5,846,826	6,623,140	776,314	5,887,732	5,944,131	56,399
Real assets	8,522,207	7,916,823	(605,384)	8,519,319	7,562,244	(957,075)
Money market funds	1,972,079	1,972,079	-	1,154,823	1,154,823	-
	$ 78,702,818	$ 82,217,311	$ 3,514,493	$ 76,359,805	$ 72,409,730	$ (3,950,075)

Note 7—Endowments

Diocesan endowments consist of 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. All net assets associated with Diocesan endowment funds, including funds designated by the Diocesan Finance Council and the Board of Directors of the Foundation to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions in the accompanying consolidated statements of financial position and consolidated statements of activities and changes in net assets.

The Board of Directors of the Foundation have 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 Diocese 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.

Note 7—Endowments (continued)

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

a) The duration and preservation of the various funds;
b) the purposes of the donor-restricted endowment funds;
c) general economic conditions;
d) the possible effect of inflation and deflation;
e) the expected total return from income and the appreciation of investments;
f) other resources of the Diocese; and
g) the investment policies of the organization.

Investment Return Objectives, Risk Parameters, and Strategies – The Diocese 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 Diocese 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. The Diocese is committed to a diversified asset allocation strategy, consisting primarily of domestic equities, international equities, domestic fixed income, international fixed income, and alternative investments.

Spending Policy – The Diocesan policy is that 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 Diocese has a policy whereby a distribution is taken from each 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. The distribution is calculated based on the 12-quarter average of the fair value of the assets of each endowment fund.

Administrative distributions totaled $698,967 and $676,209 for the years ended June 30, 2024 and 2023, respectively.

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

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
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
	$ 38,571,944	$ 41,859,076	$ 80,431,020

Note 7—Endowments (continued)

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ -	$ 11,663,297	$ 11,663,297
Accumulated investment gains	-	3,538,834	3,538,834
Amounts held in term endowments	-	23,054,841	23,054,841
Board-designated endowment and other funds	32,473,678	-	32,473,678
	$ 32,473,678	$ 38,256,972	$ 70,730,650

Changes in endowment for the years ended June 30:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
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)
	$ 38,571,944	$ 41,859,076	$ 80,431,020

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment beginning of year	$ 30,374,454	$ 36,390,115	$ 66,764,569
Transfers	-	17,625	17,625
Contributions	1,017,026	548,948	1,565,974
Net investment income	1,958,838	2,320,060	4,278,898
Amounts expended	(876,640)	(1,019,776)	(1,896,416)
	$ 32,473,678	$ 38,256,972	$ 70,730,650

During the years ended June 30, 2024 and 2023, respectively, contributions made by the Diocese in the amount of $1,925,904 and $17,625, respectively, were eliminated in the consolidation process.

Funds with Deficiencies – From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Diocese has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. The Diocese had no endowments as of June 30, 2024 that were underwater. The Diocese had endowments as of June 30, 2023 that were underwater by $6,132. These endowments had a fair value of $96,625 and an associated corpus maintenance requirement of $102,757 as of June 30, 2023.

Note 8—Net assets with donor restrictions

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

	2024	2023
Subject to expenditure for a specified purpose:		
Horne Memorial Revolving Fund	$ 5,881,400	$ 5,720,593
Land Trust	-	449,502
Early Childhood Development	1,553,676	1,525,420
Other ministries and programs	361,844	330,805
Promises to give, the proceeds from which have been restricted for seminarian education and welfare	9,140	16,875
	7,806,060	8,043,195
Subject to the passage of time:		
Undistributed Bishop's Annual Appeal	7,146,020	7,114,759
Promises to give, the proceeds from which are unrestricted	44,990	44,990
	7,191,010	7,159,749
Endowments:		
Subject to the passage of time:		
Net assets held under split-interest agreements	281,709	237,379
Underwater split-interest agreements	(6,155)	(147,351)
	275,554	90,028
Subject to appropriation and expenditure for a specific purpose:		
Restricted by donors for:		
Assistance for the needy	585,117	555,982
Parish support and assistance	2,898,965	1,667,538
Seminarian education	5,071,167	5,628,943
Tuition assistance and scholarships	3,312,090	3,097,711
Capital investment and property acquisition	3,651,661	3,332,737
Catholic schools and education initiatives	1,154,604	110,251
Child and family programs	1,364,838	1,294,607
Lay formation and education	3,459,364	3,283,220
Other ministries and programs	3,190,664	4,083,852
	24,688,470	23,054,841
Perpetual in nature, earnings from which are subject to endowment spending policy and appropriation:		
Assistance for the needy	236,813	230,172
Capital investment and property acquisition	262,596	187,242
Catholic Charities of the Diocese of Raleigh, Inc.	59,927	54,689
Catholic schools and education initiatives	636,329	570,925
Seminarian education	4,630,740	4,296,874
Tuition assistance and scholarships	9,140,646	7,676,992
Parish support and assistance	259,329	240,921
Child and family programs	-	42,756
Other ministries and programs	1,944,226	1,901,560
	17,170,606	15,202,131
Perpetual in nature, not subject to spending policy or appropriation:		
Beneficial interests in charitable trusts held by others	6,236,402	5,770,200
Total Net Assets With Donor Restrictions	$ 63,368,102	$ 59,320,144

Note 9—Net assets with board designations

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

	2024	2023
Invested in property, equipment, and leases, net of related debt	$ 19,377,394	$ 20,032,708
Invested in licenses and rights	1,003,375	1,003,375
	20,380,769	21,036,083
Designated for deposit and loan accounts	1,291,703	1,378,246
Subject to the passage of time:		
Assets held under split-interest agreements	535,032	478,029
Subject to appropriation and expenditure for a specific purpose:		
For the benefit of:		
Catholic Charities of the Diocese of Raleigh	2,018,201	1,887,404
Catholic schools and education initiatives	7,809,383	6,845,408
Cemetery maintenance	3,445,350	1,661,289
Clergy and religious welfare	9,573,529	6,820,863
Diocesan support and assistance	3,400,684	3,230,919
Seminarian education	2,424,222	2,303,207
Tuition assistance and scholarships	419,826	916,519
Assistance for the needy	-	4,933,479
Capital investment and property acquisition	2,287,488	1,968,267
Cathedral operations	-	654,623
Parish support and assistance	1,693,317	631,465
Other ministries and programs	5,499,944	620,235
	38,571,944	32,473,678
Other board designated:		
Priest long-term care and healthcare accounts	(20,467,291)	(19,187,078)
Insurance reserve	4,556,321	5,716,356
Cathedral support	198,748	225,822
Seminarian education	199,595	199,595
Priest long-term care	1,702,674	1,917,586
Home Mission Society	420,343	390,120
Land Trust	228,131	244,855
Capital investment and property acquisition	1,047,473	2,441,355
Other purposes	1,893,859	1,521,461
	(10,220,147)	(6,529,928)
Board designated, other purposes	28,886,829	26,421,779
Total board-designated net assets	$ 50,559,301	$ 48,836,108

Note 10—Bishop's Annual Appeal

The Bishop's Annual Appeal ("BAA") is an annual campaign, conducted in the parishes which raises operating funds for use by the Diocese in its upcoming fiscal year to support numerous evangelization, worship, and charitable programs. As the funds can only be used to support these programs beginning in the next fiscal year, they are considered to be donor-restricted until the time and purpose restrictions have been met. Historically, each parish was assigned a designated funding goal based on its pro rata share of total offertory income within the Diocese. During the years ended June 30, 2024 and 2023, the parish goal has been adjusted based on offertory and previous year's BAA collection, and the rebate percentage to all parishes and schools is 40% for funds collected in excess of their BAA goal, with 60% remaining with the Diocese.

The following net receivables with parishes related to the BAA were outstanding as of June 30:

	2024	2023
Promises to give receivable in less than one year	$ 420,133	$ 476,598
Less rebates to parishes	(269,291)	(243,055)
Less allowance for doubtful promises	(82,476)	(81,836)
	$ 68,366	$ 151,707

Note 11—Cathedral Campus Campaign

Beginning in fiscal year 2012, the Diocese began the Our Cathedral: One Faith, One People campaign to commission and build a new cathedral to meet the needs of a growing Catholic community. The campaign was structured in phases with contributions goals for each parish and certain rebates provided for parishes exceeding their total campaign goals. On July 26, 2017, the Holy Name of Jesus Cathedral (the "Cathedral") was officially dedicated, marking the substantial completion of the Cathedral Campus project. All capital assets of the Cathedral were transferred to the parish during the years ending June 30, 2018 and 2019.

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

	2024	2023
Promises to give receivable over five years	$ 61,436	$ 89,088
Less discounts to present value *	(56)	(904)
Less rebates to parishes	(3,890)	(3,697)
Less allowance for doubtful promises	(44,305)	(44,757)
	$ 13,185	$ 39,730

* As of June 30, 2024 the discount rates used to calculate present value ranged from 0.29% - 4.33%. As of June 30, 2023, the discount rates used to calculate present value ranged from 0.29% - 3.01%.

Note 12—Other promises to give

Contributions receivables related to other promises to give of $54,130 and $61,865 are included in accounts receivable, other on the consolidated statements of financial position as of June 30, 2024 and 2023, respectively. The Diocese believes the promises to give are fully collectible.

	2024	2023
Promises to give receivable in less than one year	$ 54,130	$ 50,090
Promises to give receivable in less than five years	-	11,775
	$ 54,130	$ 61,865

Note 13—Contributed nonfinancial assets

During the year ended June 30, 2024, the Diocese received no contributions of nonfinancial assets. During the year ended June 30, 2023, the Diocese received donor restricted contributions of nonfinancial assets consisting of a vehicle with an estimated fair value of $19,394 for use in the seminarian fleet and construction materials with an estimated fair value of $449,502 for use in the construction of a chapel. The Diocese estimated the fair value of the vehicle using the Kelley Blue Book's estimate of similar vehicles and based on invoices of actual costs of purchase provided by the donor for the construction materials. The Diocese utilizes these gifts or the proceeds from the sale of these gifts to build or enhance parishes within the Diocese.

Note 14—Parish deposit and loan program

The Diocese sponsors a deposit and loan program whereby diocesan parishes, schools, and other entities deposit excess funds and diocesan parishes can obtain loans for approved construction or operating needs. On December 4, 2018, the Diocese separately incorporated its deposit and loan program to form the Catholic Community Deposit and Loan Fund, Inc. As part of the separate incorporation, a new internal Board of Directors was established to act upon the recommendations of the Diocesan Finance Council. Interest rates for deposits and loans are reviewed semi-annually and adjusted, as necessary. For the years ended June 30, 2024 and 2023, parish deposits earned interest at a rate of 2.50% and can be withdrawn as requested. For the years ended June 30, 2024 and 2023, parish loans bore an interest rate of 4.00%, with the exception of loans used for the purchase of land, and certain other loans, which are non-interest bearing.

In accordance with ASC 326, the Diocese makes ongoing estimates relating to the collectability of loan receivables and records an allowance for estimated losses expected from the inability of its parishes, schools, and other borrowers to make required payments. Loans issued by the Diocese to the parishes, schools, and other entities are held until maturity or payoff and are reported at amortized cost, which consists of the principal balance outstanding. Accrued interest receivable totaled $1,820 and $6,232 as of June 30, 2024 and 2023, respectively, and is included in accounts receivable, other in the consolidated statements of net position. Accrued interest receivable is excluded from the estimate of credit losses and interest income is accrued only on the unpaid principal balance.

The allowance for credit losses on loans is based on the Diocese's assessment of the collectability of loans receivable, measured on a collective (pool) basis when similar risk characteristics exist. The pools evaluated by the Diocese are differentiated based on whether the loans are interest bearing, non-interest bearing, or are to entities external to the influence of the Bishop of the Diocese. Loans to external entities may either be interest or non-interest bearing. The Diocese establishes expected credit losses by evaluating the historical levels of credit losses, current economic conditions that may affect a borrower's ability to pay, and the creditworthiness of significant borrowers, adjusted for reasonable and supportable forecasts for each pool of loans.

Note 14—Parish deposit and loan program (continued)

The interest-bearing loan pool is considered to be of lower risk as these parishes and schools are generally larger, have higher average levels of unrestricted savings and other income available to service the loans. The interest-bearing external loans are also considered to be of lower risk because they are collateralized well above the loan balances outstanding. The non-interest-bearing loans are considered to be a slightly higher risk as these loans are to smaller parishes and schools with lower average levels of unrestricted savings and other income available to service the loans. Non-interest bearing external loans are also considered to be of slightly higher risk as these loans are made to support entities in financial distress or that are not yet fully established. Individual loans with specialized terms and purposes may be evaluated outside of the pools based on collectability and creditworthiness. The Diocese evaluates each pool by analyzing the debt service ratio of the individual loans within pools. Where the debt service ratio exceeds 1 and/or when individual unrestricted savings or other sources to appropriately service the loans are available, a general reserve of 1% and 3%, for interest bearing and non-interest-bearing loans, respectively, are applied. Loans falling outside these parameters are individually analyzed and an expectation for credit loss determined. Historically, all pools have experienced extremely low levels of losses due to the relationship between the Diocese and its parishes and schools. These inputs are used to determine a range of expected credit losses and an allowance is recorded within the range. Allowances for credit losses and recoveries on loans previously charged off are added to the allowance. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. Loans receivable are written off when there is no reasonable expectation of recovery.

As of June 30, 2024 and 2023, the allowance totaled $772,814 and $197,409, respectively.

As of June 30, 2024 and 2023, loans receivable consist of the following:

	2024	2023
Interest bearing	$ 17,175,339	$ 15,024,115
Non-interest bearing	3,163,348	2,240,877
Total loans outstanding	20,338,687	17,264,992
Less allowance for credit losses	(772,814)	(197,409)
	$ 19,565,873	$ 17,067,583

The changes in the loans receivable accounts are summarized as follows:

	2024	2023
Beginning of year balance	$ 17,264,992	$ 22,690,136
New loans made	9,810,528	9,336,482
Payments received	(6,411,442)	(14,761,626)
Loans forgiven	(325,391)	-
End of year balance	$ 20,338,687	$ 17,264,992

A loan is defined as impaired when, based on current information and events, it is probable that a parish or school will be unable to pay all amounts due under the contractual terms of the loan agreement. The Diocese does not generally evaluate loans for impairment, unless there is an event that arises bringing into question a parish's ability to pay. Those loans are evaluated for impairment on an individual basis, as needed. Due to the relationship of the parishes and schools with the Diocese, loans are very seldom uncollectible.

Note 14—Parish deposit and loan program (continued)

As of June 30, the delinquencies of loans receivable consisted of the following:

2024					
Current	0-30 Days Past Due	31-60 days Past Due	Over 60 Days Past Due	Total Past Due	Total Notes Receivable
$ 20,338,687	$ -	$ -	$ -	$ -	$ 20,338,687

2023					
Current	0-30 Days Past Due	31-60 days Past Due	Over 60 Days Past Due	Total Past Due	Total Notes Receivable
$ 17,245,440	$ 19,552	$ -	$ -	$ 19,552	$ 17,264,992

The Diocese will place loans on nonaccrual status when they are past due and not performing. All loans receivable are current, accruing and performing as of June 30, 2024 and, thus, no loans receivable have been placed on nonaccrual status. Amounts are considered past due when they are not paid within the terms agreed upon by the Diocese.

The activity in the allowance for credit losses on loans for the years ended June 30 are as follows:

	2024	2023
Allowance for credit losses, beginning of year	$ 197,409	$ 197,409
Increase in credit loss provision from implementation of ASU 2016-13	575,405	-
Allowance for credit losses, end of year	$ 772,814	$ 197,409

Additional information about the loan program is as follows as of June 30:

	2024		2023	
	Number of Loans Outstanding	Average Face Amount at Origination	Number of Loans Outstanding	Average Face Amount at Origination
Interest bearing loans receivable	21	$ 1,387,079	21	$ 1,371,415
Non-interest bearing loans receivable	19	$ 231,358	21	$ 172,013
Total outstanding loans receivable	40		42	

From time to time, the Diocese forgives individual loans when resources allow. However, forgiveness is not based on an individual borrower's ability to pay. During the years ended June 30, 2024 and 2023, the Diocese forgave loans totaling $325,391 and $-0-, respectively.

Note 15—Licenses and rights

The Diocese has the perpetual use of 12 living units at Saint Joseph of the Pines, Inc. ("Saint Joseph") to serve as residential facilities for retired priests. Although legal title to the units and all improvements thereon remains with Saint Joseph, the Diocese is responsible for all major repairs and replacements to the units.

Note 16—Property and equipment

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

	2024	2023
Land, buildings, and improvements	$ 24,644,025	$ 25,016,077
Furniture and equipment	2,182,308	2,205,585
Automobiles	303,333	234,582
	27,129,666	27,456,244
Less accumulated depreciation	(4,848,568)	(4,905,417)
	22,281,098	22,550,827
Construction in progress	-	1,399,181
Property and equipment, net	$ 22,281,098	$ 23,950,008

Property and equipment are included in the accompanying consolidated statements of financial position under the following captions as of June 30:

	2024	2023
Operating properties	$ 9,493,491	$ 8,785,018
Other properties	12,787,607	15,164,990
Property and equipment, net	$ 22,281,098	$ 23,950,008

In January 2016, the Diocese received a donation of ½ interest in land located in Raleigh, North Carolina. The donation was recorded at the estimated fair value on the date of the donation of $1,311,153 and is included in operating properties on the consolidated statements of financial position. The land, income earned, and any proceeds in the event it is sold are donor restricted for use for early childhood development programs.

During the fiscal year ended June 30, 2022, the Diocese received an unrestricted donation of land in Ocracoke, North Carolina with a value of $212,000. During the year ended June 30, 2023, the Diocese included the land as board designated for use in conjunction with the construction of a chapel upon the land. As of June 30, 2023, the land is included in other properties on the consolidated statements of financial position. During the fiscal year ended June 30, 2023, the Diocese received a donor-restricted contribution of construction materials valued at $449,502 for use in building the chapel in Ocracoke, North Carolina. The construction materials are included in other properties on the consolidated statements of financial position as of June 30, 2023. Construction of the Ocracoke chapel was completed during the year ended June 30, 2024, at which time the chapel and land were transferred to the parish. For the year ended June 30, 2024, the transfer is reflected in the consolidated statements of activities and changes in net assets as transfer of land, buildings and improvements to parishes.

Note 16—Property and equipment (continued)

During the fiscal year ended June 30, 2023, the Diocese received a donor-restricted contribution of a vehicle for use in the Seminarian fleet. The contribution was recorded at the fair value on the date of the donation of $19,394. The asset is included in operating properties on the consolidated statements of financial position and has a net carrying value of $13,576 and $17,455 as of June 30, 2024 and 2023, respectively.

Depreciation expense for the years ended June 30, 2024 and 2023 totaled $326,724 and $320,729, respectively.

Note 17—Life annuities and charitable remainder trusts

The Diocese is the beneficiary of several one-life and two-life annuities for which it is the trustee. Effective July 1, 2021, the Diocese transferred its interest in these 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.

During the years ended June 30, 2024 and 2023, the Diocese and the Foundation received $-0- and $25,213, respectively, of donor-restricted contributions related to these annuities. Under terms of these split-interest agreements, the Diocese and the Foundation are required to pay the various donors an annuity until the donors' death at which time the remaining assets are to be distributed to the Diocese for use in accordance with the donor agreements.

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 upon termination of the individual annuities as of June 30, 2024 and 2023.

The Diocese is the trustee and beneficiary of a charitable remainder unitrust. Under the agreement, the Diocese is to pay the donor an amount equal to 7.5% of the trust value as of the first day of the trust year in quarterly installments.

The Diocese is the beneficiary of the remainder interest in an irrevocable charitable remainder trust, the assets of which are held in a trust by a third party. Under the agreement, the trustee will pay the beneficiary monthly distributions of $1,600 and $5,000 twice annually for life.

A discount rate of 5.5% and actuarial assumptions published by the Department of Health and Human Services were used in calculating the present value of the amounts to be received upon termination of the trusts described above.

Note 17—Life annuities and charitable remainder trusts (continued)

The fair value of assets held in trust, included in investments in the accompanying consolidated statements of financial position, and corresponding liability to the donors, included in split-interest obligations, is as follows as of June 30:

	2024			
	Beneficial Interests in Charitable Remainder Trusts	Assets Held in Trust	Liability to Donors	Net Assets
Life Annuities	$ -	$ 1,319,951	$ 791,074	$ 528,877
Charitable Remainder Trust	88,283	466,340	184,630	369,993
	$ 88,283	$ 1,786,291	$ 975,704	$ 898,870

	2023			
	Beneficial Interests in Charitable Remainder Trusts	Assets Held in Trust	Liability to Donors	Net Assets
Life Annuities	$ -	$ 1,261,916	$ 938,164	$ 323,752
Charitable Remainder Trust	79,781	398,771	161,392	317,160
	$ 79,781	$ 1,660,687	$ 1,099,556	$ 640,912

There is one pool of donor-restricted split-interest annuity agreements whereby the annuity liabilities exceed the market value of the assets supporting them by $6,155 and $147,531 as of June 30, 2024 and 2023, respectively. If assets supporting the liabilities become entirely depleted prior to the extinguishment of the liability, the Diocese may be required to fund the annuity liabilities from net assets without donor restrictions.

Note 18—Postretirement benefits other than pensions

The Diocese sponsors two single-employer, noncontributory, defined benefit health plans providing postretirement healthcare benefits and long-term care benefits for its retired diocesan priests. In accordance with U.S. GAAP, the Diocese records a provision each year for future obligations under the plans. There were no amendments for the years ended June 30, 2024 or 2023.

The accumulated postretirement benefit obligations associated with the healthcare plan and long-term care plan as of June 30, included in the consolidated statements of financial position, are calculated as follows:

	2024	
	Healthcare	**Long-Term Care**
Benefit obligation at June 30, 2023	$ 12,486,909	$ 6,700,169
Service cost	483,811	264,001
Interest cost	626,190	339,135
Plan participants' contributions	-	72,095
Actuarial (gain) loss	(915,503)	968,593
Benefit payments	(402,229)	(155,880)
Benefit obligation at June 30, 2024	$ 12,279,178	$ 8,188,113

	2023	
	Healthcare	**Long-Term Care**
Benefit obligation at June 30, 2022	$ 12,821,637	$ 6,864,815
Service cost	545,792	304,162
Interest cost	585,337	316,562
Plan participants' contributions	-	64,846
Actuarial gain	(1,125,053)	(659,463)
Benefit payments	(340,804)	(190,753)
Benefit obligation at June 30, 2023	$ 12,486,909	$ 6,700,169

Note 18—Postretirement benefits other than pensions (continued)

The related net periodic postretirement benefit costs are reported in the consolidated statements of activities and changes in net assets. The change in obligations for priest postretirement benefits other than pensions includes service costs since the compensation expense attributable to the priests covered under the plan are recognized by the individual parishes and are generally not included within the books and records of the Diocese. Amounts recognized in the consolidated statements of activities and changes in net assets related to the healthcare plan and long-term care plan for the years ended June 30 consist of:

	2024	
	Healthcare	**Long-Term Care**
Service cost	$ 483,811	$ 264,001
Interest cost	626,190	339,135
Amortization of actuarial gain	(1,125,053)	(659,462)
Net periodic postretirement cost	(15,052)	(56,326)
Net (gain) loss	(915,053)	968,592
Employer contributions	(402,229)	(155,880)
Amortization of prior service cost	1,125,053	659,462
Changes other than net periodic postretirement cost	(192,229)	1,472,174
Total recognized in the consolidated statement of activities	$ (207,281)	$ 1,415,848

	2023	
	Healthcare	**Long-Term Care**
Service cost	$ 545,792	$ 304,162
Interest cost	585,337	316,562
Amortization of actuarial gain	(6,415,916)	(3,045,813)
Net periodic postretirement cost	(5,284,787)	(2,425,089)
Net gain	(1,125,053)	(659,463)
Employer contributions	(340,804)	(190,753)
Amortization of prior service cost	6,415,916	3,045,813
Changes other than net periodic postretirement cost	4,950,059	2,195,597
Total recognized in the consolidated statement of activities	$ (334,728)	$ (229,492)

Note 18—Postretirement benefits other than pensions (continued)

Assumed healthcare cost trend rates significantly impact reported amounts. The assumed healthcare cost trend rate used to measure the expected cost of benefits for the healthcare plan was assumed to increase by 7.0% and 6.5% for the years ended June 30, 2024 and 2023, respectively. Thereafter, the rate was assumed to gradually decrease to a rate of 4.5% in 2030 and 2027 for the fiscal years ended June 30, 2024 and 2023, respectively. The assumed healthcare cost trend rate used to measure the expected cost of benefits for the long-term care plan was assumed to increase by 5.0% for the years ended June 30, 2024 and 2023 and remain at 5.0% on an ongoing basis.

Expected benefit payments through June 30, 2034 related to the healthcare plan and long-term care plan are as follows:

Years Ending June 30,	Healthcare	Long-Term Care
2025	$ 533,736	$ 256,365
2026	541,944	264,480
2027	550,927	275,273
2028	565,241	270,213
2029	583,034	294,462
2030 through 2034	3,318,295	1,667,621

The discount rate used in the measurement of the Diocese's benefit obligation for both the healthcare plan and the long-term care plan was increased from 4.92% to 5.35% during the year ended June 30, 2024 and increased from 4.46% to 4.92% during the year ended June 30, 2023.

Note 19—Line of credit

Until February 1, 2023, the Diocese maintained an unsecured line of credit agreement with a maximum limit of $10,000,000 with a banking institution. Interest was payable quarterly at the LIBOR rate, plus 1.50% on the used portion, and 0.20% on the unused portion. Though LIBOR rates were no longer published after November 9, 2021, the Diocese's interest rates were based on the last published LIBOR rate until the line of credit renewed in February of 2023. Effective February 1, 2023, the Diocese renewed the line of credit for the six-month period ending July 31, 2023. Interest was payable quarterly at SOFR plus 1.62% on the used portion, and .20% on the unused portion. While the balance of the line of credit was $-0- as of June 30, 2023, the Diocese committed $220,290 of the available balance as security for three irrevocable letters of credit required for performance bonds as a condition of parish construction projects. The line of credit was terminated during the year ended June 30, 2024.

Additionally, in June 2023, the Diocese entered into a second unsecured line of credit agreement with a maximum limit of $10,000,000 with another banking institution which matures in June 2026. Interest is payable monthly at the SOFR plus 1.37% on the used portion, and 0.12% on the unused portion. The balance of the line of credit was $-0- as of June 30, 2024 and 2023. However, with the closing of the previous line of credit, Diocese transferred its commitment of a portion of the available balance as security for three irrevocable letters of credit required for performance bonds to the new line of credit. As one of the letters of credit was canceled during the year, at June 30, 2024, the Diocese utilized $88,050 of its available balance as security on the two remaining irrevocable letters of credit required for parish construction project performance bonds.

The Diocese incurred interest expense related to lines of credit of $11,718 and $47,721 for the years ending June 30, 2024 and 2023, respectively.

The terms of the financing agreement require the Diocese to comply with certain debt covenants. Management believes the Diocese is in compliance with the performance ratios required as of June 30, 2024 and 2023.

Note 20—Defined benefit pension plans

The Diocese participates in a multi-employer, noncontributory defined benefit retirement plan for lay employees entitled the “Retirement Plan for Lay Employees of the Bishop of the Roman Catholic Diocese, North Carolina” for which the employer identification 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 lay employees of the Administrative Offices were covered under this Lay 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% of the final average compensation as defined by the Lay Plan. Participants are eligible to begin receiving benefits no earlier than age 65 and the Lay Plan contains provisions for payments to surviving spouses in certain circumstances. In substantially all circumstances, a participant in the Lay Plan becomes fully vested after five years of eligible service. The Lay Plan was amended during the year ended June 30, 2024 to allow eligible participants a one-time opportunity for a special lump sum benefit in lieu of and in full satisfaction of the participant’s accrued benefit provided under the Plan. To take advantage of the special lump sum benefit, eligible participants were required to make an election to do so between February 20, 2024 and April 5, 2024, and payments were made on or about May 1, 2024. The risks of participating in this multi-employer Lay Plan are different from a single employer Lay 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 parishes, schools, and other entities;

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 the Diocese stops participating in the Lay Plan, it could be required to pay an amount, referred to as withdrawal liability, based on the unfunded status of the Lay Plan. The Diocese has no intention of stopping its participation in the Lay Plan.

During the year ended June 30, 2010, the Diocesan Finance Council approved a recommendation by management 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. The Diocese contributed $248,087 and $226,191 to the Lay Plan for the years ended June 30, 2024 and 2023, respectively, which represented more than 5% of the total contributions of all employing units to the Lay Plan during those years.

The actuarial present value of vested and nonvested accumulated Lay 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, the Diocese relies upon each employing unit to contribute their required are unable to make their required contributions, the obligations would be reallocated to the remaining contributing units.

Lay Plan level information is as follows as of the valuation dates noted as of January 1:

	2024	2023
Market value of plan assets	$ 38,032,849	$ 34,199,637
Present value of accrued plan benefits	$ 38,401,178	$ 38,982,944
Percent funded	99.00%	87.70%
Total contributions to the plan	$ 2,452,204	$ 2,343,549
Total employees covered under the plan	1,188	1,200
Discount rate used to value the plan liability	6.50%	6.50%

Note 20—Defined benefit pension plans (continued)

The Diocese also administers the Clergy Retirement Plan ("Clergy Plan") which is supported solely by the parishes through offertory assessments, some of which are funded by parish special collections. The actuarial present value of vested and nonvested accumulated Clergy Plan benefits and net assets available for benefits are not presented herein. Participation in the Clergy Plan is automatic upon priestly ordination or incardination in the Diocese of Raleigh unless a priest elects in writing to waive participation in the Clergy Plan. A priest becomes fully vested in his accrued benefit upon completion of five years of service and upon reaching age 70, unless he elects early retirement at age 65, in which case he will receive a reduced benefit. Benefits consist of a set dollar monthly annuity for life based upon years of service and adjusted for inflation as provided for under the Clergy Plan.

Clergy Plan level information is as follows as of the valuation dates noted as of July 1:

	2024	2023
Market value of plan assets	$ 23,363,692	$ 21,971,489
Present value of accrued plan benefits	$ 25,959,657	$ 24,553,800
Percent funded	90.00%	89.50%
Total contributions to the plan	$ 239,223	$ -
Total employees covered under the plan	108	103
Discount rate used to value the plan liability	6.50%	6.50%

Note 21—Investment savings plan

The Diocese offers its employees a pre-tax IRC Section 403(b) Plan ("403(b) Plan"). Under the provisions of the 403(b) Plan, substantially all employees of the Diocese, parishes, schools, and other related entities as well as Diocesan priests are covered. For the years ended June 30, 2024 and 2023, the Diocese contributed $0.50 for each $1 invested by employees on the first 5% of qualified compensation, plus a noncontributory deferral of 4% of qualified compensation into accounts of all eligible employees, up to a maximum of 6.5% 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 the Diocese. Employees are vested in the Diocese's noncontributory-deferral contribution after five years of service. Diocesan priests are not eligible for the noncontributory deferral of 4%. Contributions to the 403(b) Plan for the years ended June 30, 2024 and 2023 totaled $362,759 and $330,965, respectively.

In May 2021, the Foundation adopted an agreement to offer its employees a separate pretax IRC Section 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. Additionally, the Foundation may make a non-contributory deferral of an annually determined percentage of qualified compensation into accounts of all eligible employees. Participants in the Foundation's 403(b) Plan are immediately vested in their employee contributions and in basic-matching contributions provided by the Foundation. Contributions to the Foundation's 403(b) Plan for the years ended June 30, 2024 and 2023 totaled $17,336 and $12,831, respectively.

Effective June 30, 2024, the Foundation's 403(b) Plan was frozen. The Foundation's employees joined the Diocesan plan on July 1, 2024.

Note 22—Fundraising

The Diocese conducts certain fundraising activities to generate revenues to assist in supporting its programs and activities. During the years ended June 30, 2024 and 2023, fundraising expenses totaled $633,616 and $601,191, respectively, which is included in Offices of the Chief Financial Officer/Chief Operating Officer, Capital Campaign, and Parishes and Other Subsidies on the consolidated statements of activities and changes in net assets.

Note 23—Leases

Rental Income – The Diocese has entered a long-term, noncancelable operating lease as the lessor for real estate. The term of the lease runs until June 30, 2044, at which time the lease can be renewed for another 50-year term.

The following is a schedule of future minimum rents receivable for this lease:

Years Ending June 30,	
2025	$ 1,106,532
2026	1,106,532
2027	1,106,532
2028	1,106,532
2029	1,106,532
Thereafter	16,597,980
	$ 22,130,640

Annual rental amounts are subject to change every ten years upon completion of a fair market appraisal of the leased property.

The net book value of the related real estate as of June 30, 2024 and 2023 was $290,343.

In January 2016, the Diocese received ½ interest in property subject to a long-term, cancelable operating land lease. The term of the lease runs until October 31, 2033, at which time the lease can be renewed for another 20-year term, to expire on October 31, 2053.

The following is a schedule of future minimum rent receivable for this lease:

Years Ending June 30,	
2025	$ 20,012
2026	20,012
2027	20,012
2028	20,012
2029	20,012
Thereafter	86,719
	$ 186,779

Rental income is restricted by the donor for use in early childhood development programs. The real estate consists of land and is not subject to depreciation. The carrying value of the ½ interest in the related real estate as of June 30, 2024 and 2023 was $1,311,153.

Note 23—Leases (continued)

In February 2023, the Diocese entered into a three-year, noncancelable operating lease for office space as the lessor. The term of the lease runs until March 31, 2026, at which time the lease can be renewed for an additional three-year term.

The following is a schedule of future minimum rents receivable for this lease:

Years Ending June 30,		
2025	$	181,650
2026		139,275
	$	320,925

Leases under lessee accounting – The Foundation entered into a two-year noncancelable operating lease for office space beginning on July 1, 2019. On April 1, 2021, the Foundation extended the lease for a three-year term from July 1, 2021 through June 30, 2024.

The right-of-use ("ROU") assets and lease liabilities are recognized at the commencement date based on the present value of the future minimum lease payments over the lease term. Renewal and termination clauses that are factored into the determination of the lease term if it is reasonably certain these options would be exercised by the Foundation. Lease assets are amortized over the lease term unless there is a transfer of title or purchase option reasonably certain of exercise, in which case the asset life is used. In order to determine the present value of lease payments, the Foundation uses the implicit rate when it is readily determinable. As the Foundation's lease does not provide an implicit rate, management used the risk-free rate based on the information available at lease commencement to determine the present value of lease payments.

During 2023, the Foundation recognized a ROU asset and lease liability of $77,196 which represents the present value of minimum lease payments discounted at 2.84%, the risk-free rate at lease commencement. The lease ended in June 2024 and was not renewed.

Operating lease expense was $38,123 and $39,880 for the years ended June 30, 2024 and 2023, respectively, which is included within parishes and other subsidies in the consolidated statement of activities and changes in net assets.

The Foundation's lease agreement did not contain any material residual value guarantees or material restrictive covenants. The Foundation does not have leases where it is involved with the construction or design of an underlying asset. The Foundation has no material obligation for leases signed but not yet commenced as of June 30, 2024. The Foundation does not have any material sublease activities.

The Foundation and the Diocese have elected the practical expedient not to recognize leases with terms of 12 months or less on the balance sheet and instead recognize the lease payments on a straight-line basis over the term of the lease and variable lease payments in the period in which the obligation for the payments is incurred. Therefore, the Foundation's and the Diocese's short-term lease expense for the period does not reflect ongoing short-term lease commitments. Lease expense for such short-term leases was not material for the years ended June 30, 2024 and 2023.

The weighted-average remaining noncancelable lease term for operating leases was one year as of June 30, 2023. As of the June 30, 2023, the weighted-average discount rate used to determine lease liability was 2.84%.

Cash paid for amounts included in the measurement of operating lease liabilities was $39,079 for each of the years ended June 30, 2024 and 2023.

Note 24—Related party transactions

The Diocese transferred $1,864,094 and $1,732,142 in support and revenue to Catholic Charities of the Diocese of Raleigh, Inc. ("Catholic Charities") during the years ended June 30, 2024 and 2023, respectively, including $1,846,041 and $1,700,779, respectively, in allocations from the Bishop's Annual Appeal. Catholic Charities reimbursed the Diocese $106,864 and $125,726 for rent, accounting, and other fiscal services during the years ended June 30, 2024 and 2023, respectively. As of June 30, 2024 and 2023, Catholic Charities owed the Diocese $64,100 and $63,620, respectively, which is included in accounts receivable – other, in the accompanying consolidated statements of financial position.

The Diocese recognized revenue from the Diocesan parishes, schools, and other related organizations in the amount of $9,027,606 and $8,438,507 for the years ended June 30, 2024 and 2023, respectively, for assessments, priest welfare, and interest. Of these amounts, $1,813,558 and $1,721,556 were due from the related organizations as of June 30, 2024 and 2023, respectively, and are recorded in the accompanying consolidated statements of financial position. The Diocese incurred interest expense related to the parish loan and deposit program in the amount of $2,785,681 and $1,267,777 during the years ended June 30, 2024 and 2023, respectively, which is recorded in the accompanying consolidated statements of activities and changes in net assets. As of June 30, 2024 and 2023, the Diocese owed $81,761 and $47,894, respectively, to parishes, schools, and other related organizations.

Note 25—Commitments and contingencies

The Diocese is currently subject to litigation or the threat of litigation in the conduct of its operations. The Diocese's policy is to recognize such costs when it is both probable that a material liability has occurred and the amount can be reasonably estimated.

Note 26—Subsequent events

The Diocese has evaluated subsequent events for disclosure and recognition through December 5, 2024, the date on which these consolidated financial statements were available to be issued.