




Chancery of the Roman Catholic Diocese of Charleston

Independent Auditor's Report and Financial Statements

June 30, 2024 and 2023



Chancery of the Roman Catholic Diocese of Charleston
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June 30, 2024 and 2023

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Independent Auditor's Report

The Board of Directors
Chancery of the Roman Catholic Diocese of Charleston
Charleston, South Carolina

Opinion

We have audited the accompanying financial statements of Chancery of the Roman Catholic Diocese of Charleston (the "Chancery"), which comprise the statements of financial position as of June 30, 2024 and 2023, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Chancery as of June 30, 2024 and 2023, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Chancery and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Chancery's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Chancery's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Forvis Mazars, LLP

**Greenville, South Carolina
October 28, 2024**

Chancery of the Roman Catholic Diocese of Charleston
Statements of Financial Position
Years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and cash equivalents	\$ 26,393,223	\$ 25,708,265
Investments	42,578,198	42,961,250
Funds Held in Trust by Affiliate:		
Pooled investments	35,601,420	34,385,404
Receivables from Other Diocesan Entities:		
Loans receivable, net of allowance of \$498,032 in 2024 and \$285,921 in 2023	34,615,203	35,478,079
Other receivables from other Diocesan entities, net of allowance of \$98,315 in 2024 and \$29,849 in 2023	2,619,812	1,959,878
Other receivables, net of allowance of \$230,730 in 2024 and \$300,647 in 2023	720,449	304,246
Other assets	3,100,098	3,991,636
Property and equipment, net	34,260,621	32,798,105
Property held for sale	-	146,144
Total Assets	<u>\$ 179,889,024</u>	<u>\$ 177,733,007</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 899,811	\$ 878,379
Deposits and loan funds payable	84,426,453	81,876,757
National Collections and other payables	1,800,772	2,907,360
Bond payable, net	16,383,026	17,560,437
Total Liabilities	<u>103,510,062</u>	<u>103,222,933</u>
Net Assets		
Without Donor Restrictions:		
Designated	40,568,774	38,834,432
Undesignated operating	19,154,339	19,730,652
	<u>59,723,113</u>	<u>58,565,084</u>
With Donor Restrictions	16,655,849	15,944,990
Total Net Assets	<u>76,378,962</u>	<u>74,510,074</u>
Total Liabilities and Net Assets	<u>\$ 179,889,024</u>	<u>\$ 177,733,007</u>

Chancery of the Roman Catholic Diocese of Charleston
Statement of Activities and Changes in Net Assets
Year ended June 30, 2024

	Without Donor Restriction	With Donor Restriction	Total
Operating Revenues, Gains, and Other Support			
Parish assessment income	\$ 9,104,049	\$ -	\$ 9,104,049
Contributions and grants	233,367	5,992,613	6,225,980
In-kind gifts	452,391	-	452,391
Investment return, net	5,932,791	898,231	6,831,022
Supporting services fees, net	1,505,294	-	1,505,294
Other Revenue:			
Cemetery revenue	816,490	-	816,490
Diocese of Charleston sponsored event revenue	1,079,123	-	1,079,123
Newspaper revenue	890,860	-	890,860
Fees for service	558,282	-	558,282
Other	941,482	-	941,482
	<u>21,514,129</u>	<u>6,890,844</u>	<u>28,404,973</u>
Net Assets Released from Restrictions	<u>6,179,985</u>	<u>(6,179,985)</u>	<u>-</u>
Total Operating Revenues, Gains, and Other Support	<u>27,694,114</u>	<u>710,859</u>	<u>28,404,973</u>
Operating Expenses			
Program Services:			
Pastoral	8,948,677	-	8,948,677
Church personnel	2,250,741	-	2,250,741
Diocesan services	4,847,678	-	4,847,678
Insurance programs	3,727	-	3,727
Education	2,245,021	-	2,245,021
Cemeteries	1,161,286	-	1,161,286
Deposit and loan	28,200	-	28,200
Interest expense	2,735,670	-	2,735,670
General and administrative	19,665	-	19,665
Total Program Services	<u>22,240,665</u>	<u>-</u>	<u>22,240,665</u>
Supporting Services:			
General and administrative	4,024,708	-	4,024,708
Institutional advancement	456,806	-	456,806
Total Supporting Services	<u>4,481,514</u>	<u>-</u>	<u>4,481,514</u>
Total Operating Expenses	<u>26,722,179</u>	<u>-</u>	<u>26,722,179</u>
Change in Net Assets from Operations	971,935	710,859	1,682,794
Other Changes:			
Loss on sale of property and equipment	(1,451)	-	(1,451)
Other income	318,183	-	318,183
Total Other Changes	<u>316,732</u>	<u>-</u>	<u>316,732</u>
Change in Net Assets	1,288,667	710,859	1,999,526
Net Assets, Beginning of Year	58,565,084	15,944,990	74,510,074
Impact of adoption of ASU 2016-13 - CECL	(130,638)	-	(130,638)
Net Assets, Beginning of Year (as adjusted for adoption of ASU 2016-13 - CECL)	<u>58,434,446</u>	<u>15,944,990</u>	<u>74,379,436</u>
Net Assets, End of Year	<u>\$ 59,723,113</u>	<u>\$ 16,655,849</u>	<u>\$ 76,378,962</u>

See Notes to Financial Statements

Chancery of the Roman Catholic Diocese of Charleston
Statement of Activities and Changes in Net Assets
Year ended June 30, 2023

	Without Donor Restriction	With Donor Restriction	Total
Operating Revenues, Gains, and Other Support			
Parish assessment income	\$ 7,632,148	\$ -	\$ 7,632,148
Contributions and grants	725,260	6,206,109	6,931,369
In-kind gifts	599,745	-	599,745
Investment return, net	4,670,352	1,710,408	6,380,760
Supporting services fees, net	931,954	-	931,954
Other Revenue:			
Cemetery revenue	1,055,165	-	1,055,165
Diocese of Charleston sponsored event revenue	536,324	-	536,324
Newspaper revenue	904,950	-	904,950
Fees for service	526,520	-	526,520
Other	627,220	-	627,220
	<u>18,209,638</u>	<u>7,916,517</u>	<u>26,126,155</u>
Net Assets Released from Restrictions	<u>6,977,157</u>	<u>(6,977,157)</u>	<u>-</u>
Total Operating Revenues, Gains, and Other Support	<u>25,186,795</u>	<u>939,360</u>	<u>26,126,155</u>
Operating Expenses			
Program Services:			
Pastoral	8,493,253	-	8,493,253
Church personnel	1,745,905	-	1,745,905
Diocesan services	4,203,406	-	4,203,406
Education	2,004,526	-	2,004,526
Cemeteries	1,122,863	-	1,122,863
Deposit and loan	23,304	-	23,304
Interest expense	1,703,819	-	1,703,819
Total Program Services	<u>19,297,076</u>	<u>-</u>	<u>19,297,076</u>
Supporting Services:			
General and administrative	3,679,499	-	3,679,499
Institutional advancement	299,953	-	299,953
Total Supporting Services	<u>3,979,452</u>	<u>-</u>	<u>3,979,452</u>
Total Operating Expenses	<u>23,276,528</u>	<u>-</u>	<u>23,276,528</u>
Change in Net Assets from Operations	1,910,267	939,360	2,849,627
Other Changes:			
Gain on sale of property and equipment	312,045	-	312,045
Other income	261,725	-	261,725
Total Other Changes	<u>573,770</u>	<u>-</u>	<u>573,770</u>
Change in Net Assets	2,484,037	939,360	3,423,397
Net Assets, Beginning of Year	<u>56,081,047</u>	<u>15,005,630</u>	<u>71,086,677</u>
Net Assets, End of Year	<u>\$ 58,565,084</u>	<u>\$ 15,944,990</u>	<u>\$ 74,510,074</u>

Chancery of the Roman Catholic Diocese of Charleston
Statements of Cash Flows
Years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 1,999,526	\$ 3,423,397
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Amortization of bond issue costs	19,870	19,870
Net realized and unrealized gains on investments	(3,545,680)	(3,513,962)
Depreciation	1,401,098	1,338,051
Donations of property and equipment	-	(158,934)
Loss (gain) on sale of property and equipment	1,451	(312,045)
Provision for credit losses on loans receivable	80,022	-
Changes in operating assets and liabilities:		
Other receivables from other Diocesan entities	(659,934)	(148,197)
Other receivables	(416,203)	56,380
Other assets	891,538	(1,397,876)
Accounts payable and accrued expenses	21,432	(146,837)
Net Cash Used In Operating Activities	<u>(206,880)</u>	<u>(840,153)</u>
Cash Flows from Investing Activities		
Proceeds from sales of investments	11,146,167	45,776,917
Purchases of investments	(8,433,451)	(28,793,974)
Funding of loans receivable	(8,399,468)	(2,530,624)
Repayments of loans receivable	9,051,684	4,861,841
Purchases of property and equipment	(2,865,065)	(400,019)
Proceeds from sale of property and equipment	-	2,440,074
Proceeds from sale of property held for sale	146,144	-
Net Cash Provided By Investing Activities	<u>646,011</u>	<u>21,354,215</u>
Cash Flows from Financing Activities		
Funding received for (payments on) deposits and loan funds payables, net	2,549,696	(3,906,129)
(Payments on) funding received for National Collections and other payables, net	(1,106,588)	503,452
Payments on bond payable	(1,197,281)	(1,168,602)
Net Cash Provided By (Used In) Financing Activities	<u>245,827</u>	<u>(4,571,279)</u>
Change in Cash and Cash Equivalents	684,958	15,942,783
Cash and Cash Equivalents, Beginning of Year	<u>25,708,265</u>	<u>9,765,482</u>
Cash and Cash Equivalents, End of Year	<u>\$ 26,393,223</u>	<u>\$ 25,708,265</u>
Supplemental Cash Flow Information		
Cash paid for interest	<u>\$ 3,116,261</u>	<u>\$ 1,710,856</u>
Non cash donation of property held for sale	<u>\$ -</u>	<u>\$ 146,144</u>

Chancery of the Roman Catholic Diocese of Charleston
Notes to Financial Statements
June 30, 2024 and 2023

Note 1. Nature of Organization

The Roman Catholic Diocese of Charleston (the "Diocese"), a unit of the Roman Catholic Church, is a sole corporation, organized under the laws of the state of South Carolina under the name Bishop of Charleston. The Diocese comprises the entire state of South Carolina with Charleston as its See city. Founded on July 11, 1820 by Pope Pius VII, it is one of the oldest Catholic dioceses in the United States. There are currently 116 active Catholic parishes and missions across the state and 33 Catholic schools with 27 parochial schools, 5 Diocesan high schools, and one private Catholic high school. There are no shareholders to the Diocese, only the holder of the office of Bishop.

The Diocese consists of various distinct operating entities administered through the Diocesan structure. Each entity maintains its own separate accounts and carries on specific services and programs. The various entities can be categorized as follows: Chancery of the Roman Catholic Diocese of Charleston (the "Chancery"), which includes various Diocesan level programs or activities (pastoral, church personnel development, educational support, and the Diocesan educational offices for Catholic Youth Ministry, Religious Education, and the Catholic Schools Office, Diocesan cemeteries, cooperative investment and lending program, and supporting services involving certain insurance activities, and the Diocesan newspaper, The Miscellany) and Diocesan level administrative support offices; Parishes and Missions; Diocesan Educational Entities; Catholic Charities of South Carolina ("Catholic Charities"); Catholic Community Foundation of South Carolina ("Foundation"); and others. The accompanying financial statements include only the programs and administrative support offices of the Chancery.

Note 2. Summary of Significant Accounting Policies:

Basis of Accounting - The financial statements of the Chancery 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"). Accordingly, revenue is recognized when earned rather than when received and expenses are recognized when incurred rather than when paid.

Basis of Presentation - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Bishop may designate, from net assets without donor restrictions, net assets for an operating reserve and other reserves.

Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Cash and Cash Equivalents - For purposes of the statements of cash flows, the Chancery considers all highly liquid temporary cash investments with a maturity of three months or less when purchased to be cash equivalents, except for the cash investments in the funds managed by investment companies.

Chancery of the Roman Catholic Diocese of Charleston
Notes to Financial Statements
June 30, 2024 and 2023

Investments - The Chancery follows the provisions of Accounting Standards Codification ("ASC") 958-320, Not-for-Profit Entities, Investments. Under ASC 958-320, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values on the statements of financial position. Unrealized and realized gains and losses are included on the statements of activities and changes in net assets. Donor-restricted interest and dividend income are reported as increases in net assets without restrictions if the restrictions are met in the reporting period in which the income and gains are recognized. Investment appreciation (depreciation) and income that is not donor-restricted is reported in net assets without restrictions.

Funds Held in Trust by Affiliate-Pooled Investments - The Chancery holds investments that are pooled into one investment pool with funds of the Foundation, Catholic Charities, priest retirement, parishes, and schools. The Chancery has presented its pro-rata share of these individual investments within these financial statements, however, all pooled investments are held in the name of the Foundation.

Receivables from Other Diocesan Entities and Other Receivables – Receivables from other Diocesan entities and other receivables mainly consist of the loans made under the co-operative deposit and loan program administered by the Chancery. Loans receivable are stated at the outstanding principal amount, net of allowance for credit loss. The Chancery provides an allowance for credit loss on receivables, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions adjusted for current conditions and reasonable and supportable forecasts. Outstanding loans accrue interest based on the terms of the respective note agreements. The Chancery does not believe there are significant credit risks associated with receivables nor does it believe there are any other significant concentrations of revenues that would subject it to any significant credit risks in the collection of receivables.

Changes in the allowance for credit losses for the year ended June 30, 2024 were as follows:

Balance, July 1, 2023	\$ 616,417
Impact of the adoption of the new credit loss standard	130,638
Provision for credit loss expense	74,730
Write-offs, net of recoveries	<u>5,292</u>
Balance, June 30, 2024	<u>\$ 827,077</u>

As of June 30, 2024, the total amount of loans receivable that have not received payments within thirty days and were considered past due was \$388,699.

The fair value of receivables from other Diocesan entities and other receivables is estimated to be approximately \$31,051,000 and \$31,661,000 as of June 30, 2024 and 2023, respectively.

Bond Issuance Costs - Costs incurred in connection with the issuance of bonds were amortized over the term of the bonds and presented on the statements of financial position as a direct deduction from the carrying amount of bonds payable, consistent with debt discounts or premiums.

Property and Equipment - Purchases of property and equipment having a unit cost of \$5,000 or more and a useful life of more than one year are capitalized at cost. Donated property and equipment are capitalized at their estimated fair value at the date of donation. Depreciation is computed using the straight-line method of depreciation based on the estimated useful lives of the assets ranging from 3 to 40 years.

Property Held for Sale – The Chancery received donated property during 2023. The property represents a residence that the Chancery elected to sell after receiving through a bequest. U.S. GAAP requires that long-lived assets to be sold be classified as “held for sale” in the period in which certain criteria are met, such as the estimated timeframe in which the assets are expected to be sold. As a result, depreciation is not recorded on an asset once deemed to be held for sale and it is recorded on the statement of financial position at the lower of its carrying value or fair value less cost to sell. As of June 30, 2023, the Chancery had approved and committed to a plan to sell the property within one year. The Chancery subsequently sold the property in July 2023 for \$146,144.

Chancery of the Roman Catholic Diocese of Charleston
Notes to Financial Statements
June 30, 2024 and 2023

Contributions and grants – Contributions and grants are considered to be without donor restrictions unless specifically restricted by the donors/grantors. Contributions and grants that are restricted by the donors/grantors are reported as increases in net assets with donor restrictions. However, if a restriction is fulfilled in the same time period in which the contribution or grant is received, the Chancery reports the support as without donor restriction. When a restriction expires (that is, when the stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statements of activities and changes in net assets as net assets released from restrictions. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return or release - are not included as support until the conditions are met.

The Catholic Appeal of South Carolina (formerly known as the Bishop's Annual Appeal) (the "Appeal") is a primary source of funding that helps sustain Catholic schools, parishes, programs of religious education and campus ministry, and initiatives to foster vocations as well as respect for life. Additionally, through its support of Catholic Charities, the Appeal serves people in South Carolina and abroad whose lives are affected by natural disasters, illnesses, hunger, and economic hardship.

The Appeal contributions included in contributions and grants with donor restrictions totaled \$5,009,843 and \$5,465,067 for the years ended June 30, 2024 and 2023, respectively. Net assets released from restrictions attributed to the Appeal were \$4,897,837 and \$5,558,995 for the years ended June 30, 2024 and 2023, respectively.

Parish Assessment Income - Parish assessment income is recorded as revenue in the year the parishes are assessed. Such revenue is calculated and assessed based upon an approved percentage of each parish's offertory revenue.

In-Kind Gifts - Certain facilities, property, and equipment have been provided to the Chancery free or below market rent. The rental value for donated office and building space has been estimated and recognized in the accompanying financial statements based upon an estimated rental rate of equivalent properties in the current market. During the years ended June 30, 2024 and 2023, the Chancery recognized revenue and related expense of \$452,391 and \$599,745, respectively, for contributed below market rent and donated assets. See further information regarding related party transactions in Note 16.

Revenue Recognition - Revenues determined to be included within the scope of Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers ("Topic 606") primarily include insurance products that the Chancery arranges for affiliated entities and then bills the end user. These insurance products include workers' compensation, priest health, property, and general liability coverage. Management has determined that the insurance carrier is responsible for providing the insurance coverage and the Chancery acts as an agent to facilitate buying power for affiliated organizations. In this case, the Chancery records the insurance revenues net of the associated cost of the insurance premiums and includes the net revenue on the statements of activities and changes in net assets as supporting services fees, net. Revenues are recognized as services are rendered and the end user is billed.

Other revenues included within the scope of Topic 606 include cemetery, sponsored event revenue, newspaper, and fees for services. Performance obligations associated with these revenue streams are satisfied at a point in time, at which point revenues are recognized, through the provision of cemetery plots, delivery of newspapers, at the time events are held, or at completion of services. All of the Chancery's revenues are based on fixed prices.

Investment Return (Loss) - Investment return (loss) consists of the interest income, dividend income, and unrealized and realized gains/losses within investments in the accompanying financial statements. Interest income consists of the interest earned on assets, other than investments.

Chancery of the Roman Catholic Diocese of Charleston
Notes to Financial Statements
June 30, 2024 and 2023

Income Taxes - The Chancery is exempt from federal and state income taxes under certain provisions of Section 501(c)(3) of the Internal Revenue Code ("IRC") and the South Carolina Code of Laws; therefore, no provisions for income taxes have been included in these financial statements. The Financial Accounting Standards Board ("FASB") provides guidance on the Chancery's evaluation of accounting for uncertainty in income taxes. Management evaluated the Chancery's tax position and concluded that no uncertain tax positions exist that requires adjustment to the financial statements to comply with the provisions of this guidance.

Estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements - Effective July 1, 2023, the Chancery adopted *ASU 2016-13, Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*, related to the impairment of financial instruments. This guidance, commonly referred to as current expected credit loss (CECL), changes impairment recognition to a model that is based on expected losses rather than incurred losses. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost as well as loans receivable.

The Chancery adopted Topic 326 using the modified retrospective method for all financial assets measured at amortized cost. Results for reporting periods beginning after July 1, 2023 are presented under Topic 326 while prior period accounts continue to be reported in accordance with previously applicable GAAP. The Chancery recorded a decrease to net assets of \$130,638 as of July 1, 2023 for the cumulative effect of adopting Topic 326.

Chancery of the Roman Catholic Diocese of Charleston
Notes to Financial Statements
June 30, 2024 and 2023

Note 3. Functional Expenses

The costs of providing the various programs have been summarized on a functional basis on the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis, which generally include space occupied on a square footage basis and/or time incurred for employees.

Expenses by function and nature consist of the following for the year ended June 30, 2024:

	Personnel Expense	Occupancy Expense	Office/ Program Expense	Professional and Contracted Services	Education, Travel and Professional Development	Grants and Other Assistance	Other	Total
Program services:								
Pastoral	\$ 2,393,037	\$ 832,733	\$ 662,330	\$ 356,108	\$ 1,229,576	\$ 3,241,183	\$ 233,710	\$ 8,948,677
Church personnel	643,583	24,268	84,707	929,827	534,680	1,775	31,901	2,250,741
Diocesan services	2,646,474	164,929	254,208	1,045,419	159,591	331,167	245,890	4,847,678
Insurance programs	-	-	-	-	-	-	3,727	3,727
Education	1,197,367	49,377	80,962	332,995	480,465	43,259	60,596	2,245,021
Cemeteries	408,821	260,676	297,796	55,853	21,895	-	116,245	1,161,286
Deposit and loan	-	-	-	26,635	-	-	1,565	28,200
Interest expense	-	-	-	-	-	-	2,735,670	2,735,670
General and administrative	-	-	19,665	-	-	-	-	19,665
Total program expenses	7,289,282	1,331,983	1,399,668	2,746,837	2,426,207	3,617,384	3,429,304	22,240,665
Administrative:								
General and administrative	1,764,781	613,757	225,282	504,177	146,737	-	769,974	4,024,708
Institutional advancement	176,551	9,252	71,678	148,548	38,674	-	12,103	456,806
Total administrative expenses	1,941,332	623,009	296,960	652,725	185,411	-	782,077	4,481,514
	\$ 9,230,614	\$ 1,954,992	\$ 1,696,628	\$ 3,399,562	\$ 2,611,618	\$ 3,617,384	\$ 4,211,381	\$ 26,722,179

Chancery of the Roman Catholic Diocese of Charleston
Notes to Financial Statements
June 30, 2024 and 2023

Expenses by function and nature consist of the following for the year ended June 30, 2023:

	Personnel Expense	Occupancy Expense	Office/ Program Expense	Professional and Contracted Services	Education, Travel and Professional Development	Grants and Other Assistance	Other	Total
Program services:								
Pastoral	\$ 2,394,266	\$ 809,085	\$ 736,904	\$ 414,084	\$ 746,734	\$ 3,156,323	\$ 235,857	\$ 8,493,253
Church personnel	512,760	20,747	70,291	701,915	383,013	23,807	33,372	1,745,905
Diocesan services	2,410,037	159,300	244,684	734,755	187,819	177,538	289,273	4,203,406
Education	1,120,782	44,921	69,348	308,380	361,749	35,069	64,277	2,004,526
Cemeteries	406,048	225,789	334,764	21,982	21,540	-	112,740	1,122,863
Deposit and loan	-	-	-	23,304	-	-	-	23,304
Interest expense	-	-	-	-	-	-	1,703,819	1,703,819
Total program expenses	6,843,893	1,259,842	1,455,991	2,204,420	1,700,855	3,392,737	2,439,338	19,297,076
Administrative:								
General and administrative	1,758,927	602,978	-	641,050	181,415	2,757	492,372	3,679,499
Institutional advancement	118,160	8,133	68,849	69,774	22,182	-	12,855	299,953
Total administrative expenses	1,877,087	611,111	68,849	710,824	203,597	2,757	505,227	3,979,452
	\$ 8,720,980	\$ 1,870,953	\$ 1,524,840	\$ 2,915,244	\$ 1,904,452	\$ 3,395,494	\$ 2,944,565	\$ 23,276,528

Chancery of the Roman Catholic Diocese of Charleston
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Note 4. Cash and Cash Equivalents, Liquidity, and Availability

Cash and cash equivalents consists of interest-bearing checking accounts, savings accounts, and money-market accounts.

The Chancery 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. The Chancery from time to time may have amounts on deposit in excess of the insured limits. To mitigate the risk of uninsured cash balances, the Chancery participates in the IntraFi Network Deposits program offered through South State Bank. Participation in this program allows large deposit balances to be spread among several FDIC-insured banks while preserving liquidity. As of June 30, 2024 and 2023, the Chancery had \$3,253,930 and \$113,664, respectively, that exceeded these insured amounts.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Chancery considers all expenditures related to program and supporting services to be general expenditures. Financial assets available within one year as of June 30, without donor or other restrictions limiting their use, comprise the following:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 3,524,824	\$ 10,546,709
Investments	22,584,496	21,869,832
Endowment investments available for general purposes and for distribution in accordance with the spending rate policy	424,124	428,916
Spending policy for designated funds	<u>820,897</u>	<u>841,197</u>
Total cash, cash equivalents, and investments	27,354,341	33,686,654
Receivables, due within one year	<u>2,619,812</u>	<u>1,959,878</u>
	29,974,153	35,646,532
Less amounts not available to be used within one year:		
Required to satisfy donor restrictions	(3,610,473)	(3,401,468)
Required to satisfy management designations	<u>(22,004,850)</u>	<u>(21,323,922)</u>
Financial assets available to meet cash needs for general expenditures	<u>\$ 4,358,830</u>	<u>\$ 10,921,142</u>

Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditures and, thus, are not included above. All endowments are subject to an annual spending rate of 4% of its endowment funds average fair value over the prior 36 months (or since inception if shorter) as of June 30 (measurement date) each year. Only the funds available for distribution in accordance with the spending rate policy are included above.

The Chancery manages its liquidity by developing and adopting annual operating and capital budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they come due. Actual performance is reported and monitored monthly in comparison to the budgets. Adjustments are made to plan as needed to ensure adequate liquidity. As part of the liquidity management plan, cash balances are invested in short-term investments.

Chancery of the Roman Catholic Diocese of Charleston
Notes to Financial Statements
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Note 5. Investments and Funds Held in Trust by Affiliate

At June 30, 2024 and 2023, the Chancery's investments totaling \$35,601,420 and \$34,385,404, respectively, are maintained in funds managed by the Foundation and \$42,578,198 and \$42,961,250, respectively, are managed by other investment companies.

In accordance with ASC 820, *Fair Value Measures and Disclosures*, the Chancery's investments are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in active markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table sets forth by level the fair value hierarchy of the Chancery's assets accounted for at fair value on a recurring basis as of June 30, 2024:

	Fair value measurements at June 30, 2024			
	Total	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Quoted Prices or Similar Assets and Liabilities (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value:				
U.S government bonds	\$ 29,022,506	\$ 29,022,506	\$ -	\$ -
Corporate and government debt securities	17,658,796	17,658,796	-	-
Equity securities	<u>24,877,953</u>	<u>24,877,953</u>	-	-
 Total assets at fair value	 <u>\$ 71,559,255</u>	 <u>\$ 71,559,255</u>	 <u>\$ -</u>	 <u>\$ -</u>

Investments are held at fair value and included in the table above except cash totaling \$6,620,363.

Chancery of the Roman Catholic Diocese of Charleston
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The following table sets forth by level the fair value hierarchy of the Chancery's assets accounted for at fair value on a recurring basis as of June 30, 2023:

	Fair value measurements at June 30, 2023			
	Total	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Quoted Prices or Similar Assets and Liabilities (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value:				
U.S government bonds	\$ 33,850,804	\$ 33,850,804	\$ -	\$ -
Corporate and government debt securities	19,141,594	19,141,594	-	-
Equity securities	<u>22,995,654</u>	<u>22,995,654</u>	-	-
Total assets at fair value	<u>\$ 75,988,052</u>	<u>\$ 75,988,052</u>	<u>\$ -</u>	<u>\$ -</u>

Investments are held at fair value and included in the table above except cash totaling \$1,358,602.

Investment income is comprised of the following for the years ended June 30, 2024 and 2023:

	June 30, 2024		
	Without donor restrictions	With donor restrictions	Total
Dividends and interest, net of fees	\$ 3,178,311	\$ 107,031	\$ 3,285,342
Realized gains, net	669,324	361,513	1,030,837
Unrealized gains, net	<u>2,085,156</u>	<u>429,687</u>	<u>2,514,843</u>
Total	<u>\$ 5,932,791</u>	<u>\$ 898,231</u>	<u>\$ 6,831,022</u>

	June 30, 2023		
	Without donor restrictions	With donor restrictions	Total
Dividends and interest, net of fees	\$ 2,719,826	\$ 146,972	\$ 2,866,798
Realized gains, net	223,948	137,378	361,326
Unrealized gains, net	<u>1,726,578</u>	<u>1,426,058</u>	<u>3,152,636</u>
Total	<u>\$ 4,670,352</u>	<u>\$ 1,710,408</u>	<u>\$ 6,380,760</u>

Expenses relating to investment return, including custodial fees and investment advisory fees, were \$467,929 and \$403,441 for the years ended June 30, 2024 and 2023, respectively, and have been netted against investment return, net on the accompanying statements of activities and changes in net assets.

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Note 6. Receivables from Other Diocesan Entities

Loans Receivable - Loans receivable consist of the loans made under the co-operative deposit and loan program administered by the Chancery. The loans are primarily due from parishes and schools in varying amounts through 2029 and bear interest at fixed and variable rates which range from 2.25% to 7.26% at June 30, 2024 and 2023, respectively. Interest income from loans receivable of approximately \$2,026,000 and \$1,507,000 is included in investment return, net on the statements of activities and changes in net assets for the years ended June 30, 2024 and 2023, respectively. The co-operative deposit and loan program primarily issues new loans with interest rates that bear a floor of generally 4.5%. The floor was raised from 3.25% to 3.50% effective July 1, 2022, raised to 4.00% effective January 1, 2023, and raised to 4.50% effective July 1, 2023. The loans are stated at their unpaid balances less estimated allowances for credit losses of \$498,032 and \$285,921 at June 30, 2024 and 2023. There are approximately 38 loans to parishes and schools, which are payable on a monthly basis. The Chancery was not aware of any of these loans that were materially delinquent at June 30, 2024 or 2023.

Scheduled future principal payments under loans due from parishes and schools at June 30, 2024 are as follows:

Years Ending June 30

2025	\$ 4,320,825
2026	3,212,736
2027	5,338,556
2028	11,520,465
2029	481,707
Undetermined*	<u>10,238,946</u>
	35,113,235
Less allowance for credit losses	<u>(498,032)</u>
	<u>\$ 34,615,203</u>

* Balances with undetermined payment dates are associated with parish construction loans that will amortize at the completion of construction.

Other Receivables from Other Diocesan Entities - The Chancery obtains blanket property and liability insurance through the Diocese. The Diocese also contracts for health insurance for the Chancery and certain other Diocesan entities and affiliates. The Chancery pays the premiums and invoices the Diocesan entities for their portion of the property and liability insurance premiums. In addition, the Chancery invoices parishes for their annual parish assessments. Receivables related to these billings on other loans receivable principally comprise the other receivables from other Diocesan entities. These receivables are stated at their unpaid balances less estimated allowances for credit losses of \$98,315 and \$29,849 at June 30, 2024 and 2023, respectively.

Note 7. Other Receivables

Other receivables are comprised of the following at June 30:

	<u>2024</u>	<u>2023</u>
Cemetery and miscellaneous other receivables	\$ 951,179	\$ 604,893
Less allowance for credit losses	<u>(230,730)</u>	<u>(300,647)</u>
	<u>\$ 720,449</u>	<u>\$ 304,246</u>

Chancery of the Roman Catholic Diocese of Charleston
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Note 8. Other Assets

Other assets are comprised of the following at June 30:

	<u>2024</u>	<u>2023</u>
Cash surrender value of life insurance policies	\$ 467,858	\$ 452,561
Prepaid insurance and expenses	132,269	1,051,240
Accrued interest receivable	606,583	712,377
Catholic Umbrella Pool member balance	1,192,070	1,074,140
Land infrastructure agreement	287,595	287,595
Security deposits	<u>413,723</u>	<u>413,723</u>
	<u>\$ 3,100,098</u>	<u>\$ 3,991,636</u>

Note 9. Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2024</u>	<u>2023</u>
Land and improvements	\$ 11,838,724	\$ 11,824,874
Buildings	32,629,407	30,636,600
Leasehold improvements	714,354	714,354
Furniture, equipment, and vehicles	4,259,471	4,002,313
Projects in progress	<u>679,093</u>	<u>82,310</u>
	50,121,049	47,260,451
Less accumulated depreciation	<u>(15,860,428)</u>	<u>(14,462,346)</u>
	<u>\$ 34,260,621</u>	<u>\$ 32,798,105</u>

Depreciation expense recognized for the years ended June 30, 2024 and 2023 was \$1,401,098 and \$1,338,051, respectively. No interest was capitalized for the years ended June 30, 2024 or 2023.

Note 10. Deposits and Loan Funds Payable

The Chancery administers a co-operative deposit and loan program for the benefit of parishes and schools (see Note 6). This program accepts deposits from qualified entities within the Diocesan structure.

Interest is accrued monthly on deposits and deposits are available on-demand or as specified in accordance with arrangements made with the account holder. The interest rate on all depository accounts increased from 1.00% to 1.25% effective July 1, 2022, increased from 1.25% to 1.75% effective January 1, 2023, and increased from 1.75% to 2.75% effective July 1, 2023. Monthly statements are provided to program participants. At June 30, 2024 and 2023 the co-operative deposit and loan program held deposits of \$84,426,453 and \$81,876,757, respectively, shown on the statements of financial position as deposits and loan funds payable.

Chancery of the Roman Catholic Diocese of Charleston
Notes to Financial Statements
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Note 11. Bond Payable

The balance of the bond payable consists of the following at June 30:

	<u>2024</u>	<u>2023</u>
\$25,000,000 tax-exempt JEDA bond with a maturity date of August 1, 2026. The annual interest rate is 2.49% through January 2025 and 3.49% from February 2025 to August 2026. Interest only payments were made monthly through August 1, 2016. Monthly principal and interest payments of \$135,799 are made through February 1, 2025. Beginning on March 1, 2025 through July 1, 2026, monthly principal and interest payments increase to \$140,337. One final payment will be made for all unpaid principal and accrued interest at maturity on August 1, 2026.	\$ 16,424,422	\$ 17,621,703
Less unamortized debt issuance costs	<u>(41,396)</u>	<u>(61,266)</u>
	<u>\$ 16,383,026</u>	<u>\$ 17,560,437</u>

In January 2015, a tax-exempt bond in the principal amount of up to \$25,000,000 was issued on behalf of the Diocese through the South Carolina Jobs - Economic Development Authority ("JEDA") to South State Bank in order to finance the acquisition, construction, equipping, and furnishing of certain educational facilities in the Diocese. See Note 1 for information on the Diocese organizational structure. Total interest charged to expense for JEDA bonds for the years ended June 30, 2024 and 2023 was \$443,676 and \$458,564, respectively.

Future maturities of the note at June 30, 2024 are as follows:

Years Ending June 30,	
2025	\$ 1,256,011
2026	1,324,518
2027	<u>13,843,893</u>
Total	<u>\$ 16,424,422</u>

The JEDA bonds are secured by a first lien mortgage on the related construction premises and is subjected to certain restrictive covenants. As of June 30, 2024, the Chancery was not aware of any violations of the covenants.

Note 12. Retirement Plan

The Diocese has a contributory retirement plan covering substantially all Diocesan employees, including Chancery employees. After one year of service, the employer contributes 5% of the employee's monthly pay for a participating employee contributing a minimum of 3% of monthly pay. The contributions are limited to the maximum annual amounts allowed by the Internal Revenue Service ("IRS"). In 2024 and 2023, the Chancery made contributions to the lay retirement plan for its employees of \$232,713 and \$212,213, respectively.

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In addition, the Diocese maintains the Diocese of Charleston Pension Plan for Priests (the "Plan") for the benefit of all eligible priests, as defined in the Plan provisions, working in the Diocese. The Plan is a defined benefit plan providing benefits to eligible participants in accordance with the Plan provisions. Effective January 1, 2007, the Plan was amended to (a) conform to Section 401(a) of the IRC; (b) allow international priests to be eligible to participate in the Plan; (c) reduce the vesting period; (d) reduce the required number of years for normal retirement benefits; and (e) provide for the proration of normal retirement benefits for years less than 20. The Plan was also amended in 2011 and again in 2012, to include a burial benefit. The Plan was amended again in 2015 to be in compliance with IRS Publication 794. The Plan was amended again in 2020, 2021, 2022, 2023, and 2024 to increase the monthly benefit amount.

The funding of the Plan is provided by the respective Diocesan entities (Chancery, parishes and missions, and other Diocesan entities) which are served by the eligible priests of the Diocese. For 2024 and 2023, the funding for the Plan was \$935 (increased to \$935 on January 1, 2024) and \$905 per month, respectively, for each active, eligible priest. In 2024 and 2023, the Chancery made contributions to the Plan of \$115,701 and \$100,863, respectively, for the eligible priests assigned to the Chancery. The Chancery recognizes pension expense based upon the funding established for the Plan.

ASC 715-20, Compensation-Retirement Plan, Defined Benefit Plan requires certain reporting and disclosures with respect to defined benefit plans such as the Diocesan Priests' Retirement Plan. It is not practical to separate such reporting and disclosures for the Chancery or the other Diocesan operating entities participating in the Plan. For purposes of the Chancery's financial statements, the Plan is considered a multi-employer pension plan and the reporting and disclosures limited to the information provided in the preceding paragraph.

The Diocese obtained an actuarial valuation of the Plan as of June 30, 2024 and 2023, which reported the present value of the accumulated plan benefits was exceeded by the Plan's assets by \$2,627,057 and \$2,123,526, respectively. Based on the funding of \$935 per month (increased to \$935 on January 1, 2024) for each eligible and active priest, contributions to the Plan for the year ended June 30, 2025 are anticipated to exceed the estimated benefit payments of approximately \$1,039,000. Effectively, the Chancery is a guarantor of the Plan's obligations.

Note 13. Designations of Net Assets Without Donor Restrictions

The Bishop has chosen to place the following designations on net assets without donor restrictions at June 30:

	<u>2024</u>	<u>2023</u>
Designated reserves for insurance programs administered by the Chancery	\$ 6,354,417	\$ 6,136,024
Designated for long-term care of Diocesan Cemeteries	6,307,745	6,106,544
Designated for long-term investments	9,342,689	9,081,354
Designated for buildings and equipment	<u>18,563,923</u>	<u>17,510,510</u>
	<u>\$ 40,568,774</u>	<u>\$ 38,834,432</u>

Chancery of the Roman Catholic Diocese of Charleston
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Note 14. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at June 30:

	<u>2024</u>	<u>2023</u>
Restricted for use in subsequent year	\$ 1,989,859	\$ 2,008,843
Restricted for various other Chancery programs	1,620,614	1,392,625
Restricted for various endowments:		
Third World Ministry endowment	856,011	846,402
Synod endowment	1,738,287	1,685,050
St. Mary's education fund endowment	58,539	56,751
Miscellaneous endowment fund	181,201	170,656
Cathedral maintenance and endowment	901,598	874,032
Infirm priest endowment	109,220	105,875
Hispanic ministry endowment	2,735,609	2,652,089
Seminar education fund	1,535,665	1,488,634
St. Elizabeth Ann Seton Catholic education endowment	<u>4,929,246</u>	<u>4,664,033</u>
Total restricted for various endowments	<u>13,045,376</u>	<u>12,543,522</u>
	<u>\$ 16,655,849</u>	<u>\$ 15,944,990</u>

Note 15. Endowments

The Chancery's endowments consist of several funds established for a variety of purposes. The endowments include donor-restricted endowments funds. As required by U.S. GAAP, the net assets associated with the endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The Chancery has interpreted the state of South Carolina's enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as 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. At June 30, 2024 and 2023, there were no such donor stipulations. As a result of this interpretation, the Chancery retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for credit losses donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Chancery in a manner consistent with the standard of prudence prescribed by UPMIFA.

Chancery of the Roman Catholic Diocese of Charleston
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In accordance with UPMIFA, the Chancery considered the following factors in making their determination to appropriate or accumulate endowment funds:

1. The duration and preservation of the funds
2. The purpose of the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and appreciation of investments
6. Other resources of the Chancery
7. Investment policies of the Chancery

The following tables present the Chancery's endowment net asset classification and composition. Endowment net assets composition by type of fund at June 30, 2024:

	<u>Net Assets With Donor Restrictions- Awaiting Appropriation</u>	<u>Net Assets With Donor Restrictions- In Perpetuity</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 3,120,318	\$ 9,925,058	\$ 13,045,376

Endowment net assets composition by type of fund at June 30, 2023:

	<u>Net Assets With Donor Restrictions- Awaiting Appropriation</u>	<u>Net Assets With Donor Restrictions- In Perpetuity</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 2,694,441	\$ 9,849,081	\$ 12,543,522

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Chancery to retain as a fund of perpetual duration. No such deficiencies existed at June 30, 2024 or 2023.

Strategies Employed for Achieving Investment Objectives - The Chancery follows an investment policy with long-term growth as the main objective. The Chancery relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Chancery utilizes a diversified asset allocation, with greater emphasis on equity-based investments, to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy - The Chancery has a policy of appropriating for distribution each year, as determined by the investment committee and approved by the Bishop, 4% of its endowment funds average fair value over the prior 36 months (or since inception if shorter) as of June 30 (measurement date) each year and allows spending from underwater endowments. In establishing these policies, the Chancery considered the expected return on its endowment. Accordingly, the Chancery expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate equal to planned payouts. Additional real growth will be provided through new gifts and excess investment return.

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Changes in endowment net assets for the year ended June 30, 2024 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ -	\$ 12,543,522	\$ 12,543,522
Contributions	-	75,976	75,976
Investment return, net	-	898,231	898,231
Amounts appropriated for expenditure	<u>-</u>	<u>(472,353)</u>	<u>(472,353)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 13,045,376</u>	<u>\$ 13,045,376</u>

Changes in endowment net assets for the year ended June 30, 2023:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ -	\$ 11,178,590	\$ 11,178,590
Contributions	-	75,000	75,000
Investment return, net	-	1,710,408	1,710,408
Amounts appropriated for expenditure	<u>-</u>	<u>(420,476)</u>	<u>(420,476)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 12,543,522</u>	<u>\$ 12,543,522</u>

Note 16. Related Party Relationships and Transactions

Catholic Charities leases the land its Greenville office is located on from a local parish of the Diocese of Charleston for an annual rent of \$100. The Lowcountry Office of Catholic Charities is leased from a Diocesan parish for no rent. Catholic Charities also operates the Hardeeville Thrift Store out of this same facility which is owned by the Diocese of Charleston. The annual rent value of such donated facilities was estimated to be \$127,473 and \$113,815 for the years ended June 30, 2024 and 2023, respectively, and is included in in-kind gifts and program services and pastoral expenses on the accompanying statements of activities and changes in net assets.

Catholic Charities occupied the Carter May Home/St. Joseph Residence and certain office space owned by the Diocese of Charleston. No rental payments were charged for the use of the Carter May Home/St. Joseph Residence and Catholic Charities Central office space from the Diocese of Charleston. The annual rental value of these donated facilities was estimated at \$324,918 and \$290,106 for the years ended June 30, 2024 and 2023, respectively, and is included in in-kind gifts and pastoral expenses in the accompanying statements of activities and changes in net assets.

The Chancery provides administrative, professional, and other support to Catholic Charities which are expenses recorded in the Chancery's financial statements. The value of these services was estimated at \$247,141 and \$194,390 for the years ended June 30, 2024 and 2023, respectively. The Chancery also provides direct financial support to Catholic Charities through the Appeal of \$990,000 and \$910,000 for the years ended June 30, 2024 and 2023, respectively, and is included in pastoral program expense on the statements of activities and changes in net assets.

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In June 2019, Catholic Charities executed a promissory note and loan agreement for \$500,000 with the Diocesan co-operative deposit and loan program administered by the Chancery. The promissory note requires monthly payments of interest not to be less than a floor established by the Chancery (4.50% and 4.00% at June 30, 2024 and 2023, respectively) beginning in July 2019 and lasting through the note's maturity date in June 2024. Upon maturity of this note, an extension has been granted on the principal and interest payments until a new promissory note and loan agreement is negotiated. In April 2020, the Bishop of Charleston changed the floor on all active loans from 4.50% to 3.25% until further notice due to the coronavirus pandemic. During 2023, this floor was raised to 3.50% effective July 1, 2022, raised to 4.00% effective January 1, 2023, and raised to 4.50% effective July 1, 2023. Entities participating in the loan program have the option to make scheduled principal payments but are not required. At June 30, 2024 and 2023, the outstanding balance of this note amounted to \$500,000 and is included on the statements of financial position within loans receivable, net from other Diocesan entities.

The Diocese of Charleston provides administrative support at no charge to St. Clare's Home, a 501(c)(3) organization operated to directly benefit expectant mothers. The Chancery issued a line of credit of \$1,000,000 from the co-operative deposit and loan program. The balance of the line of credit totaled \$- and \$516,405 as of June 30, 2024 and 2023, respectively, and is shown on the statements of financial position as loans receivable, net from other Diocesan entities.

The Foundation operates as the community foundation and fundraising vehicle of the Roman Catholic Diocese of Charleston. The Chancery provides management services to the Foundation for accounting, administrative, and other essential services at no charge. Expenses paid by the Chancery on the Foundation's behalf are recorded as expenses on the Foundation's financial statements when incurred, with amounts due from the Foundation recorded on the Chancery's statements of financial position as other receivables, net from other Diocesan entities. For the years ended June 30, 2024 and 2023, amounts paid on the Foundation's behalf by the Chancery totaled \$503,679 and \$836,787, respectively. Amounts due from the Foundation at June 30, 2024 and 2023 amounted to \$243,574 and \$227,676, respectively. Amounts due from the Foundation are repaid from time to time upon approval of the Foundation's Board of Directors.

As described in Note 5, the Foundation holds certain investments in trust on behalf of the Chancery. The Foundation is an affiliate and related party.

Note 17. Commitments and Contingencies

Various legal and other actions are pending against the Diocese and, effectively, the Chancery, which involve claims for damages, as well as other types of relief, relative to the actions of certain personnel of the Diocese of Charleston. Counsel for the Diocese has advised that there are significant uncertainties with respect to these legal and other actions, and the ultimate outcome from such legal and other actions pending against the Diocese cannot presently be determined. Accordingly, no provision for any liability that may result from these matters has been made in the accompanying financial statements.

Chancery of the Roman Catholic Diocese of Charleston
Notes to Financial Statements
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As more fully discussed in the Note 12, the Diocese obtained an actuarial valuation of the Diocesan Priests' Retirement Plan (the Plan) which reported the Plan's assets exceeded liabilities at June 30, 2024 and 2023 by \$2,627,057 and \$2,123,526, respectively. Effectively, the Chancery is a guarantor of the Plan's obligations and the impact of future market, credit, and other conditions could impact the excess or deficit of these Plan's assets to liabilities.

The Diocese obtains blanket property and liability insurance coverage for the Chancery and certain other Diocesan entities and affiliates. The Chancery pays the premiums and invoices the Diocesan entities for their portion of the premiums. Under the Diocese's property and liability insurance coverage, the self-insured retention of the Chancery has an annual aggregate (stop loss) of \$750,000 at June 30, 2024 and 2023. The Chancery has designated net assets in the amount of \$6,354,417 and \$6,136,024 for property, liability, health, workers' compensation, and self-insurance reserves at June 30, 2024 and 2023, respectively (see Note 13). As of June 30, 2024 and 2023, the reserves for insurance claims totaled \$512,726 and \$1,294,846, respectively, and are recorded in National Collections and other payables on the statements of financial position.

Note 18. Subsequent Events

The Chancery has evaluated subsequent events through October 28, 2024, which is the date these financial statements were available to be issued.