

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

Financial Statements

For the Years Ended June 30, 2023 and 2022

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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 statement of financial position as of June 30, 2023, and the related statements of activities and changes in net assets and cash flows for the year 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, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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.

Other Matter

The financial statements of the PRF for the year ended June 30, 2022 were audited by another auditor who expressed an unmodified opinion on those statements on November 14, 2022.

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.



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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.

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
December 14, 2023

**THE PARISH REVOLVING FUND OF THE
CORPORATION OF THE CATHOLIC ARCHBISHOP OF SEATTLE**
Statements of Financial Position
June 30, 2023 and 2022
(In Thousands)

	<u>2023</u>	<u>2022</u>
Assets:		
Current assets-		
Cash	\$ 525	\$ 6,990
Investments	144,229	137,404
Interest receivable, net of allowance	32	45
Notes receivable, current portion	<u>3,310</u>	<u>2,203</u>
Total current assets	<u>148,096</u>	<u>146,642</u>
Notes receivable, less current portion and allowances	<u>34,168</u>	<u>31,743</u>
Total Assets	<u>\$ 182,264</u>	<u>\$ 178,385</u>
Liabilities and Net Assets		
Current Liabilities:		
Revolving fund deposits	\$ 177,314	\$ 174,795
Accounts payable and accrued expenses	<u>248</u>	<u>286</u>
Total Current Liabilities	177,562	175,081
Net Assets:		
Without donor restrictions	<u>4,702</u>	<u>3,304</u>
Total Liabilities and Net Assets	<u>\$ 182,264</u>	<u>\$ 178,385</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, 2023 and 2022
(In Thousands)

	<u>2023</u>	<u>2022</u>
Revenue and Other Support:		
Interest and dividends on investments	\$ 3,932	\$ 2,631
Interest on revolving fund notes	<u>743</u>	<u>742</u>
Total Revenue and Other Support	4,675	3,373
Program Expenses:		
Interest on revolving fund deposits	2,388	825
Salaries and benefits	144	139
Professional services	<u>304</u>	<u>248</u>
Total Expenses	<u>2,836</u>	<u>1,212</u>
Change in Net Assets Without Donor Restrictions Before Realized Losses And Unrealized Gains/(Losses) on Investments And Bad Debt Recovery	1,839	2,161
Bad debt recovery	342	766
Realized losses on investments	(2,067)	(1,091)
Unrealized gains (losses) on investments	<u>1,284</u>	<u>(3,489)</u>
Total Change in Net Assets	1,398	(1,653)
Net assets, beginning of year	<u>3,304</u>	<u>4,957</u>
Net Assets, End of Year	<u>\$ 4,702</u>	<u>\$ 3,304</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, 2023 and 2022
(In Thousands)

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities:		
Reconciliation of change in net assets to net cash flows provided by operating activities-		
Change in net assets	\$ 1,398	\$ (1,653)
Adjustments to reconcile change in net assets to new cash flows from operating activities:		
Unrealized (gains) losses on investments	(1,284)	3,489
Realized losses on investments	2,067	1,091
Notes issued	(10,033)	(9,613)
Principal payments received on notes receivable	6,813	5,979
Deposits into revolving fund	45,947	50,605
Fund holder withdrawals	(43,428)	(23,325)
Change in interest receivable	13	70
Change in accounts payable and accrued expenses	(38)	(46)
Recovery of bad debt	(312)	(766)
	<u>1,143</u>	<u>25,831</u>
Net Cash Flows Provided by Operating Activities	1,143	25,831
Cash Flows for Investing Activities:		
Purchases of investments	(7,886)	(91,365)
Sales and maturities of investments	278	67,156
	<u>(7,608)</u>	<u>(24,209)</u>
Net Cash Flows Used in Investing Activities	(7,608)	(24,209)
Net Change in Cash	(6,465)	1,622
Cash, beginning of year	6,990	5,368
	<u>6,990</u>	<u>5,368</u>
Cash, End of Year	\$ 525	\$ 6,990
Cash paid for interest	\$ 2,388	\$ 825

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, 2023 and 2022**

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, 2023 and 2022, 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.

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

**Notes to Financial Statements
For the Years Ended June 30, 2023 and 2022**

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 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 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 December 14, 2023.

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, 2023 and 2022, 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:

	(in thousands)	
	<u>2023</u>	<u>2022</u>
Cash	\$ 525	\$ 6,990
Investments (not including KOCAA)	133,044	126,966
Interest receivable, net of allowance	32	45
Notes receivable, current portion	<u>3,310</u>	<u>2,203</u>
Total Financial Assets	<u>\$ 136,911</u>	<u>\$ 136,204</u>

**THE PARISH REVOLVING FUND OF THE CORPORATION OF THE
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**Notes to Financial Statements
For the Years Ended June 30, 2023 and 2022**

Note 3 - Investments

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

	(in thousands)			
	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	<u>60,457</u>	<u>72,587</u>		<u>133,044</u>
KOCAA/Audax Private Debt Fund, LP, at NAV				<u>11,185</u>
Total Investments at Fair Value	<u>\$ 60,457</u>	<u>\$ 72,587</u>	<u>\$ -</u>	<u>\$ 144,229</u>

	(in thousands)			
	Fair Value Measurements as of 2022			
	Level 1	Level 2	Level 3	Total
Money market	\$ 22,478	\$ -	\$ -	\$ 22,478
Corporate bonds		78,899		78,899
US Treasury notes	8,241			8,241
International-developed bonds		17,348		17,348
Total investments in the fair value heirarchy	<u>30,719</u>	<u>96,247</u>		<u>126,966</u>
KOCAA/Audax Private Debt Fund, LP, at NAV				<u>10,438</u>
Total Investments at Fair Value	<u>\$ 30,719</u>	<u>\$ 96,247</u>	<u>\$ -</u>	<u>\$ 137,404</u>

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 PARISH REVOLVING FUND OF THE CORPORATION OF THE
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**Notes to Financial Statements
For the Years Ended June 30, 2023 and 2022**

Note 3 - Continued

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 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.

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 years ended June 30, 2023 and 2022. 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 doubtful notes 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, 2023. At June 30, 2022, \$312,000 of outstanding notes and \$28,000 of accrued interest were considered partially impaired and were included in the allowance for doubtful notes.

Notes receivable are summarized as follows as of June 30:

	(in thousands)	
	<u>2023</u>	<u>2022</u>
Notes receivable, current portion	\$ 3,310	\$ 2,203
Notes receivable, noncurrent portion	<u>34,168</u>	<u>32,055</u>
	37,478	34,258
Allowance for doubtful notes		<u>(312)</u>
	<u><u>\$ 37,478</u></u>	<u><u>\$ 33,946</u></u>

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

**Notes to Financial Statements
For the Years Ended June 30, 2023 and 2022**

Note 4 - Continued

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

	(in thousands)	
	<u>2023</u>	<u>2022</u>
Notes receivable, current portion	\$ 3,310	\$ 2,203
Notes receivable, noncurrent portion	<u>34,168</u>	<u>31,743</u>
	<u>\$ 37,478</u>	<u>\$ 33,946</u>

At June 30, 2023 and 2022, there were 44 and 53 notes receivable outstanding from 29 and 45 borrowers, respectively. These notes had the following characteristics at June 30:

	(in thousands)	
	<u>2023</u>	<u>2022</u>
Large notes outstanding	\$ 11,199	\$ 5,367
Largest note as a percentage of total	15.9%	15.7%
Number of 90 days+ past due notes	7	9
Amount of 90 days+ past due notes	\$ 3,128	\$ 1,170
90 days+ past due notes as a percentage of total	8.3%	3.4%

At June 30, 2023 and 2022, the portfolio consisted of maturities between 48 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:

	(in thousands)	
	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 340	\$ 1,106
Change in allowance	<u>(340)</u>	<u>(766)</u>
Ending Balance	<u>\$ -</u>	<u>\$ 340</u>

**THE PARISH REVOLVING FUND OF THE CORPORATION OF THE
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**Notes to Financial Statements
For the Years Ended June 30, 2023 and 2022**

Note 4 - Continued

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:

	(in thousands)	
	<u>2023</u>	<u>2022</u>
Allowance for notes receivable	\$ -	\$ 312
Allowance for interest receivable		<u>28</u>
Total Allowance for Doubtful Notes	<u>\$ -</u>	<u>\$ 340</u>

Note 5 - Loan Commitments

As of June 30, 2023, there were nine undrawn loans totaling \$18,240,000. As of June 30, 2022, there were seven undrawn loans totaling \$17,625,000.

Note 6 - Deposits

Parishes and schools are required to deposit excess funds in the PRF's savings accounts. Those accounts paid interest at 0.5% from July 1, 2021 through June 30, 2022, 0.75% from July 1, 2022 through December 31, 2022, and 2% from January 1, 2023 through June 20, 2023. 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, 2023 and 2022, these expenses totaled \$449,000 and \$387,000, respectively. As of June 30, 2023 and 2022, the PRF owes the Archdiocese \$161,000 and \$156,000, respectively, for payroll and administrative expenses.