



The Parish Revolving Fund of the Corporation of the Catholic Archbishop of Seattle

Financial Statements
Years Ended June 30, 2022 and 2021

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the Corporation of
the Catholic Archbishop of Seattle**

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Independent Auditor's Report

Most Reverend Paul D. Etienne
Roman Catholic Archbishop of Seattle
The Parish Revolving Fund of the Corporation
of the Catholic Archbishop of Seattle
Seattle, Washington

Report on Financial Statements

We have audited the financial statements of the Parish Revolving Fund of the Corporation of the Catholic Archbishop of Seattle (the PRF), which comprise the statements of financial position as of June 30, 2022 and 2021, 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 accompanying financial statements present fairly, in all material respects, the financial position of the PRF as of June 30, 2022 and 2021, 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 PRF 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 Organization'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.



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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 PRF'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 PRF'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.

BDO USA, LLP

November 14, 2022

Financial Statements

**The Parish Revolving Fund of
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Statements of Financial Position

<i>June 30,</i>	2022	2021
Assets		
Current Assets		
Cash	\$ 6,990,000	\$ 5,368,000
Investments	137,404,000	117,775,000
Interest receivable, net of allowance	45,000	118,000
Notes receivable, current portion	2,203,000	3,148,000
Total Current Assets	146,642,000	126,409,000
Notes receivable, less current portion and allowances	31,743,000	26,395,000
Total Assets	\$ 178,385,000	\$ 152,804,000
Liabilities and Net Assets		
Current Liabilities		
Revolving fund deposits	\$ 174,795,000	\$ 147,515,000
Accounts payable and accrued expenses	286,000	332,000
Total Current Liabilities	175,081,000	147,847,000
Net Assets		
Without donor restrictions	3,304,000	4,957,000
Total Liabilities and Net Assets	\$ 178,385,000	\$ 152,804,000

See accompanying notes to financial statements.

**The Parish Revolving Fund of
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Statements of Activities and Changes in Net Assets

<i>Year Ended June 30,</i>	2022	2021
Revenue and Other Support		
Interest and dividends on investments	\$ 2,631,000	\$ 2,582,000
Interest on revolving fund notes	742,000	668,000
Total Revenue and Other Support	3,373,000	3,250,000
Program Expenses		
Interest on revolving fund deposits	825,000	1,829,000
Salaries and benefits	139,000	133,000
Professional services	248,000	225,000
Total Expenses	1,212,000	2,187,000
Change in net assets without donor restrictions before realized losses and unrealized gains/(losses) on investments and bad debt recovery		
	2,161,000	1,063,000
Bad debts recovery	766,000	803,000
Realized losses on investments	(1,091,000)	(360,000)
Unrealized gains (losses) on investments	(3,489,000)	(1,175,000)
Total Change in Net Assets	(1,653,000)	331,000
Net Assets, beginning of year	4,957,000	4,626,000
Net Assets, end of year	\$ 3,304,000	\$ 4,957,000

See accompanying notes to financial statements.

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Statements of Cash Flows

<i>Year Ended June 30,</i>	2022	2021
Cash Flows from Operating Activities		
Reconciliation of change in net assets to net cash flows from operating activities:		
Change in net assets	\$ (1,653,000)	\$ 331,000
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Unrealized losses/(gains) on investments	3,489,000	1,175,000
Realized losses on investments	1,091,000	360,000
Additional notes issued	(9,613,000)	(2,554,000)
Note principal receipts	5,979,000	8,518,000
Deposits into Revolving Fund	50,605,000	42,025,000
Withdrawals from Revolving Fund	(23,325,000)	(38,712,000)
Change in operating receivables	70,000	76,000
Change in accounts payable and accrued expenses	(46,000)	43,000
Recovery of bad debt	(766,000)	(803,000)
Net Cash Flows from Operating Activities	25,831,000	10,459,000
Cash Flows for Investing Activities		
Purchases of investments	(91,365,000)	(40,340,000)
Sales and maturities of investments	67,156,000	30,952,000
Net Cash Flows for Investing Activities	(24,209,000)	(9,388,000)
Net Change in Cash	1,622,000	1,071,000
Cash, beginning of year	5,368,000	4,297,000
Cash, end of year	\$ 6,990,000	\$ 5,368,000
Interest Paid on a Cash Basis	\$ 825,000	\$ 1,829,000

See accompanying notes to financial statements.

The Parish Revolving Fund of the Corporation of the Catholic Archbishop of Seattle

Notes to Financial Statements

1. Organization and Significant Accounting Policies

Organization

The Parish Revolving Fund (the PRF) is a division of the Corporation of the Catholic Archdiocese of Seattle (the Archdiocese). The PRF is a deposit and loan fund operated by the Archdiocese and represents resources arising from cooperative investment and lending programs established solely for the mutual benefit of parishes, including parish schools and the Archdiocesan High Schools, within the Archdiocese.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from the estimated amounts.

Financial Statement Presentation

The PRF reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. As of June 30, 2022 and 2021, the PRF had no net assets with donor restrictions, so this class of net assets is not presented in the financial statements.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. The PRF considers all expenses to be program expenses. The PRF does not solicit any contributions, so there are no fundraising expenses. Management believes any management and general expenses are immaterial to the financial statements as a whole, so these expenses have not been allocated from program expenses.

Fair Value Measurements

Fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels that prioritize the inputs used in measuring fair value as follows:

Level 1: Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: Unobservable inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

The Parish Revolving Fund of the Corporation of the Catholic Archbishop of Seattle

Notes to Financial Statements

Cash

For purposes of the statements of cash flows, the PRF considers cash in checking, savings, and certain money market accounts to be cash. Other money market accounts and short-term, highly liquid investments are classified as investments in the statements of financial position.

The PRF maintains a significant portion of its cash and investments in accounts that are not insured.

Investments

Investments consist of fixed-rate securities and a private debt fund limited partnership.

The fixed-income securities are reported at fair value using Level 1 and Level 2 inputs.

The private debt fund limited partnership is valued at net asset value, which is a practical expedient to fair value for investments that do not have readily determinable fair values.

Notes Receivable

Notes receivable are recorded at cost (adjusted for any bad debt allowance), and interest is recorded as earned. The Archdiocese does not charge fees for its loan programs. Management uses various factors, including the current status of note payments, the borrower's financial situation, and the local economy to determine the amount of the allowance for bad debts. The allowance is adjusted annually. A note is written off against the allowance when management determines that the balance is uncollectible. Notes are considered past due when the scheduled payments become 90 days past due. Due to the close working relationship between the Archdiocese and the borrowers, management has not established past-due categories for notes. Accordingly, notes continually accrue interest while they are outstanding.

Income Taxes

The Corporation of the Catholic Archbishop is a nonprofit organization, of which the PRF is a division, and is exempt from federal income taxes.

Subsequent Events

Management of the Archdiocese has evaluated subsequent events through the date these financial statements were available to be issued, which was November 14, 2022.

2. Liquidity and Availability of Resources

The PRF strives to maintain liquid financial assets sufficient to cover annual operating expenditures and cash withdrawal needs of the parishes. Financial assets in excess of daily cash requirements are invested in money market funds and other short-term investments.

The Parish Revolving Fund of the Corporation of the Catholic Archbishop of Seattle

Notes to Financial Statements

The table below reflects the PRF's financial assets as of June 30, 2022 and 2021, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. Amounts not available include the investment in the KOCAA/Audax Private Debt Fund, LP (KOCAA) more fully described in Note 3.

A summary of the Parish Revolving Fund financial assets available for general expenditures within one year as of June 30, 2022 and 2021, is as follows:

	2022	2021
Cash	\$ 6,990,000	\$ 5,368,000
Investments (not including KOCAA)	126,966,000	112,497,000
Interest receivable, net of allowance	45,000	118,000
Notes receivable, current portion	2,203,000	3,148,000
Total Financial Assets	\$ 136,204,000	\$ 121,131,000

3. Investments

The following table represents information about the PRF's investments as of June 30:

<i>June 30, 2022</i>	Fair Value Measurements			Fair Value Total
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
Money market	\$ 22,478,000	\$ -	\$ -	\$ 22,478,000
Corporate bonds	-	78,899,000	-	78,899,000
Treasury bonds	8,241,000	-	-	8,241,000
International-developed bonds	-	17,348,000	-	17,348,000
Total Investments, in the fair value hierarchy	\$ 30,719,000	\$ 96,247,000	\$ -	126,966,000
KOCAA/Audax Private Debt Fund, LP, at net asset value*				10,438,000
Total Investments, at fair value				\$ 137,404,000

<i>June 30, 2021</i>	Fair Value Measurements			Fair Value Total
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
Money market	\$ 6,438,000	\$ 1,000,000	\$ -	\$ 7,438,000
Corporate bonds	-	77,492,000	-	77,492,000
Treasury bonds	7,703,000	-	-	7,703,000
International-developed bonds	-	19,864,000	-	19,864,000
Total Investments, in the fair value hierarchy	\$ 14,141,000	\$ 98,356,000	\$ -	112,497,000
KOCAA/Audax Private Debt Fund, LP, at net asset value*				5,278,000
Total Investments, at fair value				\$ 117,775,000

Investments are held with both fixed and floating rate securities. The fixed-rate securities are subject to interest rate risk. The international-developed bonds are held in U.S. dollars and carry no currency risk.

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Notes to Financial Statements

The PRF contributed \$5,000,000 in December 2019 and an additional \$5,000,000 in February 2022 to KOCAA. The PRF may only make withdrawals of its capital contribution on the last day of a fiscal quarter and must provide at least 90 days written notice to the general partner. Without consent of the general partner, the PRF may not withdraw more than 15% of KOCAA's equity in any quarter and in total may not withdraw more than 25% of the limited partners' respective capital accounts.

The PRF may request a withdrawal of a portion or all its capital contribution to KOCAA, by providing written notice to the Investment Manager at least 90 days prior to the last business day of a fiscal quarter. Upon receipt of a withdrawal request, the Investment Manager must cause KOCAA to satisfy 90% of such request within 45 days of receipt of such request from available cash, securities, or a combination of both and the balance of such request not later than 30 days after the audited financial statements of KOCAA for the year of withdrawal are delivered to the limited partners.

4. Notes Receivable

Notes are made based on need, an approved repayment plan, and the availability of funds. Payments are received based on the agreed repayment plan. As of July 1, 2020, interest rates on all notes receivable were 1.5%. As part of an effort to provide relief to parishes during the COVID-19 pandemic, the rate was lowered to 1% on October 1, 2020. On July 1, 2021, the interest rate increased to 2%. Generally, PRF notes have a maximum term of 15 years, but can be extended to a 30-year term under certain circumstances. During COVID-19 the PRF made emergency notes available to parishes. At June 30, 2022 and 2021 two and three notes, respectively, remained outstanding out of a total of nine emergency notes granted during the pandemic.

The allowance for doubtful notes is the estimated uncollectible amount of notes receivable. All notes in this fund are due on various payment schedules and are supported by the underlying properties. Under civil law, properties of parishes are owned by the Archdiocese. However, under canon law, parishes are considered separate. At June 30, 2022 and 2021, \$312,000 and \$1,081,000 of outstanding notes and \$28,000 and \$25,000 of accrued interest were considered partially impaired and are included in the allowance for doubtful notes, respectively. All of the allowance for doubtful notes was related to impaired notes at June 30, 2022 and 2021.

Notes receivable are summarized as follows as of June 30:

	2022	2021
Notes receivable, current portion	\$ 2,203,000	\$ 3,148,000
Notes receivable, noncurrent portion	32,055,000	27,476,000
	34,258,000	30,624,000
Allowance for doubtful notes	(312,000)	(1,081,000)
	\$ 33,946,000	\$ 29,543,000

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Notes to Financial Statements

Notes balances are included as follows in the statement of financial position at June 30:

	2022	2021
Notes receivable, current portion	\$ 2,203,000	\$ 3,148,000
Notes receivable, net of allowance, non-current portion	31,743,000	26,395,000
	\$ 33,946,000	\$ 29,543,000

At June 30, 2022 and 2021, there were 53 and 60 notes receivable outstanding from 45 and 43 borrowers, respectively. These notes had the following characteristics at June 30:

	2022	2021
Largest note outstanding	\$ 5,367,000	\$ 2,942,000
Largest note as a percentage of total	15.7%	9.6%
Number of past due notes	9	10
Amount of past due notes	\$ 1,170,000	\$ 1,411,000
Past due notes as a percentage of total	3.4%	4.6%

At June 30, 2022 and 2021, the portfolio consisted of maturities between 9 months and 30 years.

The following is a summary of the PRF's allowance for doubtful notes and accrued interest for the years ended June 30:

	2022	2021
Beginning Balance	\$ 1,106,000	\$ 1,909,000
Change in allowance	(766,000)	(803,000)
Ending Balance	\$ 340,000	\$ 1,106,000

The allowance for doubtful notes is presented net of notes receivable and interest receivable on the statements of financial position as follows for the years ended June 30:

	2022	2021
Allowance for notes receivable	\$ 312,000	\$ 1,081,000
Allowance for interest receivable	28,000	25,000
Total Allowance for Doubtful Notes	\$ 340,000	\$ 1,106,000

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Notes to Financial Statements

5. Loan Commitments

As of June 30, 2022, there were seven undrawn loans totaling \$17,625,000. As of June 30, 2021, there were seven undrawn loan commitments totaling \$5,161,000.

6. Deposits

Parishes and schools are required to deposit excess funds in the PRF's savings accounts. Those accounts paid interest at 1.5% through September 30, 2020, and 1.0% from October 1, 2020 through June 30, 2021. On July 1, 2021, those accounts were paid interest at 0.5% through June 30, 2022. Deposits are generally available for withdrawal on demand.

7. Related-Party Transactions

All payroll and other administrative services are paid for by the Archdiocese. The PRF reimburses the Archdiocese for these expenses. During the years ended June 30, 2022 and 2021, these expenses totaled \$387,000 and \$355,000, respectively. As of June 30, 2022 and 2021, the PRF owes the Archdiocese \$156,000 and \$154,000, respectively, for payroll and administrative expenses.