ADMINISTRATIVE OFFICES OF THE DIOCESE OF RALEIGH

CONSOLIDATED FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2022 and 2021

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

ADMINISTRATIVE OFFICES OF THE DIOCESE OF RALEIGH

TABLE OF CONTENTS

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, 2022 and 2021, 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 audit 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, 2022 and 2021, 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 $68,615,625 and $76,385,050, as of June 30, 2022 and 2021, respectively, and total revenues (losses) of ($4,667,651) and $17,947,578, 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 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 that 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 that 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 15, 2022

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

JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
Cash and cash equivalents	$ 105,292,287	$ 91,226,811
Investments	68,570,813	76,174,428
Accounts receivable:		
Assessments	1,569,381	1,364,240
Cathedral Campus Campaign, net	56,712	161,895
Other, net	4,622,127	454,248
Prepaid expenses and other assets	677,391	862,940
Loans receivable, parishes and institutions, less allowance for doubtful loans of $197,409 as of June 30, 2022 and 2021:		
Interest bearing	20,253,221	24,659,179
Non-interest bearing	2,239,506	2,514,219
Beneficial interests in perpetual trusts	5,632,614	6,782,615
Beneficial interests in charitable remainder trusts	72,292	139,848
Licenses and rights	1,003,375	1,003,375
Property held for sale	-	292,736
Property and equipment:		
Operating properties	8,545,421	9,264,525
Other properties	11,211,209	8,680,917
Total Assets	$ 229,746,349	$ 223,581,976

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, 2022 AND 2021

	2022	2021
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable:		
Funds held for others	$ 423,714	$ 321,033
Supplies and expenses	2,373,550	858,038
Bishop's annual appeal, net	302,738	296,662
Accrued expenses	1,071,361	863,757
Split-interest obligations	1,124,746	860,121
Deferred revenue and support	60,051	11,094
Deposits payable:		
Parishes	97,233,472	88,445,752
Catholic Charities of the Diocese of Raleigh, Inc.	2,027,628	2,023,577
Health care plan, current portion	486,567	539,569
Health care plan, long-term portion	12,335,070	17,625,836
Long-term care plan, current portion	143,248	151,623
Long-term care plan, long-term portion	6,721,567	9,203,692
Total Liabilities	124,303,712	121,200,754
Net Assets:		
Without Donor Restrictions:		
Undesignated	5,149,093	4,747,590
Designated, property and equipment accounts, net	18,233,478	16,927,025
Designated, licenses and rights	1,003,375	1,003,375
Designated, deposit and loan accounts	296,071	325,864
Designated, other purposes	20,808,406	17,983,155
Total Without Donor Restrictions	45,490,423	40,987,009
With Donor Restrictions:		
Perpetual in nature	19,912,565	22,471,237
Restricted subject to endowment spending policy	22,135,146	25,411,017
Purpose restrictions	7,352,847	7,268,551
Time-restricted for future periods	10,576,638	6,243,408
Underwater endowments	(24,982)	-
Total With Donor Restrictions	59,952,214	61,394,213
Total Net Assets	105,442,637	102,381,222
Total Liabilities and Net Assets	$ 229,746,349	$ 223,581,976

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

YEAR ENDED JUNE 30, 2022

	2022		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Support and Revenue:			
Contributions of cash and other financial assets:			
Gifts and bequests	$ 2,039,301	$ 5,959,695	$ 7,998,996
Bishop's annual appeal	494,244	6,375,984	6,870,228
Capital campaigns	269,761	-	269,761
Contributions of nonfinancial assets:			
Contributed land	267,000	-	267,000
Departmental and project fees	3,656,278	-	3,656,278
Diocesan assessments	4,197,407	-	4,197,407
Rental income	583,163	24,973	608,136
Investment income, parish loans	401,435	-	401,435
Insurance department	3,781,073	-	3,781,073
Insurance proceeds	69,174	-	69,174
Investment returns, net	(3,887,216)	(4,717,215)	(8,604,431)
Realized gain on sale of assets	511,434	-	511,434
Total Support and Revenue Before Release of Restrictions	12,383,054	7,643,437	20,026,491
Releases of Restrictions:			
Appropriation from donor endowment and subsequent satisfaction of any related donor restrictions	1,328,479	(1,328,479)	-
Expirations of time restrictions	6,274,237	(6,274,237)	-
Satisfaction of program restrictions	204,535	(204,535)	-
Total Support and Revenues	20,190,305	(163,814)	20,026,491

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, 2022

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Expenses:			
Offices of:			
Bishop	$ 2,045,649	$ -	$ 2,045,649
Vicar General	1,258,745	-	1,258,745
Judicial Vicar/Chancellor	611,050	-	611,050
Chief Financial Officer/Chief Operating Officer	2,990,120	-	2,990,120
Catholic formation and education	1,761,864	-	1,761,864
Evangelization and discipleship	2,562,319	-	2,562,319
Catholic Charities subsidies	1,539,905	-	1,539,905
Grants	693,007	-	693,007
Deposit and loan	217,147	-	217,147
Insurance department	3,802,174	-	3,802,174
Priest welfare	2,994,498	-	2,994,498
Capital campaign	6,228	-	6,228
High school tuition assistance	214,053	-	214,053
Parishes and other subsidies	1,925,107	-	1,925,107
Human resources	867,906	-	867,906
Total Expenses	23,489,772	-	23,489,772
Decrease in Net Assets from Operations	(3,299,467)	(163,814)	(3,463,281)
Change in obligations for priest postretirement benefits other than pensions	7,834,268	-	7,834,268
Change in value of split-interest agreements	(31,387)	(128,184)	(159,571)
Change in beneficial interests in perpetual trusts	-	(1,150,001)	(1,150,001)
Change in Net Assets	4,503,414	(1,441,999)	3,061,415
Net assets at beginning of year	40,987,009	61,394,213	102,381,222
Net assets at end of year	$ 45,490,423	$ 59,952,214	$ 105,442,637

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, 2021

	2021		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Support and Revenue:			
Contributions of cash and other financial assets:			
Gifts and bequests	$ 961,121	$ 2,012,319	$ 2,973,440
Bishop's annual appeal	612,302	6,274,236	6,886,538
Capital campaigns	306,366	-	306,366
Departmental and project fees	3,417,404	-	3,417,404
Diocesan assessments	4,251,028	-	4,251,028
Rental income	627,763	20,421	648,184
Investment income, parish loans	544,722	-	544,722
Insurance department	3,463,278	-	3,463,278
Investment returns, net	7,871,069	9,326,266	17,197,335
Realized gain on sale of assets	1,559	549,736	551,295
Total Support and Revenue Before Release of Restrictions	22,056,612	18,182,978	40,239,590
Releases of Restrictions:			
Appropriation from donor endowment and subsequent satisfaction of any related donor restrictions	1,333,627	(1,333,627)	-
Expirations of time restrictions	6,189,095	(6,189,095)	-
Satisfaction of program restrictions	2,312,241	(2,312,241)	-
Total Support and Revenues	31,891,575	8,348,015	40,239,590

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, 2021

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Expenses:			
Offices of:			
Bishop	$ 1,667,428	$ -	$ 1,667,428
Vicar General	1,207,247	-	1,207,247
Judicial Vicar/Chancellor	582,866	-	582,866
Chief Financial Officer/Chief Operating Officer	3,238,358	-	3,238,358
Catholic formation and education	1,844,385	-	1,844,385
Evangelization and discipleship	2,814,209	-	2,814,209
Catholic Charities subsidies	1,509,001	-	1,509,001
Grants	953,835	-	953,835
Deposits and loans	524,347	-	524,347
Insurance department	3,791,662	-	3,791,662
Priest welfare	1,657,359	-	1,657,359
Capital campaign	11,559	-	11,559
High school tuition assistance	221,398	-	221,398
Parishes and other subsidies	1,927,610	-	1,927,610
Human resources	539,910	-	539,910
Total Expenses	22,491,174	-	22,491,174
Increase in Net Assets from Operations	9,400,401	8,348,015	17,748,416
Change in obligations for priest postretirement benefits other than pensions	106,089	-	106,089
Change in value of split-interest agreements	(116,328)	(127,234)	(243,562)
Change in beneficial interests in perpetual trusts	-	1,055,193	1,055,193
Gain on the extinguishment of debt	1,549,016	-	1,549,016
Change in Net Assets	10,939,178	9,275,974	20,215,152
Net assets at beginning of year	30,047,831	52,118,239	82,166,070
Net assets at end of year	$ 40,987,009	$ 61,394,213	$ 102,381,222

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

YEAR ENDED JUNE 30, 2022

	Salaries and Fringe Benefits	Purchased Services	Supplies and Materials	Interest	Contributions	Total
Bishop	$ 628,900	$ 1,288,532	$ 128,217	$ -	$ -	$ 2,045,649
Vicar General	1,023,446	188,044	47,255	-	-	1,258,745
Judicial Vicar/Chancellor	539,718	31,088	40,244	-	-	611,050
Chief Financial Officer/Chief Operating Officer	1,897,646	859,651	232,823	-	-	2,990,120
Catholic formation and education	717,971	544,391	118,797	-	380,705	1,761,864
Evangelization and discipleship	1,675,171	827,077	58,871	-	1,200	2,562,319
Catholic Charities subsidies	-	-	-	-	1,539,905	1,539,905
Grants	116,262	-	-	-	576,745	693,007
Deposit and loan	-	32,837	-	184,310	-	217,147
Insurance department	-	3,801,667	507	-	-	3,802,174
Priest welfare	63,905	2,922,091	8,502	-	-	2,994,498
Capital campaign	-	6,228	-	-	-	6,228
High school tuition assistance	-	-	-	-	214,053	214,053
Parishes and other subsidies	301,023	165,660	86,775	-	1,371,649	1,925,107
Human Resources	522,901	59,628	285,377	-	-	867,906
	$ 7,486,943	$ 10,726,894	$ 1,007,368	$ 184,310	$ 4,084,257	23,489,772

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, 2021

	Salaries and Fringe Benefits	Purchased Services	Supplies and Materials	Interest	Contributions	Total
Bishop	$ 516,015	$ 1,064,973	$ 86,440	$ -	$ -	$ 1,667,428
Vicar General	1,052,165	117,716	37,366	-	-	1,207,247
Judicial Vicar/Chancellor	501,655	47,723	33,488	-	-	582,866
Chief Financial Officer/Chief Operating Officer	1,847,753	810,705	579,900	-	-	3,238,358
Catholic formation and education	962,941	323,690	117,348	-	440,406	1,844,385
Evangelization and discipleship	1,799,972	961,610	52,627	-	-	2,814,209
Catholic Charities subsidies	-	-	-	-	1,509,001	1,509,001
Grants	-	-	-	-	953,835	953,835
Deposit and loan	-	32,951	243,193	248,203	-	524,347
Insurance department	-	3,791,517	145	-	-	3,791,662
Priest welfare	68,792	1,580,766	7,801	-	-	1,657,359
Capital campaign	-	11,544	15	-	-	11,559
High school tuition assistance	-	-	-	-	221,398	221,398
Parishes and other subsidies	407,473	694,597	825,540	-	-	1,927,610
Human resources	470,884	58,627	10,399	-	-	539,910
	$ 7,627,650	$ 9,496,419	$ 1,994,262	$ 248,203	$ 3,124,640	$ 22,491,174

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, 2022 AND 2021

	2022	2021
Cash flows from operating activities:		
Cash received from contributions, net of amounts restricted for endowment	$ 8,640,202	$ 10,015,028
Cash received from departmental and project fees	3,722,269	3,421,198
Cash received for Diocesan assessments	3,992,266	4,266,120
Cash received from rent collected	608,136	648,184
Cash received from interest earned on parish loans	401,435	544,722
Cash received from operation of the insurance department	3,883,527	3,531,289
Cash payments to employees and vendors	(16,846,983)	(21,786,342)
Grants disbursed	(4,084,257)	(3,256,198)
Interest paid	(184,310)	(248,203)
Net cash flows from operating activities	132,285	(2,864,202)
Cash flows from investing activities:		
Purchases of property and equipment	(2,354,492)	(4,952,305)
Proceeds from sales of property and equipment	997,561	1,343,949
Purchases of investments	(3,482,737)	(483,814)
Proceeds from sales of investments	2,900,734	3,306,650
New loans funded	(6,972,578)	(7,642,314)
Collections on loans	11,653,249	12,200,520
Net cash flows from investing activities	2,741,737	3,772,686
Cash flows from financing activities:		
Contributions restricted for investment in endowment	2,399,683	948,043
Parish deposits and other deposits	8,791,771	16,534,490
Net cash flows from financing activities	11,191,454	17,482,533
Net change in cash and cash equivalents	14,065,476	18,391,017
Cash and cash equivalents, beginning of year	91,226,811	72,835,794
Cash and cash equivalents, end of year	$ 105,292,287	$ 91,226,811
Noncash disclosure		
Investment return - unrealized gains (losses)	$ (23,373,287)	$ 15,473,609
Contributed land	$ 267,000	$ -
Gain on sales of property and equipment	$ 511,434	$ 551,295
Forgiveness of SBA Paycheck Protection Program loan payable	$ -	$ 1,549,016

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. ("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. ("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 February 2016, the Financial Accounting Standards Board ("FASB") issued a new accounting standard, Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*, which says lessees will be required to recognize a lease liability and a right-of-use asset for all leases, operating and capital, at the commencement date. Implementation of the new standard has been delayed and will be effective for the Diocese beginning July 1, 2022. Early adoption is permitted. The Diocese believes the effect that the standard will have on its consolidated financial statements and related disclosures will not be material.

In June 2016, FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326)* on *Measurement of Credit Losses on Financial Instruments*. 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 update is effective for the Diocese on July 1, 2023. Early adoption is permitted. The Center is currently evaluating the effect that the standard will have on its consolidated financial statements and related disclosures.

In March 2020, FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides optional expedients and exceptions to applying the guidance on contract modifications, hedge accounting, and other transactions, to simplify the accounting for transitioning from the London Interbank Offered Rate ("LIBOR"), and other interbank offered rates expected to be discontinued, to alternative reference rates. The guidance in this ASU was effective upon its issuance; if elected, it is to be applied prospectively through June 30, 2023. The impact this ASU will have on the consolidated financial statements will not be known until the Diocese has a modification to their financial instrument agreements to convert LIBOR to another interest rate.

In September 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires presentation of contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. It also requires a disclosure of disaggregated contributions of nonfinancial assets by category that depicts the type of contributed nonfinancial assets. This distinction is intended to increase transparency of contributions recognized. The Diocese implemented this standard during the fiscal year ended June 30, 2022.

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.

Note 2—Summary of significant accounting policies (continued)

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 unrestricted. In the event that 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.

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, 2022 and 2021, promises to give of $250,000 and $499,995, 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.

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.

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. Tuition to students through the virtual school are general 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.

Additionally, the Diocese receives revenue through parish assessments to help fund operations. The Diocesan assessments are determined annually based on the parish's offertory and are billed monthly on a prorated basis to the parishes. The monthly assessments are due on a quarterly basis. 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, 2022 and 2021.

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, 2022 and June 30, 2021.

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 as of June 30, 2022 and 2021.

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.

Compensated Absences – Employees are permitted to carryover up to five days of vacation time earned. As of June 30, 2022 and 2021, the Diocese had $90,624 and $133,064, respectively, accrued for compensated absences.

Note 2—Summary of significant accounting policies (continued)

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 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:

	2022	2021
Cash and cash equivalents	$ 90,705,209	$ 76,733,891
Accounts receivable and loans receivable, parishes and institutions	4,954,253	5,420,930
Promises to give	4,655,501	575,652
Endowment spending-rate distributions and appropriations	1,338,700	1,235,082
	$ 101,653,663	$ 83,965,555

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. 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.

The board-designated endowment of $19,685,942 and $21,483,423 as of June 30, 2022 and 2021, 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 Certificate of Deposit Account Registry Service network and the Insured Cash Sweep network. Furthermore, as discussed in Note 19, the Diocese maintains an unsecured line of credit with an available balance of $9,925,000 as of June 30, 2022 and 2021, respectively, which 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 covers $250,000 for substantially all depository accounts. During the years ended June 30, 2022 and 2021, the Diocese from time to time may have had amounts on deposit in excess of the insured limits. Additionally, as of June 30, 2022 and 2021, the Diocese had balances with financial institutions in excess of FDIC limits of $12,763,453 and $7,633,873, 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.

As of June 30, 2022 and 2021, the Diocese also held $91,166,200 and $82,140,216, respectively, of fully-insured funds in the Certificate of Deposit Account Registry Service network and the Insured Cash Sweep network.

Note 4—Financial instruments and other concentrations (continued)

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 limited geographic area in which the Diocese's contributors reside, increases the Diocese's exposure to certain business concentrations.

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 assets 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.

Bond Funds – These investments are investment vehicles valued using the NAV provided by the administrator of the fund. NAV is based on the value of the underlying bonds 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 and Fixed Income Securities – These investments consist primarily of individual corporate stocks and bonds and are valued based on quoted market prices in an active market.

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

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

Cash Equivalents – 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.

Note 5—Fair value measurements (continued)

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 for the year ended June 30, 2022:

	2022			
	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	$ 365,681	$ 365,681	$ -	$ -
Equities	34,470,117	34,470,117	-	-
Fixed income	17,426,515	-	17,426,515	-
Real assets	8,328,966	-	8,328,966	
Cash and cash equivalents	1,933,926	-	1,933,926	-
Total investments at fair value	62,525,205	34,835,798	27,689,407	-
Investments measured at net asset value [(a)]	6,045,608	-	-	-
Investments at fair values	68,570,813	34,835,798	27,689,407	-
Beneficial interests in perpetual trusts	5,632,614	-	5,632,614	-
Beneficial interests in charitable remainder trusts	72,292	-	-	72,292
Total Assets	$ 142,846,532	$ 69,671,596	$ 61,011,428	$ 72,292
Liabilities:				
Split-interest obligations	$ 1,124,746	$ -	$ -	$ 1,124,746
Obligations for postretirement benefits other than pensions:				
Health care plan	12,821,637	-	-	12,821,637
Long-term care plan	6,864,815	-	-	6,864,815
Total Liabilities	$ 20,811,198	$ -	$ -	$ 20,811,198

[(a)] In accordance with FASB Accounting Standards Codification 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, 2022:

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Beginning Balance	Additions	Distributions	Change in Value	Ending Balance
Beneficial interests in:					
Charitable remainder trusts	$ 139,848	$ -	$ -	$ (67,556)	$ 72,292
Split-Interest agreements	(860,121)	(330,426)	157,816	(92,015)	(1,124,746)
Obligations for postretirement benefits other than pensions:					
Health care plan	(18,165,405)	-	-	5,343,768	(12,821,637)
Long-term care plan	(9,355,315)	-	-	2,490,500	(6,864,815)

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

2022

Asset	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Period
ACL Alternative Fund (a)	$ 2,721,008	None	Daily	Daily
TrueBridge Seed & Micro VC Fund I (b)	$ 655,960	$ 430,000	Withdrawal not permitted	Withdrawal not permitted
BP Transtrend Diversified Fund (c)	$ 2,668,640	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 (IT). 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.

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 for the year ended June 30, 2021:

	2021			
	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	$ 59,480,616	$ 59,480,616	$ -	$ -
Bond funds	16,052,036	16,052,036	-	-
Cash and cash equivalents	641,776	-	641,776	-
Total investments at fair value	76,174,428	75,532,652	641,776	-
Beneficial interests in perpetual trusts	6,782,615	-	6,782,615	-
Beneficial interests in charitable remainder trusts	139,848	-	-	139,848
Total Assets	$ 83,096,891	$ 75,532,652	$ 7,424,391	$ 139,848
Liabilities:				
Split-interest obligations	$ 860,121	$ -	$ -	$ 860,121
Obligations for postretirement benefits other than pensions:				
Health care plan	18,165,405	-	-	18,165,405
Long-term care plan	9,355,315	-	-	9,355,315
Total Liabilities	$ 28,380,841	$ -	$ -	$ 28,380,841

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, 2021:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)				
	Beginning Balance	Additions	Distributions	Change in Value	Ending Balance
Beneficial interests in:					
Charitable remainder trusts	$ 106,666	$ -	$ -	$ 33,182	$ 139,848
Split-Interest agreements	(714,935)	-	(131,558)	(276,744)	(860,121)
Obligations for postretirement benefits other than pensions:					
Health care plan	(18,097,282)	-	-	(68,123)	(18,165,405)
Long-term care plan	(9,529,527)	-	-	174,212	(9,355,315)

There were no investments measured at fair value based on NAV per share as of June 30, 2021.

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, 2022 and 2021.

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:

	2022			2021		
	Cost	Market Value	Unrealized Gains (Losses)	Cost	Market Value	Unrealized Gains (Losses)
Mutual Funds - Domestic	$ 156,300	$ 365,681	$ 209,381	$ 43,706,288	$ 59,480,616	$ 15,774,328
Bond funds	-	-	-	15,631,272	16,052,036	420,764
Equities	41,386,614	34,470,117	(6,916,497)	-	-	-
Fixed income	18,941,369	17,426,515	(1,514,854)	-	-	-
Private funds	5,202,001	6,045,608	843,607	-	-	-
Real assets	8,518,482	8,328,966	(189,516)	-	-	-
Cash and cash equivalents	1,933,926	1,933,926	-	641,776	641,776	-
	$ 76,138,692	$ 68,570,813	$ (7,567,879)	$ 59,979,336	$ 76,174,428	$ 16,195,092

Note 7—Endowments

Diocesan endowments consist of approximately 147 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 a maximum of 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 an additional 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. In 2022, the distribution was calculated based on the twelve-quarter rolling average of the fair value of the assets of each endowment fund. In 2021, the distribution calculation was based on a percentage of the 12-month rolling average of the fair value of the assets of each endowment fund, measured at December 31 of the prior fiscal year for year.

Administrative distributions totaled $628,900 and $589,697 for the years ended June 30, 2022 and 2021, respectively.

Note 7—Endowments (continued)

Endowment composition by type of fund is as follows as of June 30, 2022 and 2021:

	2022		
	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	$ -	$ 11,246,393	$ 11,246,393
Accumulated investment gains	-	3,008,576	3,008,576
Amounts held in term endowments	-	22,135,146	22,135,146
Board-designated endowment and other funds	30,374,454	-	30,374,454
	$ 30,374,454	$ 36,390,115	$ 66,764,569

	2021		
	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	$ -	$ 10,527,920	$ 10,527,920
Accumulated investment gains	-	5,160,702	5,160,702
Amounts held in term endowments	-	25,411,017	25,411,017
Board-designated endowment and other funds	33,641,939	-	33,641,939
	$ 33,641,939	$ 41,099,639	$ 74,741,578

Note 7—Endowments (continued)

Changes in endowment for the years ended June 30, 2022 and 2021:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment beginning of year	$ 33,641,939	$ 41,099,639	$ 74,741,578
Transfers	1,327,766	-	1,327,766
Contributions	983,507	1,416,176	2,399,683
Net investment loss	(4,276,973)	(5,142,858)	(9,419,831)
Amounts expended	(1,301,785)	(982,842)	(2,284,627)
	$ 30,374,454	$ 36,390,115	$ 66,764,569

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment beginning of year	$ 27,736,332	$ 32,876,119	$ 60,612,451
Transfers	-	17,453	17,453
Contributions	271,681	606,797	878,478
Net investment income	7,185,146	8,609,616	15,794,762
Amounts expended	(1,551,220)	(1,010,346)	(2,561,566)
	$ 33,641,939	$ 41,099,639	$ 74,741,578

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 endowments as of June 30, 2022 that were underwater by $24,982. These endowments had a fair value of $802,549 and an associated corpus maintenance requirement of $827,531 as of June 30, 2022. The Diocese had no endowments that were underwater as of June 30, 2021.

Note 8—Net assets with donor restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30, 2022 and 2021:

	2022	2021
Subject to expenditure for a specified purpose:		
Horne Memorial Revolving Fund	$ 5,465,495	$ 5,286,543
Land Trust	591	-
Early Childhood Development	1,496,849	1,539,431
Other ministries and programs	319,097	347,114
Promises to give, the proceeds from which have been restricted for seminarian education and welfare	70,815	95,463
	7,352,847	7,268,551
Subject to the passage of time:		
Undistributed Bishop's Annual Appeal	6,375,984	6,274,237
Promises to give, the proceeds from which are unrestricted	4,149,481	-
	10,525,465	6,274,237
Endowments:		
Subject to the passage of time:		
Net assets held under split-interest agreements	195,935	254,731
Underwater split-interest agreements	(144,762)	(285,560)
	51,173	(30,829)
Subject to appropriation and expenditure for a specific purpose:		
Restricted by donors for:		
Assistance for the needy	569,140	649,882
Capital investment and property acquisition	3,133,397	3,580,025
Catholic schools and education initiatives	88,415	125,647
Child and family programs	1,210,224	1,496,407
Lay formation and education	3,172,430	3,710,460
Parish support and assistance	1,611,990	1,357,885
Seminarian education	5,488,829	6,465,327
Tuition assistance and scholarships	2,955,328	3,549,050
Other ministries and programs	3,905,393	4,476,334
	22,135,146	25,411,017
Perpetual in nature, earnings from which are subject to endowment spending policy and appropriation:		
Assistance for the needy	231,539	275,554
Capital investment and property acquisition	165,476	180,785
Catholic Charities of the Diocese of Raleigh, Inc.	51,378	58,667
Catholic schools and education initiatives	507,550	498,499
Parish support and assistance	163,729	186,334
Seminarian education	4,197,819	4,633,122
Tuition assistance and scholarships	7,045,507	7,647,203
Child and family programs	41,959	49,677
Other ministries and programs	1,850,012	2,158,781
	14,254,969	15,688,622
Perpetual in nature, not subject to spending policy or appropriation:		
Beneficial interests in charitable trusts held by others	5,632,614	6,782,615
Total Net Assets With Donor Restrictions	$ 59,952,214	$ 61,394,213

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, 2022 and 2021:

	2022	2021
Invested in property and equipment, net of related debt	$ 18,233,478	$ 16,927,025
Invested in licenses and rights	1,003,375	1,003,375
	19,236,853	17,930,400
Designated for deposit and loan accounts	296,071	325,864
Subject to the passage of time:		
Assets held under split-interest agreements	449,801	626,169
Subject to appropriation and expenditure for a specific purpose:		
For the benefit of:		
Assistance for the needy	4,803,596	5,543,750
Seminarian education	2,259,802	2,676,462
Capital investment and property acquisition	1,938,699	2,183,271
Catholic Charities of the Diocese of Raleigh, Inc.	1,874,297	2,140,200
Catholic schools and education initiatives	6,195,403	7,167,656
Cemetery maintenance	924,750	1,320,700
Diocesan support and assistance	3,169,962	3,750,847
Cathedral operations	646,289	708,092
Clergy and religious welfare	6,407,961	5,982,189
Tuition assistance and scholarships	897,831	725,955
Parish support and assistance	728,446	834,006
Other ministries and programs	527,418	608,811
	30,374,454	33,641,939
Other board designated:		
Priest long-term care and health care accounts	(19,686,452)	(27,520,720)
Insurance reserve	7,035,743	7,305,237
Cathedral support	921,871	658,337
Seminarian education	199,595	199,595
Clergy and religious welfare	-	1,327,766
Home Mission Society	300,000	300,000
Land Trust	1,001,394	1,444,832
Other purposes	212,000	-
	(10,015,849)	(16,284,953)
Board designated, other purposes	20,808,406	17,983,155
Total Board Designated Net Assets	$ 40,341,330	$ 36,239,419

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. Effective with the 2017 campaign's funding for 2018 operations, the parish goals have remained unadjusted. All parishes and schools receive a 100% rebate for funds collected in excess of their BAA goal.

The following net rebates to parishes were outstanding as of June 30, 2022 and 2021:

	2022	2021
Bishop's Annual Appeal:		
Promises to give receivable in less than one year	$ 525,260	$ 617,604
Less rebates to parishes	(748,754)	(612,349)
Less allowance for doubtful promises	(79,244)	(301,917)
	$ (302,738)	$ (296,662)

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:

	2022	2021
Cathedral Campus Campaign:		
Promises to give receivable over five years	$ 233,973	$ 621,727
Less discount at rates between 0.29% and 3.01%	(3,812)	(10,180)
Less rebates to parishes	(3,291)	(2,607)
Less allowance for doubtful promises	(170,158)	(447,045)
	$ 56,712	$ 161,895

Note 12—Other promises to give

Contributions receivables related to other promises to give of $4,220,296 and $95,463 are reported as accounts receivable, other on the consolidated statements of financial position as of June 30, 2022 and 2021, respectively. The Diocese believes the promises to give are fully collectible.

	2022	2021
Promises to give receivable in less than one year	$ 4,170,831	$ 18,893
Promises to give receivable in less than five years	49,465	76,570
	$ 4,220,296	$ 95,463

Note 13—Contributed nonfinancial assets

During the year ended June 30, 2022, the Diocese received unrestricted contributions of nonfinancial assets consisting of land with an estimated fair value of $267,000. The Diocese's estimate of the fair value is based on appraisals of the property received from qualified independent real estate appraisers. 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. As of June 30, 2022 and 2021, parish deposits earned interest at a rate of 0.20%, and can be withdrawn as requested. As of June 30, 2022 and 2021, parish loans bore an interest rate of 2.00%, with the exception of loans used for the purchase of land, and certain other loans, which are non-interest bearing. The Diocese reviews loans receivable 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. As of June 30, 2022 and 2021, the allowance totaled $197,409.

As of June 30, 2022 and 2021, loans receivable consist of the following:

	2022	2021
Interest bearing	$ 20,450,630	$ 24,856,588
Non-interest bearing	2,239,506	2,514,219
Total loans outstanding	22,690,136	27,370,807
Less allowance for uncollectible loans	(197,409)	(197,409)
	$ 22,492,727	$ 27,273,398

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

	2022	2021
Beginning of year balance	$ 27,370,807	$ 31,929,012
New loans made	6,972,579	7,642,315
Payments received	(11,653,250)	(12,200,520)
End of year balance	$ 22,690,136	$ 27,370,807

Note 14—Parish deposit and loan program (continued)

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 that brings in to 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.

As of June 30, 2022 and 2021, the delinquencies of loans receivable consisted of the following:

2022

Current	0-30 Days Past Due	31-60 days Past Due	Over 60 Days Past Due	Total Past Due	Total Notes Receivable
$ 22,650,464	$ -	$ 37,410	$ 2,262	$ 39,672	$ 22,690,136

2021

Current	0-30 Days Past Due	31-60 days Past Due	Over 60 Days Past Due	Total Past Due	Total Notes Receivable
$ 27,370,807	$ -	$ -	$ -	$ -	$ 27,370,807

The activity in the allowance for uncollectible loans for the year ended June 30, 2022 and 2021 is as follows:

	2022	2021
Allowance for uncollectible loan, beginning of year	$ 197,409	$ 197,409
Current year provision for uncollectible loans	-	-
Current year charge offs	-	-
Allowance for uncollectible loans, end of year	$ 197,409	$ 197,409

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

	2022		2021	
	Number of Loans Outstanding	Average Face Amount at Origination	Number of Loans Outstanding	Average Face Amount at Origination
Interest bearing loans receivable	27	$ 1,486,475	32	$ 1,348,762
Non-interest bearing loans receivable	24	$ 177,646	24	$ 177,293
Total outstanding loans receivable	51		56	

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:

	2022	2021
Land, buildings, and improvements	$ 22,005,806	$ 19,990,627
Furniture and equipment	2,300,896	2,454,670
Automobiles	217,007	194,857
	24,523,709	22,640,154
Less: accumulated depreciation	(4,767,079)	(4,694,712)
Property and equipment, net	$ 19,756,630	$ 17,945,442

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

	2022	2021
Property held for sale	$ -	$ 292,736
Operating properties	$ 8,545,421	$ 9,264,525
Other properties	11,211,209	8,680,917
Property and equipment, net	$ 19,756,630	$ 17,945,442

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. The Diocese has board designated the property for use in conjunction with the construction of a chapel, which will be transferred to a parish when completed. The land is included in nonoperating properties on the consolidated statements of financial position.

Depreciation expense for the years ended June 30, 2022 and 2021, totaled $349,913 and $434,422, 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 year ended June 30, 2022, the Diocese and the Foundation received $269,574 of donor restricted contributions related to these annuities. No contribution revenue was received related to annuities during the year ended June 30, 2021. 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, 2022 and 2021.

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, 2022 and 2021:

	2022			
	Beneficial Interests in Charitable Remainder Trusts	Assets Held in Trust	Liability to Donors	Net Assets
Life Annuities	$ -	$ 1,260,040	$ 955,001	$ 305,039
Charitable Remainder Trust	72,292	365,680	169,745	268,227
	$ 72,292	$ 1,625,720	$ 1,124,746	$ 573,266

	2021			
	Beneficial Interests in Charitable Remainder Trusts	Assets Held in Trust	Liability to Donors	Net Assets
Life Annuities	$ -	$ 1,014,671	$ 674,062	$ 340,609
Charitable Remainder Trust	139,848	440,790	186,059	394,579
	$ 139,848	$ 1,455,461	$ 860,121	$ 735,188

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 $144,762 and $285,560 as of June 30, 2022 and 2021, 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, 2022 and 2021.

The accumulated postretirement benefit obligations associated with the health care plan and long-term care plan as of June 30, 2022 and 2021, included in the consolidated statements of financial position, are calculated as follows:

	2022	
	Health Care	**Long-Term Care**
Benefit obligation at June 30, 2021	$ 18,165,405	$ 9,355,315
Service cost	869,690	463,665
Interest cost	527,305	273,783
Plan participants' contributions	-	17,576
Actuarial gain	(6,415,916)	(3,045,812)
Benefit payments	(324,847)	(199,712)
Benefit obligation at June 30, 2022	$ 12,821,637	$ 6,864,815

	2021	
	Health Care	**Long-Term Care**
Benefit obligation at June 30, 2020	$ 18,097,282	$ 9,529,527
Service cost	895,485	503,604
Interest cost	494,936	265,286
Plan participants' contributions	-	77,799
Actuarial gain	(987,536)	(810,253)
Benefit payments	(334,762)	(210,648)
Benefit obligation at June 30, 2021	$ 18,165,405	$ 9,355,315

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 health care plan and long-term care plan for the years ended June 30, 2022 and 2021 consist of:

	2022	
	Health Care	**Long-Term Care**
Service cost	$ 869,690	$ 463,665
Interest cost	527,305	273,783
Amortization of actuarial gain	(987,536)	(810,253)
Net periodic postretirement cost	409,459	(72,805)
Net gain	(6,415,916)	(3,045,812)
Employer contributions	(324,847)	(182,135)
Amortization of prior service cost	987,536	810,252
Changes other than net periodic postretirement cost	(5,753,227)	(2,417,695)
Total recognized in the consolidated statement of activities	$ (5,343,768)	$ (2,490,500)

	2021	
	Health Care	**Long-Term Care**
Service cost	$ 895,485	$ 503,604
Interest cost	494,936	265,286
Amortization of prior service cost	945,612	-
Amortization of actuarial loss	2,293,890	3,493,206
Net periodic postretirement cost	4,629,923	4,262,096
Net gain	(987,536)	(810,253)
Employer contributions	(334,762)	(132,848)
Amortization of prior service cost	(2,293,890)	(3,493,206)
Changes other than net periodic postretirement cost	(3,616,188)	(4,436,307)
Total recognized in the consolidated statement of activities	$ 1,013,735	$ (174,211)

Note 18—Postretirement benefits other than pensions (continued)

Assumed health care cost trend rates significantly impact reported amounts. The assumed health care cost trend rate used to measure the expected cost of benefits for the health care plan was assumed to increase by 7.0% for the years ended June 30, 2021 and 2020. Thereafter, the rate was assumed to gradually decrease to a rate of 4.5% in 2027 for the fiscal years ended June 30, 2022 and 2021. 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, 2022 and 2021 and remain at 5.0% on an ongoing basis.

Expected benefit payments through June 30, 2032 related to the health care plan and long-term care plan are as follows:

Years Ending June 30,	Health Care	Long-Term Care
2023	$ 486,567	$ 143,248
2024	499,267	176,651
2025	509,682	190,119
2026	518,306	201,255
2027	527,481	209,727
2028 through 2032	2,943,190	1,229,648

The discount rate used in the measurement of the Diocese's benefit obligation for both the health care plan and the long-term care plan was increased from 2.81% to 4.46% during the year ended June 30, 2022 and increased from 2.68% to 2.81% during the year ended June 30, 2021.

Note 19—Line of credit

The Diocese maintained an unsecured line of credit agreement with a maximum limit of $10,000,000 with a banking institution. Interest is 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 are based on the last published LIBOR rate until the line of credit renews in February of 2023. While the balance of the line of credit was $-0- as of June 30, 2022 and 2021, the Diocese committed $75,000 of the available balance as security for an irrevocable letter of credit required for a performance bond as a condition of a parish construction project. The letter of credit automatically renews for one-year periods until such time that the beneficiary notifies the bank that all obligations under the project have been met.

The terms of the financing agreement require the Diocese to comply with certain debt covenants. The Diocese is in compliance with the performance ratios required as of June 30, 2022 and 2021.

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 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 $192,147 and $190,083 to the Lay Plan for the years ended June 30, 2022 and 2021, 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:

	2022	2021
Market value of plan assets	$ 42,063,567	$ 37,715,791
Present value of accrued plan benefits	$ 40,177,742	$ 40,463,268
Percent funded	104.70%	93.20%
Total contributions to the plan	$ 2,114,299	$ 2,040,274
Total employees covered under the plan	1,232	1,233
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:

	2022	2021
Market value of plan assets	$ 21,367,703	$ 24,155,801
Present value of accrued plan benefits	$ 23,858,651	$ 23,107,976
Percent funded	89.60%	104.50%
Total contributions to the plan	$ 1,498,966	$ 1,036,132
Total employees covered under the plan	104	106
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 Internal Revenue Code 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, 2022 and 2021, 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, 2022 and 2021 totaled $280,936 and $279,880, respectively.

Effective July 1, 2021, the Foundation ceased participation in the Diocesan plan and began offering its employees a separate pre-tax IRC Section 403(b) Plan. 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 year ended June 30, 2022 totaled $8,942.

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, 2022 and 2021, fundraising expenses totaled $706,800 and $1,071,459, 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 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,		
2023	$	569,776
2024		569,776
2025		569,776
2026		569,776
2027		569,776
Thereafter		9,686,192
	$	12,535,072

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, 2022 and 2021 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,		
2023	$	20,012
2024		20,012
2025		20,012
2026		20,012
2027		20,012
Thereafter		126,743
	$	226,803

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, 2022 and 2021 was $1,311,153.

Rental Expense – 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. Total rent expense for the years ended June 30, 2022 and 2021 was $37,156 and $45,193, respectively.

Note 23—Leases (continued)

Future minimum rental commitments under the lease is as follows:

Years Ending June 30,		
2023	$	39,079
2024		40,251
	$	79,330

Note 24—Related party transactions

The Diocese transferred $1,554,628 and $1,541,135 in support and revenue to Catholic Charities of the Diocese of Raleigh, Inc. ("Catholic Charities") during the years ended June 30, 2022 and 2021, respectively, including $1,532,405 and $1,509,001, respectively, in allocations from the Bishop's Annual Appeal. Catholic Charities reimbursed the Diocese $130,548 and $126,207 for rent, accounting, and other fiscal services during the years ended June 30, 2022 and 2021, respectively. As of June 30, 2022 and 2021, Catholic Charities owed the Diocese $51,026 and $2,671, respectively, which is included in accounts receivable – other, net 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 $7,438,460 and $7,685,249 for the years ended June 30, 2022 and 2021, respectively, for assessments, priest welfare, and interest. Of these amounts, $1,590,381 and $1,385,240 were due from the related organizations as of June 30, 2022 and 2021, respectively, and are recorded in the accompanying consolidated statements of financial position. Additionally, at the beginning of fiscal year 2021, $1,940,684 was due from related organizations related to distributions of loan proceeds passed through the Diocese from the Small Business Administration ("SBA") Paycheck Protection Program ("PPP"). During the year ended June 30, 2021, the Diocese forgave the receivable from the related organizations since the Diocese received full forgiveness for these amounts as discussed in Note 25. The Diocese incurred interest expense related to the parish loan and deposit program in the amount of $182,738 and $242,043 during the years ended June 30, 2022 and 2021, respectively, which is recorded in the accompanying consolidated statements of activities and changes in net assets. As of June 30, 2022 and 2021, the Diocese owed $38,528 and $85,502, 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 25—Commitments and contingencies (continued)

On April 15, 2020, the Diocese received a PPP loan for $3,489,700 from the SBA under the Coronavirus Aid, Relief, and Economic Security Act. This loan was funded by Fifth Third Bank. Of the total loan amount, $1,940,684 was received and passed through to other affiliated parishes for whom the Diocese applied during the year ended June 30, 2020. It was recorded as a receivable from those parishes and schools in accounts receivable-other in the consolidated statements of financial position as of June 30, 2020. The Diocese recognized $3,489,700 as a loan for the year ended June 30, 2020. During the year ended June 30, 2021, the Diocese applied for and received full forgiveness of the loan from the SBA. Consequently, the Diocese also granted forgiveness of the $1,940,684 receivable from those parishes and schools for whom the Diocese applied. The net loan amount forgiven of $1,549,016 is recorded as a gain on the extinguishment of debt in the accompanying statements of activities and changes in net assets for the year ended June 30, 2021.

Note 26—Subsequent events

The Diocese has evaluated subsequent events for disclosure and recognition through December 15, 2022, the date on which these consolidated financial statements were available to be issued.