



**CATHOLIC CHARITIES OF THE  
DIOCESE OF RALEIGH, INC.**

FINANCIAL STATEMENTS AND  
SUPPLEMENTAL SCHEDULE

*As of and for the Years Ended June 30, 2017  
and 2016*

*And Report of Independent Auditor*

**CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC.**

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## **Report of Independent Auditor**

Board of Directors  
Catholic Charities of the Diocese of Raleigh, Inc.  
Raleigh, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Catholic Charities of the Diocese of Raleigh, Inc. (“Catholic Charities”), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

### **Management’s Responsibility for the Financial Statements**

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

### **Auditor’s Responsibility**

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

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


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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catholic Charities as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements of Catholic Charities as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Handwritten signature of Cherry Roubert LLP in cursive script.

Raleigh, North Carolina  
December 21, 2017

**CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC.**  
**STATEMENTS OF FINANCIAL POSITION**

*JUNE 30, 2017 AND 2016*

	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
Cash	\$ 446,086	\$ 425,263
Diocesan savings	18,344	18,207
Certificate of deposit and other savings	100,159	145,994
Pooled investment fund	3,058,605	2,821,965
Accounts receivable	88,240	75,700
Prepaid expenses	6,362	81,244
Inventory	461,894	441,183
Fixed assets (net of accumulated depreciation of \$413,807 and \$432,189, respectively)	61,032	57,487
Security deposits	24,403	28,253
<b>Total Assets</b>	<b>\$ 4,265,125</b>	<b>\$ 4,095,296</b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and other liabilities	\$ 274,700	\$ 379,786
Net assets:		
Unrestricted	1,913,960	1,801,592
Temporarily restricted	2,076,465	1,913,918
<b>Total Net Assets</b>	<b>3,990,425</b>	<b>3,715,510</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 4,265,125</b>	<b>\$ 4,095,296</b>

**CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

YEAR ENDED JUNE 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Diocese of Raleigh allocations	\$ 1,062,772	\$ -	\$ 1,062,772
Grants received	808,645	176,980	985,625
Emergency Food Shelter Program/FEMA	38,315	-	38,315
Federal commodities received	620,290	-	620,290
Donated materials	3,312,638	-	3,312,638
Gifts and bequests	1,220,377	540,474	1,760,851
Program service fees	342,803	-	342,803
Special events	537,016	-	537,016
Interest and dividends	54,584	-	54,584
Gain on sale of investments	40,642	-	40,642
Unrealized gain on investments	214,378	-	214,378
Other income	3	-	3
Total support and revenue before release of restrictions	<u>8,252,463</u>	<u>717,454</u>	<u>8,969,917</u>
Net assets released from restrictions	<u>554,907</u>	<u>(554,907)</u>	<u>-</u>
Total support and revenue after release of restrictions	<u>8,807,370</u>	<u>162,547</u>	<u>8,969,917</u>
Expenses:			
Program areas:			
Immigration Services	422,187	-	422,187
Raleigh Office	475,827	-	475,827
Support Circles	322,381	-	322,381
Catholic Parish Outreach	4,174,670	-	4,174,670
Centro para Familias Hispanas	110,695	-	110,695
Smart Start Wake	128,894	-	128,894
Albemarle Office	141,006	-	141,006
Cape Fear Office	259,050	-	259,050
Fayetteville Office	392,589	-	392,589
Tar River Office	268,744	-	268,744
New Bern Office	143,161	-	143,161
Senior Pharmacy Program	104,777	-	104,777
Piedmont Office	414,183	-	414,183
Centro: la Comunidad	33,621	-	33,621
Disaster Response	296,423	-	296,423
Newton Grove Office	178,616	-	178,616
Total program areas	<u>7,866,824</u>	<u>-</u>	<u>7,866,824</u>
Administrative	<u>828,178</u>	<u>-</u>	<u>828,178</u>
Total Expenses	<u>8,695,002</u>	<u>-</u>	<u>8,695,002</u>
Change in net assets	112,368	162,547	274,915
Net assets, beginning of year	<u>1,801,592</u>	<u>1,913,918</u>	<u>3,715,510</u>
Net assets, end of year	<u>\$ 1,913,960</u>	<u>\$ 2,076,465</u>	<u>\$ 3,990,425</u>

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

**CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Diocese of Raleigh allocations	\$ 1,031,817	\$ -	\$ 1,031,817
Grants received	783,061	22,500	805,561
Federal commodities received	610,444	-	610,444
Donated materials	2,585,745	-	2,585,745
Gifts and bequests	1,094,116	48,249	1,142,365
Program service fees	316,938	-	316,938
Special events	169,370	-	169,370
Interest and dividends	55,481	-	55,481
Gain on sale of investments	414,260	-	414,260
Unrealized loss on investments	(461,180)	-	(461,180)
Other income	2,501	-	2,501
Total support and revenue before release of restrictions	6,602,553	70,749	6,673,302
Net assets released from restrictions	397,108	(397,108)	-
Total support and revenue after release of restrictions	6,999,661	(326,359)	6,673,302
Expenses:			
Program areas:			
Immigration Services	352,557	-	352,557
Raleigh Office	471,729	-	471,729
Catholic Parish Outreach	3,611,637	-	3,611,637
Centro para Familias Hispanas	105,157	-	105,157
Smart Start Wake	132,915	-	132,915
Albemarle Office	186,769	-	186,769
Cape Fear Office	265,015	-	265,015
Fayetteville Office	346,989	-	346,989
Tar River Office	213,820	-	213,820
New Bern Office	213,145	-	213,145
Senior Pharmacy Program	99,555	-	99,555
Piedmont Office	484,331	-	484,331
Centro: la Comunidad	106,782	-	106,782
Newton Grove Office	182,895	-	182,895
Disaster Response	35,272	-	35,272
Support Circles	277,491	-	277,491
Total program areas	7,086,059	-	7,086,059
Administrative	692,302	-	692,302
Total Expenses	7,778,361	-	7,778,361
Change in net assets	(778,700)	(326,359)	(1,105,059)
Net assets, beginning of year	2,580,292	2,240,277	4,820,569
Net assets, end of year	\$ 1,801,592	\$ 1,913,918	\$ 3,715,510

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

**CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC.**  
**STATEMENTS OF CASH FLOWS**

YEARS ENDED JUNE 30, 2017 AND 2016

	<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activities:</b>		
Cash received from grantors, donors, and clients	\$ 4,696,098	\$ 3,545,427
Cash paid to suppliers and employees	(4,762,289)	(4,546,012)
Net cash and cash equivalents used in operating activities	(66,191)	(1,000,585)
<b>Cash flows from investing activities:</b>		
Net redemption of investments	71,000	71,000
Purchase of investments	-	(643,686)
Purchase of fixed assets	(29,684)	(18,274)
Net cash and cash equivalents provided by (used in) investing activities	41,316	(590,960)
Net change in cash and cash equivalents	(24,875)	(1,591,545)
Cash and cash equivalents, beginning of year	589,464	2,181,009
Cash and cash equivalents, end of year	<u>\$ 564,589</u>	<u>\$ 589,464</u>
<b>Reconciliation of change in net assets to net cash and cash equivalents used in operating activities:</b>		
Change in net assets	\$ 274,915	\$ (1,105,059)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Interest and dividends reinvested	(52,620)	(46,551)
Realized gain on investments	(40,642)	(414,260)
Unrealized (gain) loss on investments	(214,378)	461,180
Increase (decrease) in donated materials inventory	(20,711)	18,121
Depreciation	26,139	35,367
Change in assets and liabilities:		
Accounts receivable	(12,540)	49,824
Prepaid expenses	74,882	(80,517)
Security deposits	3,850	(6,970)
Accounts payable and other liabilities	(105,086)	88,280
Net cash and cash equivalents used in operating activities	<u>\$ (66,191)</u>	<u>\$ (1,000,585)</u>
<b>Summarized data:</b>		
Cash	\$ 446,086	\$ 425,263
Diocesan savings	18,344	18,207
Certificate of deposit and other savings	100,159	145,994
	<u>\$ 564,589</u>	<u>\$ 589,464</u>

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



# CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC.

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

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### Note 1—Description of the organization

*Organization* – The mission of Catholic Charities of the Diocese of Raleigh, Inc. (“Catholic Charities”) is to assist the parishes, communities, and the Diocese of Raleigh (the “Diocese”) in accomplishing the social mission of the church. In its roles of servant, advocate, facilitator, and convener, Catholic Charities acts in the parish and community-at-large to heighten awareness of issues and, when appropriate, provides services to fulfill unmet needs. Catholic Charities serves people in need through advocating for social and economic justice as well as addressing immediate needs with emergency resources or direct service.

### Note 2—Summary of significant accounting policies

*Basis of Accounting* – The financial statements of Catholic Charities have been prepared on the accrual basis of accounting. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

*Basis of Presentation* – Catholic Charities’ financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Accordingly, revenues, expenses, gains, and losses are classified based on the existence or absence of donor imposed restrictions. As a result, the net assets of Catholic Charities and changes therein are classified and reported as either unrestricted net assets, temporarily restricted net assets, or permanently restricted net assets.

*Unrestricted Net Assets* – Net assets that are not subject to donor imposed stipulations.

*Temporarily Restricted Net Assets* – Net assets that are subject to donor imposed stipulations that may or will be met either by actions of Catholic Charities and/or by the passage of time.

*Permanently Restricted Net Assets* – Net assets subject to donor imposed stipulations that require funds to be permanently maintained by Catholic Charities.

*Cash and Cash Equivalents* – Catholic Charities considers temporary deposits in financial institutions, Diocesan savings and all certificates of deposit accessible with little to no penalty to be cash equivalents.

*Receivables* – Catholic Charities periodically evaluates the receivable balances as well as the status of any significant past due accounts to determine if any balances are uncollectible. When management determines that a receivable is uncollectible, the balance is removed from the receivables balance and is charged directly against earnings. Subsequent recoveries of amounts previously written off are credited directly to earnings.

*Inventory* – Catholic Charities’ inventory consists of donated and purchased food as well as donated clothing and household goods on hand at the end of the fiscal year. Catholic Charities values inventory at cost or, if donated, a stated value determined by Feeding America, Inc. for food inventory and at estimated thrift store values for clothing and household goods. The value of food, clothing, and household goods donated is recorded as a contribution when received and reported as an expense when distributed in the statement of activities and changes in net assets.

# CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC.

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

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### **Note 2—Summary of significant accounting policies (continued)**

*Fixed Assets* – Fixed assets, primarily consisting of leasehold improvements, office furniture, and equipment, are recorded at cost using a capitalization threshold of \$500 and are depreciated over the estimated useful lives of the assets. In accordance with Catholic Charities' policy, fixed assets are included in unrestricted net assets. Depreciation is computed using the straight-line method with estimated useful lives ranging from three to ten years. Of total depreciation expense of \$26,139 and \$35,367 for the years ended June 30, 2017 and 2016, respectively, \$18,363 and \$21,000 is reflected in administrative expenses and \$7,776 and \$14,367 is included in program expenses, respectively. Maintenance and repairs are charged to expense while major renewals are capitalized. The cost of equipment retired and disposed of, as well as related accumulated depreciation, is eliminated from the accounts with the resulting gain or loss included in operations.

*Revenue Recognition* – Contributions are recognized when the donor makes an unconditional promise to transfer assets. Catholic Charities reports gifts of cash and other assets as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets for time or for purpose. When a donor restriction expires, whether a stipulated time restriction ends and/or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If a restriction is fulfilled in the same period in which the contribution is received, Catholic Charities reports the support as unrestricted. In the event that both temporarily restricted and unrestricted monies are available for use for activities that comply with donor restrictions, Catholic Charities will use temporarily restricted funds 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.

*Intentions-to-Give* – From time to time, Catholic Charities is notified that it is named as a beneficiary in a will or trust document. To the extent that these bequests are revocable during the lifetime of the donor, these intentions-to-give are not recorded in the financial statements of Catholic Charities.

*Compensated Absences* – Compensated absences such as vacation are not subject to carryover for employees of Catholic Charities except under special pre-approved situations. Accordingly, no accrual is provided for compensated absences as of June 30, 2017 and 2016.

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

*Expense Recognition and Allocation* – The cost of providing Catholic Charities' programs and other activities is summarized on a functional basis in the statements of activities and changes in net assets. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited. Administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of Catholic Charities.

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

*Income Taxes* – Catholic Charities is a non-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on activities which are consistent with its mission. Accordingly, no income taxes have been provided in the accompanying financial statements.

# CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC.

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

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### Note 2—Summary of significant accounting policies (continued)

Management has evaluated the effect of the guidance provided by the provisions of GAAP for Uncertainty in Income Taxes. Management believes that Catholic Charities continues to satisfy the requirements of a tax-exempt organization at June 30, 2017 and 2016. Management has evaluated all other tax positions that could have a significant effect on the financial statements and determined Catholic Charities had no uncertain income tax positions at June 30, 2017 and 2016. Catholic Charities is not classified as a private foundation.

*Other Matters* – Ordinary income and gains and losses arising from the sale, collection, or other disposition of investments, receivables, and the like are accounted for in the net asset group owning such assets. Income derived from investments of restricted net assets is unrestricted unless the income has been restricted by the donor.

*Reclassifications* – Certain reclassifications have been made to prior year financial statement amounts and disclosures to conform with the current year presentation. These reclassifications had no impact on total assets, total liabilities, or net assets nor did they have any impact on the change in net assets.

### Note 3—Financial instruments

Catholic Charities places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation (“FDIC”) covers \$250,000 for substantially all depository accounts. During the year, Catholic Charities from time to time may have had amounts on deposit in excess of the insured limits. Additionally, at June 30, 2017 and 2016, Catholic Charities had balances in excess of FDIC of \$154,677 and \$159,088, respectively. The cash balances are maintained at financial institutions with high credit quality ratings and Catholic Charities believes no significant risk of loss exists with respect to those balances. Catholic Charities also maintains a savings account with the Diocese. While these deposits are not subject to FDIC insurance, Catholic Charities believes no significant risk of loss exists with respect to those balances.

### Note 4—Inventory

Inventory composition by type is as follows as of June 30:

	<u>2017</u>	<u>2016</u>
Donated and purchased food	\$ 288,830	\$ 311,342
Clothing and household goods	173,064	129,841
	<u>\$ 461,894</u>	<u>\$ 441,183</u>

**CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2017 AND 2016

**Note 5—Fair value measurements**

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. 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 are 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.

Below are Catholic Charities’ financial instruments carried at fair value on a recurring basis by the fair value hierarchy levels:

	<b>At June 30, 2017</b>			
	<b>Quoted Prices in Active Markets for Identical Assets Level 1</b>	<b>Observable Inputs Level 2</b>	<b>Significant Unobservable Inputs Level 3</b>	<b>Total Fair Value</b>
Pooled investment funds:				
Mutual funds - domestic	\$ 2,032,747	\$ -	\$ -	\$ 2,032,747
Mutual funds - international	5,924	-	-	5,924
Bond funds	638,645	-	-	638,645
REITs	1,827	-	-	1,827
Cash and cash equivalents	-	85,629	-	85,629
Total investments in the fair value hierarchy	2,679,143	85,629	-	2,764,772
Investments measured at NAV <sup>(a)</sup>	-	-	-	293,833
Investments at fair value	2,679,143	85,629	-	3,058,605
Inventory	-	461,894	-	461,894
Total assets	<u>\$ 2,679,143</u>	<u>\$ 547,523</u>	<u>\$ -</u>	<u>\$ 3,520,499</u>

**CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2017 AND 2016

**Note 5—Fair value measurements (continued)**

	<b>At June 30, 2016</b>			
	<b>Quoted Prices in Active Markets for Identical Assets Level 1</b>	<b>Observable Inputs Level 2</b>	<b>Significant Unobservable Inputs Level 3</b>	<b>Total Fair Value</b>
Pooled investment funds:				
Mutual funds - domestic	\$ 1,924,629	\$ -	\$ -	\$ 1,924,629
Mutual funds - international	5,813	-	-	5,813
Bond funds	565,713	-	-	565,713
REITs	1,994	-	-	1,994
Cash and cash equivalents	-	20,986	-	20,986
Total investments in the fair value hierarchy	2,498,149	20,986	-	2,519,135
Investments measured at NAV <sup>(a)</sup>	-	-	-	302,830
Investments at fair value	2,498,149	20,986	-	2,821,965
Inventory	-	441,183	-	441,183
Total assets	<u>\$ 2,498,149</u>	<u>\$ 462,169</u>	<u>\$ -</u>	<u>\$ 3,263,148</u>

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

Catholic Charities uses appropriate valuation techniques based on the available inputs. When available, Catholic Charities measures fair value using Level 1 inputs as they generally provide the most reliable evidence of fair value. Level 2 and Level 3 inputs are only used when Level 1 inputs were not available. The market approach was used for all assets classified as Level 1 and Level 2. Catholic Charities relies on fair value measurement calculations performed by third-party pricing services for the portion of the pooled investment fund classified as Level 2. Inputs include the credit risk of the issuer, maturity, current yield, and other terms and conditions of each instrument.

Level 2 assets also include food, clothing, and household goods inventories. Donated and purchased food inventories are presented at the standard cost that is influenced by product mix as determined by Feeding America, Inc. The standard cost was \$1.73 and \$1.67 per pound at June 30, 2017 and 2016, respectively. The fair value of donated clothing and household goods inventories are estimated using thrift shop values published by leading national organizations for similar items based on their condition.

There were no changes to valuation techniques during the years ended June 30, 2017 and 2016.

**CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2017 AND 2016

**Note 5—Fair value measurements (continued)**

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

<b>June 30, 2017</b>				
<b>Asset</b>	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency</b>	<b>Redemption Period</b>
Global hedge funds <sup>(a)</sup>	\$ 255,444	N/A	Quarterly Fund in	5 - 65 days' notice Fund in
Equity hedge funds <sup>(b)</sup>	186	N/A	Liquidation Fund in	Liquidation Fund in
Relative value hedge funds <sup>(c)</sup>	16,958	N/A	Liquidation Fund in	Liquidation Fund in
Relative value and event driven hedge funds <sup>(d)</sup>	21,245	N/A	Liquidation	Liquidation
	<u>\$ 293,833</u>			
<b>June 30, 2016</b>				
<b>Asset</b>	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency</b>	<b>Redemption Period</b>
Global macro hedge funds <sup>(e)</sup>	\$ 59,716	N/A	Daily and Monthly	15 - 30 days' notice
Equity hedge funds <sup>(b)</sup>	103,939	N/A	Monthly and Quarterly	5 - 65 days' notice
Relative value hedge funds <sup>(c)</sup>	59,453	N/A	Monthly and Annual	45 - 60 days' notice
Relative value and event driven hedge funds <sup>(d)</sup>	74,483	N/A	Monthly, Quarterly, and Annual	45 - 90 days' notice
Multi-strategy hedge fund <sup>(f)</sup>	5,239	N/A	Quarterly	100 days' writer notice
	<u>\$ 302,830</u>			

(a) The Fund allocates assets to investment funds in four broad investment categories: event-driven, credit, equity market neutral and absolute return multi-strategy managers. Some or all of the marketable alternative strategies may be deployed across U.S. and non-U.S. markets. The Fund seeks to provide investors with a consistent source of absolute return that is uncorrelated to traditional equity and credit markets through strategies with minimal correlation to each other and to traditional risk factors.

(b) This class includes investments in equity hedge funds. Investment strategy involves a long and short strategy with active stock selection and diverse directional biases.

**CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2017 AND 2016

**Note 5—Fair value measurements (continued)**

- (c) This class includes investments in distressed and current pay bonds, bank debt mortgage-backed securities, both residential and commercial, as well as post-reorganization equity liquidations. A range of 0.27% to 4.94% of investment funds has side pocket arrangements.
- (d) This class includes investments in common and preferred equities and various types of debt, often based on the probability that an event will occur, as well as, investments in global macro, equity and relative value hedge funds. Restrictions are based on shareholders' capital of investment strategy. A range of .27% to 4.94% of investment funds has side pocket arrangements.
- (e) This class includes investment in diversified third party investment funds with selection based on shifts in markets arising from economic, political, or government-related events. Asset classes include stocks, bonds, currencies and commodities. Global macro strategies are typically market directional, and often characterized by relatively high degrees of portfolio turnover and volatility.
- (f) This class includes investments in an actively managed, opportunistic multi-strategy portfolio of hedge funds. The investment strategy is to seek to achieve capital appreciation with limited volatility through an actively managed, opportunistic multi-strategy portfolio of hedge fund investments. Redemption amounts are restricted if redemption requests received represent, in the aggregate, more than 25% of the fund's net assets as of the last day of the calendar year. Requests may be reduced on a pro rata basis among all of the investors requesting redemptions so that no more than 25% of the fund's net assets will be paid out. A waiver is required if redeeming less than 100% of shares, if net asset value of shares held is less than \$1,000,000.

The related realized and unrealized net gains and losses are reported in the statement of activities and changes in net assets as gain on sale of investments and unrealized loss on investments.

**Note 6—Investments**

Catholic Charities participates in a pooled investment fund that is administered by the Diocese of Raleigh and managed by a fiscal agent. As of June 30, 2017 and 2016, Catholic Charities' portion of the Diocese's pooled investment fund consisted of the following:

	<b>2017</b>		<b>2016</b>	
	<b>Cost</b>	<b>Market Value</b>	<b>Cost</b>	<b>Market Value</b>
Mutual funds - domestic	\$ 1,863,832	\$ 2,032,747	\$ 1,976,615	\$ 1,924,629
Mutual funds - international	5,853	5,924	7,018	5,813
Bond funds	639,893	638,645	552,723	565,713
Alternative investments	293,229	293,833	309,743	302,830
REITs	1,753	1,827	1,797	1,994
Cash and cash equivalents	85,629	85,629	20,986	20,986
Total Assets	<u>\$ 2,890,189</u>	<u>\$ 3,058,605</u>	<u>\$ 2,868,882</u>	<u>\$ 2,821,965</u>

Investment revenues are reported net of investment fees of \$9,421 and \$13,309 for the years ended June 30, 2017 and 2016, respectively.

**CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2017 AND 2016

**Note 7—Funds functioning as endowment (“endowment”)**

The Catholic Charities endowment consists of three individual funds established primarily for children and family programs that are included in the pooled investment fund described in Note 6. The endowment includes donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with Catholic Charities’ endowment funds, including funds designated by the Diocesan Finance Council (“Council”) of the Diocese of Raleigh to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions in the accompanying statement of financial position and activities and changes in net assets. Catholic Charities has delegated the administration of the endowments to the Council and the endowments are held in custody by the Diocese.

Catholic Charities has no permanently restricted endowment funds and all donor-restricted endowment funds are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Council. The Council considers the following factors in making decisions related to appropriations for expenditures or accumulations of donor-restricted endowment funds:

- (1) the duration and preservation of the various funds;
- (2) the purposes of the donor-restricted endowment funds;
- (3) general economic conditions;
- (4) the possible effect of inflation and deflation;
- (5) the expected total return from income and the appreciation of investments;
- (6) other resources of Catholic Charities; and
- (7) Catholic Charities’ investment policies.

*Investment Return Objectives, Risk Parameters, and Strategies* – Catholic Charities has adopted investment policies, directed by the Council, 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. Catholic Charities 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. Catholic Charities and the Council are 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* – Catholic Charities’ policy is that the annual income distribution available from endowment funds is a maximum of 4.0% for the fiscal years ended June 30, 2017 and 2016, respectively, of the three-year average fair value of the endowment, measured at December 31 of the prior fiscal year.

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

	<b>2017</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 1,144,536	\$ 1,144,536
Board-restricted endowment	1,914,069	-	1,914,069
Total	<u>\$ 1,914,069</u>	<u>\$ 1,144,536</u>	<u>\$ 3,058,605</u>



**CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2017 AND 2016*

**Note 7—Funds functioning as endowment (continued)**

	<b>2016</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 1,215,536	\$ 1,215,536
Board-restricted endowment	1,606,429	-	1,606,429
Total	<u>\$ 1,606,429</u>	<u>\$ 1,215,536</u>	<u>\$ 2,821,965</u>

Changes in endowment for the year ended June 30:

	<b>2017</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Endowment beginning of year	\$ 1,606,429	\$ 1,215,536	\$ 2,821,965
Investment income	52,620	-	52,620
Realized gain on disposal of securities	40,642	-	40,642
Net unrealized appreciation of securities	214,378	-	214,378
Amounts expended	-	(71,000)	(71,000)
Total	<u>\$ 1,914,069</u>	<u>\$ 1,144,536</u>	<u>\$ 3,058,605</u>

	<b>2016</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Endowment beginning of year	\$ 1,599,847	\$ 1,286,536	\$ 2,886,383
Investment income	53,502	-	53,502
Realized gain on disposal of securities	414,260	-	414,260
Net unrealized depreciation of securities	(461,180)	-	(461,180)
Amounts expended	-	(71,000)	(71,000)
Total	<u>\$ 1,606,429</u>	<u>\$ 1,215,536</u>	<u>\$ 2,821,965</u>

**CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2017 AND 2016*

**Note 8—Temporarily restricted net assets**

Temporarily restricted net assets are made up of funds given by donors with restrictions that they be used at a particular time and/or for a particular purpose. Temporarily restricted net assets consisted of the following as of June 30:

	<b>2017</b>	<b>2016</b>
Children and Family Programs	\$ 1,144,536	\$ 1,215,536
CPO/CFH Programs	14,493	17,493
Disaster Response	509,760	55,352
Piedmont Deanery bequests	-	5,315
Cape Fear bequests	-	376
Fayetteville bequests	211,951	253,303
Holy Family Assistance	1,726	350
Assistance Funded by the Endowment for the Poor	44,494	182,531
Kathleen Walsh Charitable Fund	77,762	92,267
Support Circle program	64,352	84,905
Other programs	7,391	6,490
Total	<u>\$ 2,076,465</u>	<u>\$ 1,913,918</u>

**Note 9—Governmental assistance**

Catholic Charities received governmental revenues at a federal, state, county and local level totaling \$924,269 and \$871,999 for the years ended June 30, 2017 and 2016, respectively. Of these amounts, \$620,290 and \$610,444, respectively, represented federal commodities received and recorded.

**Note 10—Related party transactions**

Catholic Charities maintains a savings account with the Diocese. Catholic Charities earned \$137 and \$7,087 in interest on this account for the years ended June 30, 2017 and 2016, respectively. Catholic Charities had \$18,344 and \$18,207, respectively, invested in the account bearing an interest rate of 3.10% at June 30, 2017 and 2016.

In addition to interest, Catholic Charities received in support and revenue from the Diocese the amount of \$1,620,830 and \$1,164,934 during the years ended June 30, 2017 and 2016, respectively. This included \$1,062,772 and \$1,031,817, respectively, in allocations from the Bishop's Annual Appeal for the year ended June 30, 2017 and 2016. Catholic Charities incurred charges from the Diocese of \$182,332 and \$171,354 for rent, accounting, stewardship and development, and other fiscal services during the years ended June 30, 2017 and 2016, respectively. Included in accounts payable and other liabilities on the accompanying statements of financial position are \$78,705 and \$55,061 of amounts payable to the Diocese as of June 30, 2017 and 2016, respectively. Catholic Charities also had a receivable from the Diocese of \$29,738 and \$0 as of June 30, 2017 and 2016, respectively.

**CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2017 AND 2016*

**Note 11—Defined benefit pension plans**

Catholic Charities participates in a multi-employer noncontributory defined benefit retirement plan entitled the Retirement Plan for Lay Employees of the Bishop of the Roman Catholic Diocese of Raleigh, North Carolina for which the EIN 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 employees of Catholic Charities were covered under this plan. Pension benefits provided under the 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 Plan.

Participants are eligible to begin receiving benefits no earlier than age 65 and the Plan contains provisions for payments to surviving spouses in certain circumstances. In substantially all circumstances, a participant in the Plan becomes fully vested after five years of eligible service. The risks of participating in this multi-employer plan are different from a single employer plan in the following aspects:

- a) Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating companies;
- b) If a participating employer stops contributing to the Plan, the unfunded obligations of the Plan may be borne by the remaining participating parishes, schools, and other entities; and
- c) If Catholic Charities stops participating in the Plan, it could be required to pay an amount, referred to as withdrawal liability, based on the unfunded status of the Plan. Catholic Charities has no intention of stopping its participation in the Plan.

During the year ended June 30, 2010, the Council approved a recommendation by management of the Diocese 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. Catholic Charities contributed \$53,454 and \$68,922 to the Lay Plan for the years ended June 30, 2017 and 2016, respectively, which represented approximately 2.6% and 3.6%, respectively, of the total contributions of all employing units to the Lay Plan.

The actuarial present value of vested and non-vested accumulated plan benefits and net assets available for benefits is not determined for the individual entities participating in this multi-employer plan and, accordingly, such information is not presented herein. Because the employing units participating in the Plan are parishes and related organizations of the Diocese, Catholic Charities relies upon each employing unit to contribute their required contribution to ensure that pension obligations under the Plan are met. In the event that individual employers of the Plan are unable to make their required contributions, the obligations would be reallocated to the remaining contributing units.

	<b>As of January 1,</b>	<b>As of January 1,</b>
	<b>2017</b>	<b>2016</b>
Market value of plan assets	\$ 33,772,592	\$ 31,602,929
Present value of accrued plan benefits	\$ 42,371,204	\$ 39,249,306
Percent funded	79.7%	80.5%
Total contributions to the Plan	\$ 2,173,079	\$ 1,881,762
Total employees covered under the Plan	1,628	1,646
Discount rate used to value the Plan liability	6.5%	7.0%

# CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC.

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

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### Note 12—Investment savings plan

Catholic Charities offers its employees a pretax Internal Revenue Code Section 403(b) Plan (“403(b) Plan”). Under the provisions of the 403(b) Plan, substantially all employees are covered. For the years ended June 30, 2017 and 2016, Catholic Charities contributed \$0.50 for each \$1 invested by employees on the first 5% of qualified compensation, plus a non-contributory deferral of 4% of qualified compensation into accounts of all eligible employees, up to a maximum of 6.5% of qualified compensation per employee. Participants in the 403(b) Plan are immediately vested in their employee contributions and in the basic matching contribution provided by Catholic Charities. Employees are vested in Catholic Charities’ non-contributory deferral contribution after five years of service. Contributions to the 403(b) Plan for the years ended June 30, 2017 and 2016, totaled \$127,911 and \$109,048, respectively.

### Note 13—Leases

Catholic Charities leases various office spaces under non-cancelable leases with various expiration dates through 2022. Catholic Charities’ rental expense was \$401,741 and \$365,711 for the years ended June 30, 2017 and 2016, respectively.

Future minimum rental commitments under the leases are as follows:

#### Years Ending June 30,

2018	\$ 383,052
2019	321,108
2020	222,494
2021	176,507
2022	177,194
Thereafter	120,035
	<u>\$ 1,400,390</u>

### Note 14—Fundraising

Catholic Charities conducts certain fundraising activities in order to generate revenues to assist in supporting its programs and activities. Fundraising expenses of \$178,809 and \$95,057 are included in administrative expense for the years ended June 30, 2017 and 2016, respectively.

### Note 15—Contributed goods

Catholic Charities receives donated goods, primarily groceries, clothing, and household goods, from organizations, schools, individuals, and other sources. Catholic Charities accepts and distributes these donations to needy families and individuals in the community. During the years ended June 30, 2017 and 2016, Catholic Charities recorded receipts of donated food, clothing, and other goods with a value of \$3,932,928 and \$3,196,189 and disbursements of \$3,912,218 and \$3,214,310, respectively.

Catholic Charities’ primary facility for the receipt and subsequent distribution of donated groceries is Catholic Parish Outreach. Catholic Parish Outreach received and distributed approximately 970 and 841 tons of donated groceries during the years ended June 30, 2017 and 2016, respectively.

**CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2017 AND 2016*

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**Note 16—Subsequent events**

On July 5, 2017 Pope Francis announced the appointment of Bishop Luis Rafael Zarama, an auxiliary bishop of the Archdiocese of Atlanta, to serve as the 6<sup>th</sup> bishop of the Diocese of Raleigh. He was installed on August 29, 2017. The amount of financial impact on Catholic Charities, if any, cannot be reasonably determined.

On August 17, 2017, Catholic Charities established a subsidiary called Oak City Cares, LLC. The purpose of the entity is to work in partnership with the City of Raleigh, Wake County and the Partnership to End and Prevent Homelessness to provide services to the homeless. Operations are expected to commence during the fiscal year ended June 30, 2019.

Catholic Charities has evaluated subsequent events for disclosure and recognition through December 21, 2017, the date on which these financial statements were available to be issued.

## **SUPPLEMENTAL SCHEDULE**

**CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**

YEAR ENDED JUNE 30, 2017

	<b>Immigration Services</b>	<b>Raleigh Office</b>	<b>Support Circles</b>	<b>Catholic Parish Outreach</b>	<b>Centro Para Familias Hispanas</b>	<b>Smart Start Wake</b>
Salaries and fringe benefits	\$ 323,408	\$ 315,181	\$ 127,236	\$ 181,376	\$ 63,183	\$ 117,116
Equipment and supplies	3,702	4,020	1,244	5,575	1,638	-
Depreciation	-	-	-	5,326	-	-
Repairs and maintenance	1,732	1,844	751	32,889	11,562	1,000
Telephone	1,750	4,572	1,465	5,065	3,684	-
Utilities	1,504	189	-	17,458	4,140	500
Rent	20,078	28,680	12,224	108,830	19,407	8,360
Auto and travel	6,262	4,665	6,307	1,974	1,509	961
Postage and printing	3,135	513	265	4,152	182	-
Conferences and meetings	2,485	1,250	300	862	1,050	-
Dues and subscriptions	1,000	1,380	75	-	-	-
Program expenses	38,333	86,260	156,821	3,788,302	2,881	957
Professional services	17,569	26,899	15,693	18,431	648	-
Other	1,229	374	-	4,430	811	-
	<u>\$ 422,187</u>	<u>\$ 475,827</u>	<u>\$ 322,381</u>	<u>\$ 4,174,670</u>	<u>\$ 110,695</u>	<u>\$ 128,894</u>

**CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES (CONTINUED)**

YEAR ENDED JUNE 30, 2017

	<b>Albemarle Office</b>	<b>Cape Fear Office</b>	<b>Fayetteville Office</b>	<b>Tar River Office</b>	<b>New Bern Office</b>	<b>Senior Pharmacy Program</b>
Salaries and fringe benefits	\$ 82,782	\$ 143,912	\$ 119,495	\$ 112,676	\$ 100,565	\$ 27,518
Equipment and supplies	717	1,267	6,056	712	1,064	215
Depreciation	2,450	-	-	-	-	-
Repairs and maintenance	814	1,700	3,840	1,289	1,898	35
Telephone	1,707	5,593	4,541	1,838	3,515	1,134
Utilities	2,832	-	4,170	2,368	4,185	-
Rent	8,800	34,560	41,516	22,120	10,956	2,244
Auto and travel	4,851	3,919	6,142	3,960	10,895	93
Postage and printing	96	557	450	110	373	206
Conferences and meetings	45	236	412	183	228	173
Dues and subscriptions	65	-	290	-	-	550
Program expenses	32,581	63,537	201,952	120,748	4,269	72,104
Professional services	3,165	3,630	3,425	2,526	4,887	505
Other	101	139	300	214	326	-
	<u>\$ 141,006</u>	<u>\$ 259,050</u>	<u>\$ 392,589</u>	<u>\$ 268,744</u>	<u>\$ 143,161</u>	<u>\$ 104,777</u>



**CATHOLIC CHARITIES OF THE DIOCESE OF RALEIGH, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES (CONTINUED)**

YEAR ENDED JUNE 30, 2017

	<b>Piedmont Office</b>	<b>Centro: la Comunidad</b>	<b>Disaster Response</b>	<b>Newton Grove Office</b>	<b>Administrative</b>	<b>Total</b>
Salaries and fringe benefits	\$ 160,797	\$ 16,356	\$ 165,915	\$ 77,432	\$ 491,614	\$ 2,626,562
Equipment and supplies	1,221	964	651	1,471	4,391	34,908
Depreciation	-	-	-	-	18,363	26,139
Repairs and maintenance	2,733	3,398	-	357	-	65,842
Telephone	4,369	1,342	773	2,541	1,897	45,786
Utilities	4,484	100	-	4,297	-	46,227
Rent	42,705	4,935	-	17,226	19,100	401,741
Auto and travel	3,072	127	15,134	3,239	11,091	84,201
Postage and printing	181	696	17	281	10,798	22,012
Conferences and meetings	416	116	1,978	566	2,879	13,179
Dues and subscriptions	-	-	100	45	3,426	6,931
Program expenses	182,820	4,966	111,849	67,063	89,561	5,025,004
Professional services	11,356	547	6	3,604	69,030	181,921
Other	29	74	-	494	106,028	114,549
	<u>\$ 414,183</u>	<u>\$ 33,621</u>	<u>\$ 296,423</u>	<u>\$ 178,616</u>	<u>\$ 828,178</u>	<u>\$ 8,695,002</u>