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

FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2020

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

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

Report on the financial statements

We have audited the accompanying financial statements of The Foundation of the Roman Catholic Diocese of Raleigh, Inc. (the "Foundation"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the financial statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Reclassification of Endowment Net Assets

As discussed In Note 15, the Foundation performed a comprehensive evaluation of the agreements governing the endowments that were transferred into the Foundation upon its formation by the Administrative Offices of the Diocese of Raleigh in fiscal year 2019. This evaluation indicated that endowments with a net value of $14,298,161 as of June 30, 2019, had been classified as being subject to donor restrictions in the books and records of the Foundation. It was subsequently determined that these endowments had originally been funded with unrestricted monies and should have been reported as without donor restrictions. Our opinion is not modified with respect to this matter.

Cherry Bekaert LLP

Raleigh, North Carolina
November 5, 2020

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

JUNE 30, 2020

ASSETS		
Cash and cash equivalents	$	145,316
Accounts receivable		13,161
Prepaid expenses		7,462
Investments		60,612,451
Property and equipment, net		23,901
Total Assets	$	60,802,291
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$	8,419
Accrued expenses		18,576
Total Liabilities		26,995
Net Assets:		
Without Donor Restrictions:		
Designated for endowment		27,736,332
Invested in property and equipment		23,901
Undesignated		136,789
Total Without Donor Restrictions		27,897,022
With Donor Restrictions:		
Restricted in perpetuity - endowment		12,273,119
Restricted subject to the Foundation's spending policy		20,607,684
Underwater endowments		(4,684)
Purpose restrictions		2,155
Total With Donor Restrictions		32,878,274
Total Net Assets		60,775,296
Total Liabilities and Net Assets	$	60,802,291

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

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

YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support:			
Gifts and bequests	$ 1,947,727	$ 484,568	$ 2,432,295
Investment loss, net	(484,451)	(569,933)	(1,054,384)
Other revenue	3,203	-	3,203
Net assets released from restrictions	1,106,703	(1,106,703)	-
Total Revenues, Gains, and Other Support	2,573,182	(1,192,068)	1,381,114
Expenses:			
Program Areas:			
Grant disbursements	1,627,197	-	1,627,197
Other program expenses	64,038	-	64,038
Total Program Areas	1,691,235	-	1,691,235
Support Services:			
Management and general	333,139	-	333,139
Fundraising and development	160,217	-	160,217
Total Support Services	493,356	-	493,356
Total Expenses	2,184,591	-	2,184,591
Change in net assets	388,591	(1,192,068)	(803,477)
Net assets, beginning of year	13,210,270	48,368,503	61,578,773
Reclassifications of endowment net assets	14,298,161	(14,298,161)	-
Net assets, beginning of year, as restated	27,508,431	34,070,342	61,578,773
Net assets, end of year	$ 27,897,022	$ 32,878,274	$ 60,775,296

THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF RALEIGH, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	Program Areas		Management and	Fundraising and	
	Grants	Other	General	Development	Total
Grants Disbursed:					
Assistance for the needy	$ 206,382	$ -	$ -	$ -	$ 206,382
Catholic schools and education initiatives	39,703	-	-	-	39,703
Cemetery maintenance	630	-	-	-	630
Child and family programs	94,600	-	-	-	94,600
Diocesan support and assistance	159,637	-	-	-	159,637
Lay formation and education	104,281	-	-	-	104,281
Parish support and assistance	172,140	-	-	-	172,140
Church expansion	140,246	-	-	-	140,246
Seminarian education and welfare	309,215	-	-	-	309,215
Tuition assistance and scholarships	186,545	-	-	-	186,545
Priest welfare	31,868	-	-	-	31,868
Special ministries	125,834	-	-	-	125,834
Other	56,116	-	-	-	56,116
Salaries and fringe benefits	-	33,854	148,855	103,315	286,024
Supplies and office expenses	-	569	23,863	32,204	56,636
Travel and training	-	1,647	8,110	11,204	20,961
Purchased services	-	13,736	128,337	157	142,230
Occupancy expenses	-	13,624	22,418	10,018	46,060
Depreciation	-	528	1,434	744	2,706
Other expenses	-	80	122	2,575	2,777
Total Functional Expenses	$ 1,627,197	$ 64,038	$ 333,139	$ 160,217	$ 2,184,591

THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF RALEIGH, INC.
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2020

Cash flows from operating activities:	
Cash received from contributions, net of amounts restricted for endowment	$ 225,544
Cash received from other revenue	3,203
Cash payments to employees and vendors	(592,071)
Grants disbursed	(1,627,197)
Net investment loss	(193)
Net cash flows from operating activities	(1,990,714)
Cash flows from investing activities:	
Purchases of property and equipment	(23,517)
Proceed from the sale of investments	2,982,230
Purchase of investments	(3,247,921)
Net cash flows from investing activities	(289,208)
Cash flows from financing activities:	
Contributions restricted for investment in endowment	2,193,730
Net change in cash and cash equivalents	(86,192)
Cash and cash equivalents, beginning of year	231,508
Cash and cash equivalents, end of year	$ 145,316

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

Note 1—Nature of the organization

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

Note 2—Summary of significant accounting policies

Basis of Accounting – The accompanying financial statements 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"). The Financial Accounting Standards Board ("FASB") has established the Accounting Standards Codification ("ASC") as the source of authoritative accounting principles to be applied in the preparation of financial statements in accordance with U.S. GAAP.

Basis of Presentation – As required by U.S. GAAP, the Foundation classifies revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. As a result, the net assets of the Foundation 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 Foundation. These net assets may be used at the discretion of the Foundation's management and the Board of Directors.
>
> *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 Foundation 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, FASB, issued a new accounting standard, 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 Foundation on July 1, 2022. Early adoption is permitted. The Foundation is currently evaluating the effect that the standard will have on its financial statements and related disclosures.

In June 2018, FASB issued a new accounting standard, ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*, which is intended to clarify issues that have been faced when characterizing grants and similar contracts with government agencies and others as reciprocal transactions or nonreciprocal transactions. The new standard is also intended to help with difficulties in distinguishing between conditional and unconditional contributions for reporting purposes. The standard was implemented for the Foundation beginning June 1, 2019.

Note 2—Summary of significant accounting policies (continued)

On June 1, 2019, the Foundation also adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing the users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue. Analysis of various provisions of this standard have indicated that the Foundation has entered into no transactions subject to the provisions of Topic 606 and there have been no significant changes in the way the Foundation recognizes revenue. Therefore, no changes to the previously issued audited financial statements were required on a retrospective basis and the expanded presentation and disclosure provisions are inapplicable.

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

Revenue Recognition – Contributions are recognized when the donor makes an unconditional promise to transfer assets. Contributions received are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor stipulations. Amounts received 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 Foundation 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 Foundation 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 Foundation reviews pledge and other receivables for collectability on a recurring basis and, based on an assessment of creditworthiness, estimates the portion, if any, of the balance that will not be collected. Such amounts are recorded as an allowance, if necessary.

Conditional promises to give, which is defined as those promises to give that contain a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. If a condition related to a donor-restricted contribution is fulfilled in the same period in which the contribution is received, the Foundation reports the support as unrestricted. The Foundation is named as a beneficiary in numerous wills and testaments. These intentions to give are considered conditional as they may be changed during the lifetime of the donors and, as such, they are not recorded as revenue in the financial statements. The amounts of these intentions to give are indeterminable.

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

Compensated Absences – Employees are permitted to carry over up to five days of vacation time earned. As of June 30, 2020, the Foundation had $5,888 accrued for compensated absences.

Note 2—Summary of significant accounting policies (continued)

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

Income Taxes – The Foundation is exempt from federal and state income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code ("IRC"). In accordance with IRC regulations, the Foundation is taxed on unrelated business income, which consists of earnings from activities not related to the exempt purpose of the Foundation. The Foundation has evaluated all its tax positions and determined that it had no uncertain income tax positions as of June 30, 2020 and, accordingly, no provision for income taxes has been reflected in the accompanying financial statements. The Foundation is not classified as a private foundation.

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

Furniture and fixtures	8 years
Computer equipment	3 years

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

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

Note 3—Liquidity and availability

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

Cash and cash equivalents	$	145,316
Accounts receivable and other assets		13,161
	$	158,477

Note 3—Liquidity and availability (continued)

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

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

Note 4—Financial instruments and other concentrations

The Foundation places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers $250,000 for substantially all depository accounts. During the year ended June 30, 2020, the Foundation, from time to time, may have had amounts on deposit in excess of the insured limits. The cash balances are maintained at financial institutions with high credit quality ratings and the Foundation believes no significant risk of loss exists with respect to those balances.

A substantial amount of the Foundation's support is generated through contributions and pledges from other organizations or individuals, primarily in eastern North Carolina and the surrounding area. Changes in economic conditions can directly affect a donor's ability and willingness to make future contributions to the Foundation. Also, the limited geographic area in which the Foundation's contributors reside, increases the Foundation's exposure to certain business concentrations.

Note 5—Investments and fair value measurements

The Foundation maintains investments in equity, debt securities, and private equity funds. Net investment income, which consists of interest and dividends, realized gains and losses, and unrealized gains and losses, from these securities are allocated to the various funds with and without donor restrictions based on each fund's percentage ownership of total invested assets. Net Investment income is reported net of investment fees on a separate line in the statement of activities and changes in net assets. Net investment income 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 income 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 income is received, the Foundation reports the net investment income as without donor restriction.

Note 5—Investments and fair value measurements (continued)

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

	Cost	Market Value	Unrealized Appreciation (Losses)
Mutual Funds - Domestic	$ 40,112,510	$ 39,240,953	$ (871,557)
Bond funds	12,784,956	13,565,136	780,180
Cash equivalents	7,806,362	7,806,362	-
	$ 60,703,828	$ 60,612,451	$ (91,377)

U.S. GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. U.S. GAAP also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels of inputs that may be used to measure fair value is as follows:

Level 1 – Inputs to the valuation methodology are quoted prices available in active markets for identical assets and are given the highest priority;

Level 2 – Inputs consist of observable inputs other than quoted prices for identical assets; and

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

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

The following descriptions of the valuation methodologies used for assets 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. The 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. The NAV is a quoted price in an active market.

Bond Funds – These investments are investment vehicles valued using the net asset value ("NAV") provided by the administrator of the fund. The 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. The 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—Investments and fair value measurements (continued)

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

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds - Domestic	$ 39,240,953	$ 39,240,953	$ -	$ -
Bond funds	13,565,136	13,565,136	-	-
Cash equivalents	7,806,362	-	7,806,362	-
Total Assets	$ 60,612,451	$ 52,806,089	$ 7,806,362	$ -

The Foundation uses appropriate valuation techniques based on the available inputs. When available, the Foundation measures fair value using Level 1 inputs as they generally provide the most reliable evidence of fair value. Level 2 and Level 3 inputs were only used when Level 1 inputs were not available. The market approach was used for assets and liabilities classified as Level 1 and Level 2. The Foundation relies on fair value measurement calculations performed by third party pricing services for the majority of instruments reported in Level 2. Inputs, even if determined by the Foundation, include the credit risk of the issuer, maturity, current yield, and other terms and conditions of each instrument.

During the year, the Foundation requested liquidation of its interest in a global hedge fund. The fund permitted redemption quarterly with 5 to 65-days' notice. The global hedge fund has communicated to the investment custodian that the liquidation has occurred, but the Foundation's investment custodian is not yet in possession of the funds. The hedge fund has valued the distribution at $5,162,121 and it is included in the fair value hierarchy as cash and cash equivalents.

The related net investment income is reported on a separate line in the statement of activities and changes in net assets.

Note 6—Endowment

The Foundation's endowments consist of approximately 124 individual funds established for a variety of purposes. The endowments include donor-restricted endowment funds and funds designated by the Diocesan Finance Council and the Board of Directors of the Foundation to function as endowments and all net assets are classified and reported based on the existence or absence of donor-imposed restrictions in the accompanying statements of financial position and activities and changes in net assets.

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

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

Note 6—Endowment (continued)

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

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 Foundation; and
g) the investment policies of the organization.

Investment Return Objectives, Risk Parameters, and Strategies – The Foundation has adopted investment policies, approved by the Board of Directors of the Foundation, that attempt to emphasize total return. While shorter-term investment results are monitored, adherence to the sound long-term investment policy balancing short-term spending needs with the preservation of the real inflation-adjusted value of assets is of primary importance. The Foundation expects to attain an inflation-adjusted minimum average annual return, net of fees, over a rolling ten-year period. This real return is defined as the sum of capital appreciation (loss) and current income (interest and dividends) adjusted for inflation as measured by the Consumer Price Index. Investment policies are based on principles of responsible financial stewardship, as well as ethical and social stewardship. The Foundation is committed to a diversified asset allocation strategy, consisting primarily of domestic equities, international equities, domestic fixed income, international fixed income, and alternative investments.

Spending Policy – The Foundation's policy is that the annual income distribution available from endowment funds is a maximum of 4% of the three-year average fair value of the endowment, measured on December 31 of the prior fiscal year.

Additionally, the Foundation 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, and is assessed on a quarterly basis, based on a percentage of the average three-year fair value of the assets of each endowment fund. Administrative distributions totaled $535,800 for the year ended June 30, 2020.

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds with donor restrictions			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ -	$ 9,959,222	$ 9,959,222
Accumulated investment gains	-	2,309,213	2,309,213
Amounts held in term endowments	-	20,607,684	20,607,684
Board-designated endowment and other funds	27,736,332	-	27,736,332
Total	$ 27,736,332	$ 32,876,119	$ 60,612,451

Note 6—Endowment (continued)

Changes in endowment for the period of asset transfer through June 30:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment beginning of year	$ 13,032,448	$ 48,368,503	$ 61,400,951
Transfers	14,298,161	(14,298,161)	-
Contributions	1,711,317	482,413	2,193,730
Net investment income	(484,451)	(569,933)	(1,054,384)
Amounts expended	(821,143)	(1,106,703)	(1,927,846)
Total	$ 27,736,332	$ 32,876,119	$ 60,612,451

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 Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. The Foundation had endowments as of June 30, 2020 that were underwater by $4,684. These endowments had a fair value of $81,880 and an associated corpus maintenance requirement of $86,564 as of June 30, 2020.

Note 7—Property and equipment, net

The following is a summary of property and equipment as of June 30:

Furniture and fixtures	$ 23,516
Computer equipment	3,709
	27,225
Less accumulated depreciation	(3,324)
	$ 23,901

Depreciation expense for the year ended June 30, 2020 totaled $2,706.

Note 8—Net assets released from restrictions

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

Release of appropriated endowment amounts	$ 1,106,703

Note 9—Net assets with donor restrictions

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

Subject to appropriation and expenditure for a specific purpose:	
Restricted by donors for:	
Assistance for the needy	$ 519,992
Capital investment and property acquisition	2,840,610
Catholic schools and education initiatives	103,104
Child and family programs	1,267,304
Lay formation and education	3,018,786
Parish support and assistance	1,096,634
Seminarian education	5,295,234
Tuition assistance and scholarships	2,870,034
Other ministries and programs	3,595,986
	$ 20,607,684
Perpetual in nature, earnings from which are subject to endowment spending policy and appropriation:	
Assistance for the needy	$ 227,594
Catholic schools and education initiatives	376,186
Seminarian education	3,730,967
Tuition assistance and scholarships	5,813,581
Other ministries and programs	2,120,107
	$ 12,268,435
Subject to expenditure for a specified purpose	$ 2,155

Note 10—Net assets with board designations

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

Subject to appropriation and expenditure		
for a specific purpose:		
For the benefit of:		
Assistance for the needy	$	4,530,505
Seminarian education		2,202,934
Capital investment and property acquisition		2,665,383
Catholic Charities of the Diocese of Raleigh		1,696,983
Catholic schools and education initiatives		5,695,177
Cemetery maintenance		1,039,462
Diocesan support and assistance		3,087,173
Cathedral operations		535,960
Clergy and religious welfare		4,743,330
Tuition assistance and scholarships		580,898
Parish support and assistance		492,059
Other ministries and programs		466,468
	$	27,736,332

Note 11—Investment savings plan

The Foundation offers its employees a pretax IRC Section 403(b) Plan (“403(b) Plan”) that is administered through the Diocese. Under the provisions of the 403(b) Plan, substantially all employees of the Foundation, Diocese, parishes, schools, and other related entities as well as Diocesan priests are covered. For the year ended June 30, 2020, the Foundation contributed $0.50 for each $1 invested by employees on the first 5% of qualified compensation, plus a non-contributory 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 Foundation. Employees are vested in the Foundation’s non-contributory deferral contribution after five years of service. Contributions to the 403(b) Plan for the year ended June 30, 2020 totaled $13,262.

Note 12—Fundraising

The Foundation conducts certain fundraising activities to generate revenues to assist in supporting its programs and activities. For the year ended June 30, 2020, fundraising expense totaled $160,217.

Note 13—Leases

The Foundation entered into a two-year noncancelable operating lease for office space beginning on July 1, 2019.

Future minimum rental commitments under the lease is as follows:

Year Ending June 30, 2021	$ 40,801

Rent expense recorded for the year ended June 30, 2020 was $39,831.

Note 14—Related party transactions

For the year ended June 30, 2020, the Foundation made grant distributions of $1,627,197, of which $1,224,522 was distributed to the Diocese; $392,900 was distributed to parishes, schools, and other-related organizations of the Foundation; and $9,775 was distributed to other donor-directed organizations.

Additionally, the Foundation received of contributions to board-designated endowments of the Diocese and the parishes, schools, and other-related organizations during the year ended June 30, 2020 of $1,711,317. As of June 30, 2020, the Diocese owed the Foundation $9,500, which is included in accounts receivable on the statement of financial position.

The Diocese performs certain administrative tasks such as payroll processing and accounting services for the Foundation. For the year ended June 30, 2020, the Diocese charged the Foundation $61,250 for these services. As of June 30, 2020, the Foundation owed the Diocese $8,419, which is included in accounts payable on the statement of financial position.

Note 15—Reclassification of endowment net assets

During the fiscal year, the Foundation performed a comprehensive evaluation of the agreements governing the endowments that were transferred into the Foundation upon its formation by the Diocese in fiscal year 2019. This evaluation indicated that endowments with a net value of $14,298,161 as of June 30, 2019, had been classified as being subject to donor restrictions in the books and records of the Foundation. It was determined that these endowments had originally been funded with unrestricted monies and were classified as board-designated endowments or custodial endowments by the Diocese prior to the formation of the Foundation. Though there is no authoritative accounting literature governing the initial classifications of net assets to be used upon formation of a foundation, industry practice is to retain the net asset classification utilized by the originating entity. Accordingly, the Foundation has reclassified endowments of $14,298,161 from net assets with donor restrictions to net assets without donor restrictions. This reclassification had no impact on total net assets of the Foundation.

Note 16—Contingencies and uncertainties

On January 30, 2020, the World Health Organization declared the coronavirus "COVID-19" outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines, or "stay-at-home" restrictions in certain areas and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets globally, including the geographical areas in which the Foundation operates. While the Foundation's office was initially closed to all staff and volunteers temporarily for the safety of employees, families, and the community, they were able to open a short time later after implementing effective procedures to allow them to resume operations. While it is unknown how long these conditions will last and what the complete financial impact will be, the Foundation is closely monitoring the impact of the COVID-19 pandemic on all aspects of the business and are unable at this time to predict the continued impact that COVID-19 will have on their business, financial position, and operating results in future periods due to numerous uncertainties.

The Foundation did not apply for or obtain a Paycheck Protection Program ("PPP") loan from the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act).

Note 17—Subsequent events

Effective July 1, 2020, the Foundation entered into a contract to transfer responsibilities for accounting and bookkeeping from the Diocese to an independent accounting firm. Furthermore, the Foundation is in the process of transitioning its legal and information technology services administration to outside providers. It is anticipated that responsibilities for management of payroll and human resources will be transitioned in January 2021.

In August 2020, the Foundation selected and transferred its endowment and other investments to a new custodian. This transfer of investments did not result in a significant gain or loss as the investments were not liquidated prior to the transfer.

Effective July 1, 2020, the Diocese transferred its interests in several irrevocable one-life and two-life charitable gift annuities to the Foundation for which the Diocese was the fiduciary. Upon assignment, the Foundation took over the responsibilities of serving as the fiduciary on these charitable gift annuities. As of the date of transfer, the investments and split-interest obligations were valued at $847,633 and $543,471, respectively.

On July 1, 2020, the Diocese transferred promises to give with a value of $95,463 to the Foundation related to its Seminarian Partnership Program.

Upon the transfer of the charitable gift annuities and promises to give, the Diocese granted variance power to the Foundation, which allows the Foundation to modify any condition or restriction on its distribution for an specified charitable purpose or to any specified organization, 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.

The Foundation has evaluated subsequent events through November 5, 2020, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.