

To the Diocesan Finance Council  
Administrative Offices of the Diocese of Raleigh  
Raleigh, North Carolina

We have audited the consolidated financial statements of the Administrative Offices of the Diocese of Raleigh and affiliates (the "Diocese") for the year ended June 30, 2021 and have issued our report thereon dated May 3, 2022. Professional standards require we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you June 8, 2021. Professional standards also require we communicate to you the following information related to our audit.

## **SIGNIFICANT AUDIT MATTERS**

### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Diocese are described in Note 1 to the consolidated financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Diocese during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the consolidated financial statements in the proper period.

Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the consolidated financial statements were:

Obligations for future benefits associated with postretirement plans other than pensions are based on an actuarially determined present value as of a particular date of the postretirement benefits expected to be paid pursuant to the terms of the plans. Measurement of the expected postretirement benefit obligation is based on the expected amount and timing of the future benefits, taking into consideration the expected future costs of providing the benefits.

Management's estimates of the allowances for uncollectible promises to give related to the Bishop's Annual Appeal and the Cathedral Campus Campaign, and the allowance for doubtful loans are based on historical collections and an analysis of the collectability of individual promises and loans.

Management's estimates of the discount on promises to give related to the Cathedral Campus Campaign is based on the expected period for the receipt of payments and the Diocese's anticipated risk-free rate of return this period.

Management's estimate of depreciation expense is based on an analysis of useful lives of property and equipment.

Management's estimate of the fair value of and input level that is used to measure investments is based on valuation techniques using available inputs, such as readily available quoted market prices, credit risk of issues, maturity, current yield, and other terms and conditions.

We evaluated the key factors and assumptions used to develop the estimates described above in determining that they were reasonable in relation to the consolidated financial statements taken as a whole.

The consolidated financial statement disclosures are neutral, consistent, and clear.

**Difficulties Encountered in Performing the Audit**

The completion of the audit was delayed due to the delay in receiving audited financial statements of the Foundation of the Roman Catholic Diocese of Raleigh, Inc.

**Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No such misstatements were noted during the course of the audit.

**Disagreements with Management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the consolidated financial statements or the auditor's report. We are pleased to report no such disagreements arose during the course of our audit.

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated May 3, 2022.

**Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Diocese's consolidated financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Diocese's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of management, the Diocese finance council, and others within the Diocese, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Cherry Bekart LLP*

Raleigh, North Carolina

May 3, 2022