

**THE PARISH REVOLVING FUND OF THE CORPORATION OF THE
CATHOLIC ARCHBISHOP OF SEATTLE**

Financial Statements

For the Years Ended June 30, 2024 and 2023

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Independent Auditor's Report

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

Opinion

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, 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 accompanying financial statements present fairly, in all material respects, the financial position of the PRF 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 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 PRF'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.

Clark Nuber P.S.

Certified Public Accountants
November 15, 2024

**THE PARISH REVOLVING FUND OF THE
CORPORATION OF THE CATHOLIC ARCHBISHOP OF SEATTLE**
Statements of Financial Position
June 30, 2024 and 2023
(In Thousands)

	<u>2024</u>	<u>2023</u>
Assets:		
Current assets-		
Cash	\$ 856	\$ 525
Investments	147,279	144,229
Interest receivable, net of allowance	426	32
Notes receivable, current portion	<u>2,321</u>	<u>3,310</u>
Total current assets	150,882	148,096
Notes receivable, less current portion and allowances	<u>34,712</u>	<u>34,168</u>
Total Assets	<u>\$ 185,594</u>	<u>\$ 182,264</u>
Liabilities and Net Assets		
Current Liabilities:		
Revolving fund deposits	\$ 178,113	\$ 177,314
Accounts payable and accrued expenses	<u>530</u>	<u>248</u>
Total Current Liabilities	178,643	177,562
Net Assets:		
Without donor restrictions	<u>6,951</u>	<u>4,702</u>
Total Liabilities and Net Assets	<u>\$ 185,594</u>	<u>\$ 182,264</u>

See accompanying notes.

**THE PARISH REVOLVING FUND OF THE
CORPORATION OF THE CATHOLIC ARCHBISHOP OF SEATTLE**
Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2024 and 2023
(In Thousands)

	<u>2024</u>	<u>2023</u>
Revenue and Other Support:		
Interest and dividends on investments	\$ 5,590	\$ 3,932
Interest on revolving fund notes	<u>833</u>	<u>743</u>
Total Revenue and Other Support	6,423	4,675
Program Expenses:		
Interest on revolving fund deposits	5,475	2,388
Salaries and benefits	421	144
Professional services	<u>391</u>	<u>304</u>
Total Expenses	<u>6,287</u>	<u>2,836</u>
Change in Net Assets Without Donor Restrictions Before Realized Losses And Unrealized Gains/(Losses) on Investments And Bad Debt Recovery	136	1,839
Bad debt recovery		342
Realized losses on investments	(1,059)	(2,067)
Unrealized gains on investments	<u>3,172</u>	<u>1,284</u>
Total Change in Net Assets	2,249	1,398
Net assets, beginning of year	<u>4,702</u>	<u>3,304</u>
Net Assets, End of Year	<u>\$ 6,951</u>	<u>\$ 4,702</u>

See accompanying notes.

**THE PARISH REVOLVING FUND OF THE CORPORATION OF THE
CATHOLIC ARCHBISHOP OF SEATTLE**
Statements of Cash Flows
For the Years Ended June 30, 2024 and 2023
(In Thousands)

	<u>2024</u>	<u>2023</u>
Cash Flows From Operating Activities:		
Reconciliation of change in net assets to net cash flows provided by operating activities-		
Change in net assets	\$ 2,249	\$ 1,398
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Unrealized gains on investments	(3,172)	(1,284)
Realized losses on investments	1,059	2,067
Notes issued	(3,290)	(10,033)
Principal payments received on notes receivable	3,735	6,813
Deposits into revolving fund	47,574	45,947
Fund holder withdrawals	(46,775)	(43,428)
Change in interest receivable	(394)	13
Change in accounts payable and accrued expenses	282	(38)
Recovery of bad debt		(312)
	<u>1,268</u>	<u>1,143</u>
Net Cash Flows Provided by Operating Activities	1,268	1,143
Cash Flows for Investing Activities:		
Purchases of investments	(20,139)	(7,886)
Sales and maturities of investments	19,202	278
	<u>(937)</u>	<u>(7,608)</u>
Net Cash Flows Used in Investing Activities	(937)	(7,608)
Net Change in Cash	331	(6,465)
Cash, beginning of year	<u>525</u>	<u>6,990</u>
Cash, End of Year	\$ 856	\$ 525
Cash paid for interest	\$ 5,475	\$ 2,388

See accompanying notes.

**THE PARISH REVOLVING FUND OF THE CORPORATION OF THE
CATHOLIC ARCHBISHOP OF SEATTLE**
Notes to Financial Statements
For the Years Ended June 30, 2024 and 2023
(In Thousands)

Note 1 - Organization Significant Accounting Policies

Organization - The Parish Revolving Fund (the PRF) is a division of the Corporation of the Catholic Archbishop 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, 2024 and 2023, the PRF had no net assets with donor restrictions, therefore 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 statements 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.

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.

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Notes to Financial Statements
For the Years Ended June 30, 2024 and 2023
(In Thousands)

Note 1 - Continued

The private debt fund limited partnership is valued at net asset value (NAV), 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 allowance for credit losses), and interest is recorded as earned. The Archdiocese does not charge fees for its loan programs. The PRF has determined that based upon historical credit loss rates adjusted for current economic conditions that an allowance for credit losses would not be material. As such, the PRF has not recorded an allowance for credit losses at June 30, 2024. 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 of Seattle 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 15, 2024.

Note 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, including parish schools and the Archdiocesan high schools. Financial assets in excess of daily cash requirements are invested in money market funds and other short-term investments.

The table below reflects the PRF's financial assets as of June 30, 2024 and 2023, reduced by amounts that are not available to meet general expenditures within one year of the statements 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 PRF financial assets available for general expenditures within one year as of June 30 is as follows:

	<u>2024</u>	<u>2023</u>
Cash	\$ 856	\$ 525
Investments (not including KOCAA)	130,204	133,044
Interest receivable, net of allowance	426	32
Notes receivable, current portion	<u>2,321</u>	<u>3,310</u>
Total Financial Assets	<u>\$ 133,807</u>	<u>\$ 136,911</u>

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Notes to Financial Statements
For the Years Ended June 30, 2024 and 2023
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Note 3 - Investments

The following tables represent information about the fair value of PRF's investments as of June 30:

	Fair Value Measurements as of 2024			
	Level 1	Level 2	Level 3	Total
Money market	\$ 6,319	\$ -	\$ -	\$ 6,319
Corporate bonds		46,479		46,479
US Treasury notes	65,542			65,542
International-developed bonds		11,864		11,864
Total investments in the fair value heirarchy	71,861	58,343		130,204
KOCAA/Audax Private Debt Fund, LP, at NAV				17,075
Total Investments at Fair Value	\$ 71,861	\$ 58,343	\$ -	\$ 147,279

	Fair Value Measurements as of 2023			
	Level 1	Level 2	Level 3	Total
Money market	\$ 12,070	\$ -	\$ -	\$ 12,070
Corporate bonds		56,190		56,190
US Treasury notes	48,387			48,387
International-developed bonds		16,397		16,397
Total investments in the fair value heirarchy	60,457	72,587		133,044
KOCAA/Audax Private Debt Fund, LP, at NAV				11,185
Total Investments at Fair Value	\$ 60,457	\$ 72,587	\$ -	\$ 144,229

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.

The PRF contributed \$5,000 in December 2019 and an additional \$5,000 in February 2022 to KOCAA. The PRF may only make withdrawals of its capital account 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.

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Note 3 - Continued

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.

Note 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. The interest rate was 2% for the year ended June 30, 2023. The interest rate on all loans was modified to 2.25% effective July 1, 2023. Generally, PRF notes have a maximum term of 15 years, but can be extended to a 30-year term under certain circumstances.

The allowance for credit losses is the estimated uncollectible amount of notes receivable. All notes 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. None of the outstanding notes or accrued interest were considered impaired at June 30, 2024 and 2023.

Notes receivable are summarized as follows as of June 30:

	<u>2024</u>	<u>2023</u>
Notes receivable, current portion	\$ 2,321	\$ 3,310
Notes receivable, noncurrent portion	<u>34,712</u>	<u>34,168</u>
	<u>\$ 37,033</u>	<u>\$ 37,478</u>

At June 30, 2024 and 2023, there were 49 and 44 notes receivable outstanding from 30 and 29 borrowers, respectively. These notes had the following characteristics at June 30:

	<u>2024</u>	<u>2023</u>
Large notes outstanding	\$ 10,800	\$ 11,199
Largest notes as a percentage of total	29.2%	29.9%
Number of 90 days+ past due notes	-	7
Amount of 90 days+ past due notes	\$ -	\$ 3,128
90 days+ past due notes as a percentage of total	0.0%	8.3%

At June 30, 2024 and 2023, the portfolio consisted of maturities between 56 months and 30 years.

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Notes to Financial Statements
For the Years Ended June 30, 2024 and 2023
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Note 4 - Continued

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

	<u>2024</u>	<u>2023</u>
Beginning balance	\$ -	\$ 340
Change in allowance		<u>(340)</u>
Ending Balance	<u>\$ -</u>	<u>\$ -</u>

Note 5 - Loan Commitments

As of June 30, 2024, there were two undrawn loans totaling \$3,600. As of June 30, 2023, there were nine undrawn loans totaling \$18,240. In total the PRF had \$14,800 at June 30, 2024 and \$18,240 at June 30, 2023 in undrawn loan commitments that included loans not yet termed.

Note 6 - Deposits

Parishes and schools are required to deposit funds in excess of an average 45 days' worth of expenses in the PRF's savings accounts. Those accounts paid interest at 0.75% from July 1, 2022 through December 31, 2022, 2% from January 1, 2023 through June 30, 2023, 3% from July 1, 2023 through May 1, 2024, and 3.75% from May 1, 2024 through June 30, 2024. Deposits are generally available for withdrawal on demand.

Note 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, 2024 and 2023, these expenses totaled \$813 and \$449, respectively. As of June 30, 2024 and 2023, the PRF owes the Archdiocese \$480 and \$161, respectively, for payroll and administrative expenses.