ADMINISTRATIVE OFFICES OF THE DIOCESE OF RALEIGH

CONSOLIDATED FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2021 and 2020

And Report of Independent Auditor

ADMINISTRATIVE OFFICES OF THE DIOCESE OF RALEIGH

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Report of Independent Auditor

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

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, 2021 and 2020, 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.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We did not audit the financial statements of The Foundation of the Roman Catholic Diocese of Raleigh, Inc., an affiliate, which statements reflect total assets of $76,385,050 as of June 30, 2021, and total revenues of $17,947,578 for the year then ended. Those statements were audited by the other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the affiliates listed above, is based solely on the report of the other auditors. 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Diocese's preparation and fair presentation of the consolidated 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 Diocese'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 consolidated financial statements.

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

Opinion

In our opinion based on our audits and the 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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Cherry Bekaert LLP

Raleigh, North Carolina
May 3, 2022

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

JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash and cash equivalents	$ 91,226,811	$ 72,835,794
Investments	76,174,428	61,797,403
Accounts receivable:		
Assessments	1,364,240	1,379,332
Cathedral Campus Campaign, net	161,895	638,762
Other, net	454,248	2,422,137
Prepaid expenses and other assets	862,940	915,588
Loans receivable, parishes and institutions, less allowance for doubtful loans of $197,409 as of June 30, 2021 and 2020:		
Interest bearing	24,659,179	27,877,068
Non-interest bearing	2,514,219	3,854,535
Beneficial interests in perpetual trusts	6,782,615	5,727,422
Beneficial interests in charitable remainder trusts	139,848	106,666
Licenses and rights	1,003,375	1,003,375
Property held for sale	292,736	1,713,241
Property and equipment:		
Operating properties	9,264,525	9,367,751
Other properties	8,680,917	3,431,957
Total Assets	$ 223,581,976	$ 193,071,031

JUNE 30, 2021 AND 2020

	2021	2020
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable:		
Funds held for others	$ 321,033	$ 161,276
Supplies and expenses	858,038	4,457,667
Bishop's annual appeal, net	296,662	35,685
Accrued expenses	863,757	478,100
Split-interest obligations	860,121	714,935
Deferred revenue and support	11,094	5,950
Deposits payable:		
Parishes	88,445,752	72,764,154
Catholic Charities of the Diocese of Raleigh, Inc.	2,023,577	1,170,685
Health care plan, current portion	539,569	535,318
Health care plan, long-term portion	17,625,836	17,561,964
Long-term care plan, current portion	151,623	137,146
Long-term care plan, long-term portion	9,203,692	9,392,381
Notes payable:		
SBA Paycheck Protection Program loan payable	-	3,489,700
Total Liabilities	121,200,754	110,904,961
Net Assets:		
Without Donor Restrictions:		
Undesignated	4,747,590	4,605,528
Designated, property and equipment accounts, net	16,927,025	13,201,796
Designated, licenses and rights	1,003,375	1,003,375
Designated, deposit and loan accounts	325,864	1,176,745
Designated, other purposes	17,983,155	10,060,387
Total Without Donor Restrictions	40,987,009	30,047,831
With Donor Restrictions:		
Perpetual in nature	22,471,237	18,000,541
Restricted subject to endowment spending policy	25,411,017	20,607,684
Purpose restrictions	7,268,551	7,352,684
Time-restricted for future periods	6,243,408	6,162,014
Underwater endowments	-	(4,684)
Total With Donor Restrictions	61,394,213	52,118,239
Total Net Assets	102,381,222	82,166,070
Total Liabilities and Net Assets	$ 223,581,976	$ 193,071,031

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:			
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 income, other	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 Revenue	31,891,575	8,348,015	40,239,590

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 post-retirement 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 ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2020

	2020		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Support and Revenue:			
Contributions:			
Gifts and bequests	$ 1,305,512	$ 634,540	$ 1,940,052
Bishop's annual appeal	351,301	6,189,095	6,540,396
Capital campaigns	123,154	-	123,154
Departmental and project fees	3,117,848	-	3,117,848
Diocesan assessments	3,571,380	-	3,571,380
Rental income	710,303	20,928	731,231
Investment income, parish loans	872,366	-	872,366
Insurance department	3,211,239	-	3,211,239
Insurance proceeds	351,967	-	351,967
Investment income (loss), other	523,323	(319,264)	204,059
Realized gain on sale of assets	1,288,631	-	1,288,631
Total Support and Revenue Before Release of Restrictions	15,427,024	6,525,299	21,952,323
Releases of Restrictions:			
Appropriation from donor endowment and subsequent satisfaction of any related donor restrictions	1,106,703	(1,106,703)	-
Expirations of time restrictions	6,751,052	(6,751,052)	-
Satisfaction of program restrictions	671,253	(671,253)	-
Total Support and Revenues	23,956,032	(2,003,709)	21,952,323

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)

YEAR ENDED JUNE 30, 2020

	2020		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Expenses:			
Offices of:			
Bishop	$ 1,995,061	$ -	$ 1,995,061
Vicar General	1,277,862	-	1,277,862
Judicial Vicar/Chancellor	576,710	-	576,710
Chief Financial Officer/Chief Operating Officer	1,791,449	-	1,791,449
Catholic formation and education	1,872,598	-	1,872,598
Evangelization and discipleship	2,782,283	-	2,782,283
Catholic Charities subsidies	1,528,908	-	1,528,908
Grants	880,808	-	880,808
Deposits and loans	901,624	-	901,624
Insurance department	4,276,208	-	4,276,208
Priest welfare	3,068,310	-	3,068,310
High school tuition assistance	232,923	-	232,923
Parishes and other subsidies	975,814	-	975,814
Human resources	2,120,381	-	2,120,381
Total Expenses	24,280,939	-	24,280,939
Decrease in Net Assets from Operations	(324,907)	(2,003,709)	(2,328,616)
Change in obligations for priest post-retirement benefits other than pensions	(8,051,476)	-	(8,051,476)
Change in value of split-interest agreements	3,552	(64,814)	(61,262)
Change in beneficial interests in perpetual trusts	-	(38,172)	(38,172)
Change in Net Assets	(8,372,831)	(2,106,695)	(10,479,526)
Net assets at beginning of year	24,122,501	68,523,095	92,645,596
Reclassification of endowment net assets	14,298,161	(14,298,161)	-
Net assets at beginning of year (as restated)	38,420,662	54,224,934	92,645,596
Net assets at end of year	$ 30,047,831	$ 52,118,239	$ 82,166,070

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
Deposits and loans	-	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

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

YEAR ENDED JUNE 30, 2020

	Salaries and Fringe Benefits	Purchased Services	Supplies and Materials	Interest	Contributions	Total
Bishop	$ 569,523	$ 1,304,186	$ 121,352	$ -	$ -	$ 1,995,061
Vicar General	1,058,772	152,300	66,790	-	-	1,277,862
Judicial Vicar/Chancellor	482,100	59,433	35,177	-	-	576,710
Chief Financial Officer/Chief Operating Officer	1,422,936	330,691	37,822	-	-	1,791,449
Catholic formation and education	874,298	428,562	121,200	-	448,538	1,872,598
Evangelization and discipleship	1,718,304	982,235	79,644	-	2,100	2,782,283
Catholic Charities subsidies	-	-	-	-	1,528,908	1,528,908
Grants	-	-	-	-	880,808	880,808
Deposits and loans	-	30,905	128,335	742,384	-	901,624
Insurance department	-	4,276,208	-	-	-	4,276,208
Priest welfare	53,311	3,007,897	7,102	-	-	3,068,310
High school tuition assistance	-	-	-	-	232,923	232,923
Parishes and other subsidies	528,661	-	40,578	-	406,575	975,814
Human resources	867,995	606,901	645,485	-	-	2,120,381
	$ 7,575,900	$ 11,179,318	$ 1,283,485	$ 742,384	$ 3,499,852	$ 24,280,939

ADMINISTRATIVE OFFICES OF THE DIOCESE OF RALEIGH

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Cash flows from operating activities:		
Cash received from contributions, net of amounts restricted for endowment	$ 10,015,028	$ 7,699,514
Cash received from departmental and project fees	3,421,198	3,091,121
Cash received for Diocesan assessments	4,266,120	3,938,926
Cash received from rent collected	648,184	731,231
Cash received from interest earned on parish loans	544,722	872,366
Cash received from operation of the insurance department	3,531,289	3,711,194
Cash payments to employees and vendors	(21,786,342)	(19,489,581)
Grants disbursed	(3,256,198)	(3,499,852)
Interest paid	(248,203)	(845,892)
Net cash flows from operating activities	(2,864,202)	(875,348)
Cash flows from investing activities:		
Purchases of property and equipment	(4,952,305)	(273,306)
Proceeds from sales of property and equipment	1,343,949	1,665,160
Purchases of investments	(483,814)	(344,877)
Proceeds from sales of investments	3,306,650	1,927,846
New loans funded	(7,642,314)	(6,618,982)
Collections on loans	12,200,520	10,122,755
Net cash flows from investing activities	3,772,686	3,562,971
Cash flows from financing activities:		
Contributions restricted for investment in endowment	948,043	2,193,730
Parish deposits and other deposits	16,534,490	4,569,804
Proceeds from SBA Paycheck Protection Loan	-	3,489,700
Disbursement of SBA Paycheck Protection Loan proceeds to Parishes	-	(1,940,684)
Repayment of bonds payable	-	(4,390,948)
Net cash flows from financing activities	17,482,533	3,921,602
Net change in cash and cash equivalents	18,391,017	6,609,225
Cash and cash equivalents, beginning of year	72,835,794	66,226,569
Cash and cash equivalents, end of year	$ 91,226,811	$ 72,835,794
Noncash disclosure		
Investment income - unrealized gains (losses)	$ 15,473,609	$ (2,256,711)
Forgiveness of SBA Paycheck Protection Program loan payable	$ 1,549,016	$ -

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 Catholic 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 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. As of June 30, 2021, the entity has not yet commenced operations.

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 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 we have a modification to our 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 will increase transparency of contributions recognized. This standard will be effective for the Diocese during the year ended June 30, 2022. The Diocese is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

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 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 Diocese reports the support as without donor restriction. As of June 30, 2021 and 2020, promises to give of $499,995 and $2,076,864, 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 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. 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 statement of activities.

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, 2021 and 2020.

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, 2021 and June 30, 2020.

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. 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, 2021 and 2020, the Diocese had $133,064 and $129,850, respectively, accrued for compensated absences.

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

Note 2—Summary of significant accounting policies (continued)

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 income 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:

	2021	2020
Cash and cash equivalents	$ 76,733,891	$ 59,249,269
Accounts receivable and loans receivable, parishes and institutions	5,420,930	6,013,693
Promises to give	575,652	1,351,079
Endowment spending-rate distributions and appropriations	1,235,082	1,278,000
	$ 83,965,555	$ 67,892,041

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

The board-designated endowment of $21,483,423 and $18,271,597 as of June 30, 2021 and 2020, 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 18, the Diocese maintains an unsecured line of credit with an available balance of $9,925,000 and $9,964,000, as of June 30, 2021 and 2020, 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, promises-to-give 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, 2021 and 2020, the Diocese from time to time may have had amounts on deposit in excess of the insured limits. Additionally, as of June 30, 2021 and 2020, the Diocese had balances with financial institutions in excess of FDIC limits of $7,633,873 and $11,073,869, respectively. The cash balances are maintained at financial institutions with high credit quality ratings and the Diocese believes no significant risk of loss exists with respect to those balances.

Note 4—Financial instruments and other concentrations (continued)

As of June 30, 2021 and 2020, the Diocese also held $82,140,216 and $60,558,489, respectively, of fully-insured funds in the Certificate of Deposit Account Registry Service network and the Insured Cash Sweep network.

A substantial amount of the Diocese's support is generated through contributions and pledges from other organizations or individuals, primarily in eastern North Carolina and the surrounding area. Changes in economic conditions can directly affect a donor's ability and willingness to make future contributions to the Diocese. Also, the 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.

Note 5—Fair value measurements (continued)

The following 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.

Real Estate Investment Trust – 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.

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 15.

Split-interest obligations - The fair value of split-interest obligations is discussed in Note 15.

Obligations for postretirement benefits other than pensions – The fair value of obligations for postretirement benefits other than pensions is discussed in Note 16.

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 post-retirement 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	**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 post-retirement 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)

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, 2020:

	2020			
	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	$ 40,054,976	$ 40,054,976	$ -	$ -
Mutual Funds - international	126,859	126,859	-	-
Bond funds	13,724,726	13,724,726	-	-
Real estate investment trusts	37,302	37,302	-	-
Cash and cash equivalents	7,853,540	-	7,853,540	-
Total investments at fair value	61,797,403	53,943,863	7,853,540	-
Beneficial interests in perpetual trusts	5,727,422	-	5,727,422	-
Beneficial interests in charitable remainder trusts	106,666	-	-	106,666
Total Assets	$ 67,631,491	$ 53,943,863	$ 13,580,962	$ 106,666
Liabilities:				
Split-interest obligations	$ 714,935	$ -	$ -	$ 714,935
Obligations for post-retirement benefits other than pensions:				
Health care plan	18,097,282	-	-	18,097,282
Long-term care plan	9,529,527	-	-	9,529,527
Total Liabilities	$ 28,341,744	$ -	$ -	$ 28,341,744

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, 2020:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			
	Beginning Balance	Distributions	Change in Value	Ending Balance
Beneficial interests in:				
Charitable remainder trusts	$ 152,329	$ -	$ (45,663)	$ 106,666
Split-Interest agreements	(832,119)	(132,783)	(15,599)	(714,935)
Obligations for post-retirement benefits other than pensions:				
Health care plan	(13,931,968)	-	(4,165,314)	(18,097,282)
Long-term care plan	(5,643,365)	-	(3,886,162)	(9,529,527)

Note 5—Fair value measurements (continued)

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, 2021 and 2020.

During the year ended June 30, 2020, the Diocese 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 Diocese's investment custodian was not yet in possession of the funds as of June 30, 2020. The hedge fund had valued the distribution at $5,162,121 and it was included in the fair value hierarchy as cash and cash equivalents as of June 30, 2020.

The related net investment income is reported in the consolidated statements of activities and changes in net assets as investment income, 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 post-retirement benefits other than pensions.

Note 6—Investments

The Diocese 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 endowment and other 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 Diocese reports the net investment income as without donor restriction.

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

	2021			2020		
	Cost	Market Value	Unrealized Appreciation (Losses)	Cost	Market Value	Unrealized Appreciation (Losses)
Mutual Funds - Domestic	$ 43,706,288	$ 59,480,616	$ 15,774,328	$ 40,670,915	$ 40,054,976	$ (615,939)
Mutual Funds - International	-	-	-	154,555	126,859	(27,696)
Bond funds	15,631,272	16,052,036	420,764	12,935,823	13,724,726	788,903
Real estate investment trusts	-	-	-	40,014	37,302	(2,712)
Cash and cash equivalents	641,776	641,776	-	7,853,540	7,853,540	-
	$ 59,979,336	$ 76,174,428	$ 16,195,092	$ 61,654,847	$ 61,797,403	$ 142,556

Note 7—Endowments

Diocesan 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. 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 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.

Amounts with donor restrictions 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 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 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 three-year average fair value of the endowment, measured at December 31 of the prior fiscal year for the year ended June 30, 2020 and a maximum of 4% of the 12 month rolling average, measured at December 31 of the prior fiscal year for year ended 2021.

Note 7—Endowments (continued)

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 for year ended 2020 and a maximum of 4% of the 12-month rolling average, measured at December 31 of the prior fiscal year for year ended 2021.

Administrative distributions totaled $589,697 and $535,800 for the years ended June 30, 2021 and 2020, respectively.

Endowment composition by type of fund is as follows as of June 30, 2021 and 2020:

	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
Total	$ 33,641,939	$ 41,099,639	$ 74,741,578

	2020		
	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	$ -	$ 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 7—Endowments (continued)

Changes in endowment for the years ended June 30, 2021 and 2020:

	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)
Total	$ 33,641,939	$ 41,099,639	$ 74,741,578

	2020		
	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 Diocese has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. The Diocese had no endowments that were underwater as of June 30, 2021. As of June 30, 2020, the Diocese had endowments 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 8—Net assets with donor restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30, 2021 and 2020:

	2021	2020
Subject to expenditure for a specified purpose:		
Horne Memorial Revolving Fund	$ 5,286,543	$ 5,078,147
Land Trust	-	394,394
Early Childhood Development	1,539,431	1,485,829
Other ministries and programs	347,114	298,851
Promises to give, the proceeds from which have been restricted for seminarian education and welfare	95,463	95,463
	7,268,551	7,352,684
Subject to the passage of time:		
Undistributed Bishop's Annual Appeal	6,274,237	6,189,095
Endowments:		
Subject to the passage of time:		
Net assets held under split-interest agreements	254,731	165,855
Underwater split-interest agreement	(285,560)	(192,936)
	(30,829)	(27,081)
Subject to appropriation and expenditure for a specific purpose:		
Restricted by donors for:		
Assistance for the needy	649,882	519,992
Capital investment and property acquisition	3,580,025	2,840,610
Catholic schools and education initiatives	125,647	103,104
Child and family programs	1,496,407	1,267,304
Lay formation and education	3,710,460	3,018,786
Parish support and assistance	1,357,885	1,096,634
Seminarian education	6,465,327	5,295,234
Tuition assistance and scholarships	3,549,050	2,870,034
Other ministries and programs	4,476,334	3,595,986
	25,411,017	20,607,684
Perpetual in nature, earnings from which are subject to endowment spending policy and appropriation:		
Assistance for the needy	275,554	227,594
Capital investment and property acquisition	180,785	-
Catholic Charities of the Diocese of Raleigh, Inc.	58,667	-
Catholic schools and education initiatives	498,499	376,186
Parish support and assistance	186,334	-
Seminarian education	4,633,122	3,730,967
Tuition assistance and scholarships	7,647,203	5,813,581
Child and family programs	49,677	-
Other ministries and programs	2,158,781	2,120,107
	15,688,622	12,268,435
Perpetual in nature, not subject to spending policy or appropriation:		
Beneficial interests in charitable trusts held by others	6,782,615	5,727,422
Total Net Assets With Donor Restrictions	$ 61,394,213	$ 52,118,239

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, 2021 and 2020:

	2021	2020
Invested in property and equipment, net of related debt	$ 16,927,025	$ 13,201,796
Invested in licenses and rights	1,003,375	1,003,375
	17,930,400	14,205,171
Designated for deposit and loan accounts	325,864	1,176,745
Subject to the passage of time:		
Assets held under split-interest agreements	626,169	497,097
Subject to appropriation and expenditure for a specific purpose:		
For the benefit of:		
Assistance for the needy	5,543,750	4,530,505
Seminarian education	2,676,462	2,202,934
Capital investment and property acquisition	2,183,271	2,665,383
Catholic Charities of the Diocese of Raleigh, Inc.	2,140,200	1,696,983
Catholic schools and education initiatives	7,167,656	5,695,177
Cemetery maintenance	1,320,700	1,039,462
Diocesan support and assistance	3,750,847	3,087,173
Cathedral operations	708,092	535,960
Clergy and religious welfare	5,982,189	4,743,330
Tuition assistance and scholarships	725,955	580,898
Parish support and assistance	834,006	492,059
Other ministries and programs	608,811	466,468
	33,641,939	27,736,332
Other board designated:		
Priest long-term care and health care accounts	(27,520,720)	(27,626,809)
Insurance reserve	7,305,237	6,384,414
Cathedral support	658,337	361,449
Seminarian education	199,595	199,595
Clergy and religious welfare	1,327,766	-
Home Mission Society	300,000	-
Land Trust	1,444,832	2,508,309
	(16,284,953)	(18,173,042)
Board designated, other purposes	17,983,155	10,060,387
Total Board Designated Net Assets	$ 36,239,419	$ 25,442,303

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 and 2018 campaigns' funding for 2018 and 2019 operations, respectively, the parish goals were 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, 2021 and 2020:

	2021	2020
Bishop's Annual Appeal:		
Promises to give receivable in less than one year	$ 617,604	$ 802,792
Less: rebates to parishes	(612,349)	(550,347)
Less: allowance for doubtful promises	(301,917)	(288,130)
Total	$ (296,662)	$ (35,685)

Note 11—Cathedral Campus Campaign

In January 2010, the Diocese commissioned a feasibility study to gauge the support of a capital campaign to develop a new Cathedral Campus to meet the needs of a growing Catholic community. Based on these results, the Diocese announced plans in September 2011 to move forward with a campaign to build a Cathedral Campus. From January through July 2012, the first phase of the parish portion of the Our Cathedral: One Faith, One People campaign began with 41 parishes taking part in Block 1. In August 2012, the second phase of the parish portion of the Our Cathedral: One Faith, One People campaign began with 49 parishes taking part in Block 2. The majority of these parishes conducted their campaigns until December 2012. Because of delays in the timing of their campaigns, four parishes began in the spring of 2013 and are considered to be in Block 3.

Parish financial goals were determined using a formula based on their 2011 fiscal year offertory. The campaign split the 94 Diocese parishes into three blocks. The financial target for each of the four parishes included in Block 3 of the campaign also included their portion of the BAA for 2013.

Parishes were permitted to pick one of the two following campaign options: A Good Faith Effort or a Combined Campaign. A parish selecting the Good Faith Effort campaign guaranteed its 2012 BAA goal and is receiving 20% of the net funds collected up to its total campaign goal. If a parish exceeds its total campaign goal, it then received 50% of funds raised above and beyond its total campaign goal. A parish selecting the Combined Campaign guaranteed the 2012 and 2013 BAA, as applicable, and 80% of the Cathedral Project Goal. The Parish retained everything raised over the guaranteed amount. Promises to give were receivable over four years. All net pledged receivable directly from parishes who participated in the combined campaigns have since been paid in full.

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, excluding the organ, which was not yet completed, were transferred to the parish as of June 30, 2018. During the fiscal year ended June 30, 2019, the organ was completed and was also transferred to the parish.

Note 11—Cathedral Campus Campaign (continued)

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

	2021	2020
Cathedral Campus Campaign:		
Promises to give receivable over four years	$ 621,727	$ 1,250,608
Less: discount at rates between 0.29% and 2.77%	(10,180)	(25,129)
Less: rebates to parishes	(2,607)	(6,194)
Less: allowance for doubtful promises	(447,045)	(580,523)
Total	$ 161,895	$ 638,762

Note 12—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, 2021 and 2020, parish deposits earned interest at a rate of 0.20% and 0.50%, respectively, and can be withdrawn as requested. As of June 30, 2021 and 2020, 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, 2021 and 2020, the allowance totaled $197,409.

As of June 30, 2021 and 2020, loans receivable consist of the following:

	2021	2020
Interest bearing	$ 24,856,588	$ 28,074,477
Non-interest bearing	2,514,219	3,854,535
Total loans outstanding	27,370,807	31,929,012
Less: Allowance for uncollectible loans	(197,409)	(197,409)
Total	$ 27,273,398	$ 31,731,603

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

	2021	2020
Beginning of year balance	$ 31,929,012	$ 35,432,786
New loans made	7,642,314	6,618,982
Payments received	(12,200,520)	(10,122,756)
End of year balance	$ 27,370,807	$ 31,929,012

Note 12—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, 2021 and 2020, the delinquencies of loans receivable consisted of the following:

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

2020					
Current	0-30 Days Past Due	31-60 days Past Due	Over 60 Days Past Due	Total Past Due	Total Notes Receivable
$ 31,920,464	$ -	$ 8,548	$ -	$ 8,548	$ 31,929,012

The activity in the allowance for uncollectible loans for the year ended June 30, 2021 and 2020 is as follows:

	2021	2020
Allowance for uncollectible loan, beginning of year	$ 197,409	$ 200,000
Current year provision for uncollectible loans	-	128,336
Current year charge offs	-	(130,927)
Allowance for uncollectible loans, end of year	$ 197,409	$ 197,409

Additional information about the loan program is as follows:

	2021		2020	
	Number of Loans Outstanding	Average Face Amount at Origination	Number of Loans Outstanding	Average Face Amount at Origination
Interest bearing loans receivable	32	$ 1,348,762	33	$ 1,397,420
Non-interest bearing loans receivable	24	$ 177,293	24	$ 263,627
Total outstanding loans receivable	56		57	

Note 13—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 14—Property and equipment

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

	2021	2020
Land, buildings, and improvements	$ 19,990,627	$ 14,497,336
Furniture and equipment	2,454,670	3,957,636
Automobiles	194,857	169,050
	22,640,154	18,624,022
Less: accumulated depreciation	(4,694,712)	(5,824,314)
Property and equipment, net	$ 17,945,442	$ 12,799,708

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

	2021	2020
Property held for sale	$ 292,736	$ 1,713,241
Operating properties	$ 9,264,525	$ 9,367,751
Other properties	8,680,917	3,431,957
Property and equipment, net	$ 17,945,442	$ 12,799,708

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.

Depreciation expense for the years ended June 30, 2021 and 2020, totaled $434,422 and $495,139, respectively.

Note 15—Life annuities and charitable remainder trusts

The Diocese is the beneficiary of several one-life and two-life annuities for which it is the trustee. Effective July 1, 2021, the Diocese transferred its interest in these charitable gift annuities to the Foundation and granted variance power on the charitable gift annuity net assets to the Foundation, which allows the Foundation to modify any condition or restriction on the related net assets, for any specified charitable purpose, if, in the sole judgment of the Foundation's Board of Directors, such restrictions or conditions become unnecessary, incapable of fulfillment, or inconsistent with the charitable purposes for which the Foundation was established.

During the years ended June 30, 2021 and 2020, the Diocese and the Foundation received no new contribution revenue related to these annuities. Under terms of these split-interest agreements, the Diocese and the Foundation are required to pay the various donors an annuity until the donors' death at which time the remaining assets are to be distributed to the Diocese for use in accordance with the donor agreements.

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

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 15—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, 2021 and 2020:

	2021			
	Beneficial Interests in Charitable Remainder Trusts	Assets Held in Trust	Liability to Donors	Net Asset
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

	2020			
	Beneficial Interests in Charitable Remainder Trusts	Assets Held in Trust	Liability to Donors	Net Asset
Life Annuities	$ -	$ 847,633	$ 543,471	$ 304,162
Charitable Remainder Trust	106,666	337,319	171,464	272,521
	$ 106,666	$ 1,184,952	$ 714,935	$ 576,683

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 $285,560 and $192,936 as of June 30, 2021 and 2020, 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 16—Post-retirement benefits other than pensions

The Diocese sponsors two single-employer, noncontributory, defined benefit health plans providing post-retirement 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. During the year ended June 30, 2020, the health care plan was amended and the life insurance benefit was increased from $36,000 to $61,000. This plan amendment contributed to a $945,612 increase in the accumulated post-retirement benefit obligation as of June 30, 2020. There were no amendments for the year ended June 30, 2021.

The accumulated post-retirement benefit obligations associated with the health care plan and long-term care plan as of June 30, 2021 and 2020, included in the consolidated statements of financial position, are calculated as follows:

	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

	2020	
	Health Care	Long-term Care
Benefit obligation at June 30, 2019	$ 13,931,968	$ 5,643,365
Service cost	732,554	278,577
Interest cost	479,248	195,081
Plan participants' contributions	-	31,185
Plan amendments	945,612	-
Actuarial loss	2,293,890	3,493,206
Benefit payments	(285,990)	(111,887)
Benefit obligation at June 30, 2020	$ 18,097,282	$ 9,529,527

Note 16—Post-retirement 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 post-retirement 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, 2021 and 2020 consist of:

	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 post-retirement 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 post-retirement cost	(3,616,188)	(4,436,307)
Total recognized in the Statement of Activities	$ 1,013,735	$ (174,211)

	2020	
	Health Care	Long-term Care
Service cost	$ 732,554	$ 278,577
Interest cost	479,248	195,081
Amortization of actuarial loss	1,613,350	743,373
Net periodic post-retirement cost	2,825,152	1,217,031
Net loss	2,293,890	3,493,206
Prior service cost	945,612	-
Employer contributions	(285,990)	(80,702)
Amortization of prior service cost	(1,613,350)	(743,373)
Changes other than net periodic post-retirement cost	1,340,162	2,669,131
Total recognized in the Statement of Activities	$ 4,165,314	$ 3,886,162

Note 16—Post-retirement 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 7.00% and 7.50% for the years ended June 30, 2021 and 2020, respectively. Thereafter, the rate was assumed to gradually decrease to a rate of 4.50% in 2026 for the fiscal years ended June 30, 2021 and 2020. 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 5.00% for the years ended June 30, 2021 and 2020 and remain at 5.00% on an ongoing basis.

Expected benefit payments through June 30, 2030 related to the health care plan and long-term care plan are as follows:

Expected benefit payments Years Ending June 30,	Health Care	Long-Term Care
2022	$ 539,569	$ 151,623
2023	552,830	167,141
2024	561,416	191,865
2025	568,434	198,312
2026 through 2030	3,753,187	1,422,141

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 2.68% to 2.81% during the year ended June 30, 2021 and decreased from 3.49% to 2.68% during the year ended June 30, 2020.

Note 17—Bonds payable

During the fiscal year ended June 30, 2013, in connection with a $16,400,000 expansion/construction project by Cardinal Gibbons High School, the Diocese obtained $12,550,000 of unsecured financing with a bank through a series of ten-year, non-taxable bonds bearing a coupon rate of 3.10%. The proceeds were used to expand, equip, and furnish a 67,700 square foot addition to the high school. Costs associated with the issuance of these bonds totaled $113,550 and were being amortized on a straight-line basis over the terms of the debt. During fiscal year 2020, the Diocese paid off the remaining outstanding balance of the bonds of $4,390,948 and recorded interest expense of $35,957 to fully amortize the remaining bond issuance costs. The bonds were originally due to mature in September 2022.

Interest expense incurred related to bonds payable during the year ended June 30, 2020 was $28,453. The Diocese had no bonds payable as of June 30, 2021.

Note 18—Line of credit

During the fiscal year ended June 30, 2020, 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. LIBOR rates were no longer published after November 9, 2021. While the balance of the line of credit was $-0- as of June 30, 2021 and 2020, the Diocese committed $75,000 and $36,000, respectively, 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 and submit audited financial statements within 150 days of the fiscal year, and therefore, the Diocese is not in compliance with debt covenants as of June 30, 2021. The Diocese is in compliance with the performance ratios required as of June 30, 2021 and 2020.

Note 19—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 $190,083 and $179,238 to the Lay Plan for the years ended June 30, 2021 and 2020, respectively, which represented more than 5% of the total contributions of all employing units to the Lay Plan during those years.

Note 19—Defined benefit pension plans (continued)

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 contribution to ensure that pension obligations under the Lay Plan are met. If individual employers of the Lay Plan 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:

	2021	2020
Market value of plan assets	$ 37,715,791	$ 40,271,366
Present value of accrued plan benefits	$ 40,463,268	$ 45,904,521
Percent funded	93.20%	87.70%
Total contributions to the plan	$ 2,040,274	$ 1,976,843
Total employees covered under the plan	1,233	1,578
Discount rate used to value the plan liability	6.50%	6.50%

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:

	2021	2020
Market value of plan assets	$ 24,155,801	$ 19,986,094
Present value of accrued plan benefits	$ 23,107,976	$ 23,541,071
Percent funded	104.50%	84.90%
Total contributions to the plan	$ 1,036,132	$ 2,421,501
Total employees covered under the plan	106	107
Discount rate used to value the plan liability	6.50%	6.50%

Note 20—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, 2021 and 2020, 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, 2021 and 2020 totaled $279,880 and $273,158, respectively.

Note 21—Fundraising

The Diocese conducts certain fundraising activities to generate revenues to assist in supporting its programs and activities. During the years ended June 30, 2021 and 2020, fundraising expenses totaled $1,071,459 and $1,049,822, 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 22—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,	
2022	$ 569,776
2023	569,776
2024	569,776
2025	569,776
2026	569,776
Thereafter	10,255,968
	$ 13,104,848

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, 2021 and 2020 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.

Note 22—Leases (continued)

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

Years Ending June 30,		
2022	$	20,012
2023		20,012
2024		20,012
2025		20,012
2026		20,012
Thereafter		146,755
	$	246,815

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, 2021 and 2020 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, 2021 and 2020 was $45,193 and $39,831, respectively.

Future minimum rental commitments under the lease is as follows:

Years Ending June 30,		
2022	$	37,940
2023		39,079
2024		40,251
	$	117,270

Note 23—Related party transactions

The Diocese transferred $1,541,135 and $1,648,083 in support and revenue to Catholic Charities of the Diocese of Raleigh, Inc. (“Catholic Charities”) during the years ended June 30, 2021 and 2020, respectively, including $1,509,001 and $1,436,508, respectively, in allocations from the Bishop’s Annual Appeal. Catholic Charities reimbursed the Diocese $126,207 and $127,236 for rent, accounting, and other fiscal services during the years ended June 30, 2021 and 2020, respectively. As of June 30, 2021 and 2020, Catholic Charities owed the Diocese $2,671 and $15,055, respectively, which is included in accounts receivable – other, net in the accompanying consolidated statements of financial position.

Note 23—Related party transactions (continued)

The Diocese recognized revenue from the Diocesan parishes, schools, and other related organizations in the amount of $7,685,249 and $6,873,463 for the years ended June 30, 2021 and 2020, respectively, for assessments, priest welfare, and interest. Of these amounts, $1,385,240 and $1,400,332 were due from the related organizations as of June 30, 2021 and 2020, respectively and are recorded in the accompanying consolidated statements of financial position. Additionally, as of June 30, 2020, $1,940,684 was due from related organizations related to distributions of loan proceeds passed through the Diocese from the Small Business Administration's Paycheck Protection Program. 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 24. The Diocese incurred interest expense related to the parish loan and deposit program in the amount of $242,043 and $661,487 during the years ended June 30, 2021 and 2020, respectively, which is recorded in the accompanying consolidated statements of activities and changes in net assets. As of June 30, 2021 and 2020, the Diocese owed $85,502 and $130,347, respectively, to parishes, schools, and other related organizations.

Note 24—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.

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 Diocese and 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. The Diocese's offices are still closed to the public with employees primarily working remotely with limited attendance in the office. 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.

On April 15, 2020, the Diocese received a Paycheck Protection Program ("PPP") loan for $3,489,700 from the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (CARES 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 Small Business Administration. 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 24—Commitments and contingencies (continued)

The Diocese entered into a Pullen Road Extension/Bilyeu Street Extension Joint Venture Road Project agreement with the City of Raleigh (the "City") and North Carolina State University to perform road improvements near the Cathedral. Under the agreement, the cost of constructing the project is allocated 50% to the City, 25% to University, and 25% to the Diocese. The Diocese estimates their portion of the costs $836,120. The City has the right to terminate the agreement if the total cost of the project exceeds $4,000,000. The Diocese is not obligated to pay any construction costs under the agreement until it is completed. The Diocese has accrued $7,500 and $836,120 for its share of expenses incurred as of June 30, 2021 and 2020, respectively, which is included in accounts payable – supplies and expenses in the consolidated statement of financial position.

Note 25—Subsequent events

The Diocese has evaluated subsequent events for disclosure and recognition through May 3, 2022, the date on which these consolidated financial statements were available to be issued.