



Be holy

For it is written, “Be holy because I am holy.”

1 Peter 1:16

Roman Catholic Diocese of Charlotte
Annual Report 2019-2020

Dear Brothers and Sisters in Christ,

The theme of this year's annual report, *Be Holy*, (1 Peter 1:16) has been a clarion call for the Diocese of Charlotte during what has been a year filled with unexpected challenges and blessings.

This annual report presents information about the finances of the diocese, and through text and photos, describes the gifts both given and received from July 1, 2019, through June of this year. I am gratified to report the overall good financial health of the diocese despite the many difficulties presented by the COVID-19 pandemic, and I remain especially grateful for your sustained support through prayer, service and financial contributions.

The pandemic affected all of our parishes, schools and ministries this year, yet the work of the Church continued – thanks to the creativity, commitment and care of so many. Our clergy remained steadfast in providing sacramental and spiritual support to the faithful while heeding guidance from state and federal public health officials to mitigate the spread of the coronavirus. People remained connected to their faith through digital outreach and education efforts, outdoor Masses and more until churches could safely reopen for indoor Masses and schools could resume in-person learning.

The diocese is thankful for the ministry of our priests, deacons and religious who selflessly serve the 400,000 Catholics of western North Carolina. We were blessed this July to have two men, Father Jacob Mlakar and Father Jonathan Torres, ordained to the holy priesthood. In addition, during this Year of Saint Joseph we celebrated the ceremonial blessing of St. Joseph College Seminary in September. Please pray for all 41 of our seminarians as they prepare to follow the Lord in serving the people of our diocese.



Our 19 Catholic schools continued their mission of providing an excellent Catholic education to nearly 7,000 students from pre-kindergarten through the 12th grade. Teachers, staff, students and families transitioned to remote learning for the last three months of the 2019-20 academic year and then reopened to in-person instruction in August and September for the 2020-21 academic year “safer, stronger, together.”

Catholic Charities Diocese of Charlotte also responded with Christian love and charity to provide everything from food and financial assistance to mental health counseling and education to thousands of people in need, especially those hurt by the economic downturn caused by the pandemic.

We celebrated a successful Eucharistic Congress in September 2019, drawing more than 15,000 people to Charlotte to deepen our devotion to the Eucharist. The 2020 Eucharistic Congress had a different format out of an abundance of care for our participating parishioners, planners, speakers, workers and visitors. The faithful of the diocese celebrated in a special way our love for the Eucharist with activities at their parishes or online. Although we were not able to gather together in person as one diocesan family, we were reminded that it is the Eucharist which unites us across 92 parishes and missions as one Body in Christ.

In closing, I encourage you to remain close to Jesus and look to the Holy Family, depicted by the artist Bartolomé Esteban Murillo on the cover of this report, as a model for our vocation to holiness. Please be assured of my prayers as we continue striving together to build up the kingdom of God.

Sincerely Yours in Christ Jesus,
The Most Reverend Peter J. Jugis
Bishop of Charlotte

+ Peter J. Jugis

Suyo en Cristo Jesús,
El Reverendo Peter J. Jugis
Obispo de Charlotte

Queridos hermanos y hermanas en Cristo,

El tema del informe anual de este año, *Sean Santos*, (1 Pedro 1:16) ha sido un llamado de atención para la Diócesis de Charlotte durante lo que ha sido un año lleno de desafíos y bendiciones inesperadas.

Este informe anual presenta información sobre las finanzas de la diócesis y, a través de textos y fotografías, describe las donaciones entregadas y recibidas desde el 1 de julio de 2019 hasta junio de este año. Me complace informar sobre la buena salud financiera de la diócesis a pesar de las muchas dificultades presentadas por la pandemia de COVID-19, y sigo especialmente agradecido por su sostenido apoyo a través de sus oraciones, servicio y contribuciones financieras.

La pandemia afectó a todas nuestras parroquias, escuelas y ministerios este año, sin embargo, el trabajo de la Iglesia continuó gracias a la creatividad, compromiso y cuidado de muchos. Nuestro clero se mantuvo firme brindando apoyo sacramental y espiritual a los fieles, a la vez que cumplía atentamente las indicaciones de los funcionarios de salud pública estatales y federales para mitigar la propagación del coronavirus. Las personas permanecieron conectadas con su fe a través de esfuerzos educativos y de alcance digital, Misas al aire libre y más hasta que las iglesias pudieron reabrir de manera segura para realizar Misas en interiores y las escuelas pudieron reanudar el aprendizaje en persona.

La diócesis está agradecida por el ministerio de nuestros sacerdotes, diáconos y religiosos que sirven desinteresadamente a los 400.000 católicos del oeste de Carolina del Norte. Este mes de julio fuimos bendecidos al tener dos hombres, Padre Jacob Mlakar y Padre Jonathan Torres, ordenados al santo sacerdocio. Además, durante este Año de San José celebramos la ceremonia de bendición del Seminario Universitario San José en septiembre. Por favor, oren por nuestros 41 seminaristas que se preparan para seguir al Señor en el servicio a la población de nuestra diócesis.

Nuestras 19 escuelas católicas continuaron su misión de brindar una excelente educación católica a casi 7,000 estudiantes desde jardín de infancia hasta grado 12. Maestros, personal, estudiantes y familias hicieron la transición al aprendizaje remoto durante los últimos tres meses del año académico 2019-20 y luego reabrieron a la instrucción en persona en agosto y septiembre para el año académico 2020-21 “más seguros, más fuertes, juntos”.

Caridades Católicas de la Diócesis de Charlotte también respondió con amor cristiano y caridad para brindar de todo, desde alimentos y asistencia financiera hasta asesoramiento y educación sobre salud mental, a miles de personas necesitadas, especialmente a las afectadas por la crisis económica causada por la pandemia.

Celebramos un exitoso Congreso Eucarístico en septiembre de 2019, atrayendo a más de 15,000 personas a Charlotte para profundizar nuestra devoción a la Eucaristía. El Congreso Eucarístico de 2020 tuvo un formato diferente debido a la abundancia de cuidado por nuestros feligreses participantes, planificadores, oradores, trabajadores y visitantes. Los fieles de la diócesis celebraron de manera especial nuestro amor por la Eucaristía con actividades en sus parroquias u online. Aunque no pudimos reunirnos en persona como familia diocesana, se nos recordó que la Eucaristía nos une en 92 parroquias y misiones como un solo Cuerpo en Cristo.

Para terminar, los animo a permanecer cerca de Jesús y contemplar a la Sagrada Familia, representada por el artista Bartolomé Esteban Murillo en la portada de este informe, como modelo de nuestra vocación a la santidad. Tengan la seguridad que cuentan con mis oraciones mientras continuamos esforzándonos juntos para construir el reino de Dios.

Where to find answers to...

REVENUE & EXPENSES

- What is the surplus/loss for the year and what are the revenues and expenses – broken out by program/ministry, administrative and fundraising – for the year?

See: **Combined Statements of Activities, page 19;**
CFO Report, pages 16 & 17

- What is the break out of expenses by personnel costs, occupancy costs, office & program costs, professional services, travel & professional development, and grants & other assistance?

See: **Combined Statement of Functional Expenses, page 20**

- What were the costs associated with seminarian formation, diaconate formation, care for priests not in ministry and priest retirement benefits, and what were the sources of funding for these expenses?

See: **Chart, page 6**

- What was the cost of operating diocesan and regional schools and what were the sources of funding for these expenses?

See: **Chart, page 11**

- What was the cost of Catholic Charities programs, administration and fundraising and what were the sources of funding for these expenses?

See: **Chart, page 9**

ASSETS & LIABILITIES

- What are the assets and liabilities of the Diocese at year-end?

See: **Combined Statements of Financial Position, page 18**

- How much of the diocese's net assets are restricted as to use by donor stipulations?

See: **Note 15, page 27**

- How much of the diocese's net assets without donor restrictions are designated as to use?

See: **Chart, page 22**

- What investments are held by the Diocese, what is their cost basis and what is their current value?

See: **Note 7, page 23**

- How much of the diocese's investments and other assets are available for spending for general operations?

See: **Note 3, page 23; CFO Report, pages 16 & 17**

- How much is outstanding in loans to parishes and other notes receivable and what is the timeframe for collection?

See: **Note 5, page 23**

- How much is outstanding in parish advances?

See: **Note 6, page 23**

- How much is outstanding in pledges receivable for FFHL, the DSA, St. Joseph College Seminary and other programs and what is the timeframe for collection?

See: **Note 4, page 23**

- What is the total of parish funds on deposit with DL Catholic?

See: **Note 8, page 24**

- What is the total liability for the lay and priests pension plans?

See: **Note 9, page 24**

- How much did the Diocese fund the pension plans during the year and how is the Diocese addressing the pension liabilities?

See: **Pension section of Note 2, page 22**

FUNDRAISING (FFHL, DSA, Other)

- How much was raised by the DSA, what were the fundraising costs associated with raising these funds, and how were the funds distributed to Catholic Charities and other diocesan ministries?

See: **Narrative and chart, page 13**

- How much was raised for the St. Joseph Seminary capital campaign during the year and what were the fundraising costs?

See: **Capital Campaign Activities (St. Joseph College Seminary) section of Combined Statements of Activities, page 19**

- How much was raised for the MACS capital campaigns during the year and what were the fundraising costs?

See: **Capital Campaign Activities (MACS) section of Combined Statements of Activities, page 19**

- How much has been raised by the FFHL campaign; what were the fundraising costs associated with raising these funds, and how have the funds been distributed?

See: **Narrative and charts, bottom of page 13 & page 14**

- How much was raised by each of the diocesan special collections?

See: **Narrative and chart, page 13**

FOUNDATION

- How has the diocesan Foundation grown during the past year, how much accumulated investment income was distributed and what is the total under investment as of year-end?

See: **Chart, page 12 and narrative, page 13**

- Are any of the Foundation endowments "under water" and how much of the Foundation's endowments are donor restricted?

See: **Note 14, pages 26 & 27**

OTHER

- How much did the Diocese spend on Protecting God's Children, on assistance for victims of sexual abuse, and on legal costs and settlements pertaining to sexual misconduct lawsuits?

See: **Narrative, page 28**

- How much in assessments did parishes pay the diocese for programs and services provided?

See: **Revenues and Other Support section of Combined Statements of Activities, page 19**

- How much did the Diocese receive from the CARES Act Paycheck Protection Program?

See: **Note 16, page 27**

- What was the cost of providing employee benefits for all diocesan entities?

See: **Chart, page 14**

‘Be Holy’

This past fiscal year has certainly been anything but ordinary – in almost every aspect of our lives. Nevertheless, thanks to the many blessings from God and our reliance on each other, the people of the Diocese of Charlotte have been able to respond to the challenges posed by the COVID-19 pandemic with Christian fortitude, charity and hope – striving for holiness as missionary disciples of Christ.

The inspiring efforts are many. The diocesan offices and most of our 92 parishes and missions across western North Carolina transitioned to working remotely with minimal interruption in services. The technology platforms in place allowed staff to successfully access files, phone calls and emails from home. Parishes livestreamed Masses since parishioners were not allowed to attend in person for several months. And all of our 19 schools successfully shifted to remote learning in March – then, through careful planning and collaboration with families and public health officials, returned to in-person instruction in August. Likewise, the diocesan administration and most parishes are now moving back into their offices with safety measures in place.

We are extremely grateful to our parishioners who have continued to financially support their parishes and diocesan ministries during the shutdown and subsequent phases of restrictions on workplaces, schools and churches. Diocesan-wide parish offertory for the months of March, April, May and June 2020 averaged 85% of the same months of 2019. This is an incredible testament to the commitment of so many parishioners to their faith and the work of their local parish.

Understandably, however, there is much disparity in offertory giving from parish to parish. Some parishes have seen no reduction in their offertory collections, while others have experienced significant reductions due to the personal toll of the pandemic on their parishioners. Offertory data show the following:

Offertory for the quarter ending June 30, 2020 compared to the same quarter last year:	
Number of parishes/missions above 90%.....	36
Number of parishes/missions from 71% to 90%.....	31
Number of parishes/missions from 51% to 70%.....	14
Number of parishes/missions at 50% or below	11

During this time, the diocese has supported parishes with financial advice and relief funds as they continue their ministry work despite the extraordinary challenges of the pandemic.

Financial guidance has included instructions on transitioning to and supporting online giving, as well as sharing ideas and best practices to keep parishioners connected and engaged. More than three-quarters of our parishes now have online giving options in place. Additionally, the diocese provided detailed guidance about assistance awards available under the federal CARES Act and helped many parishes in navigating through the complex process.

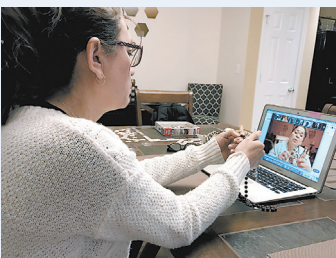
Recognizing that the pandemic poses an unsustainable burden on some parishes, the diocese set up a relief effort to assist parishes for the duration of the pandemic. The diocese is offering grants to parishes to help minimize the financial impact on both our parishes and Church workers, by allowing parishes to continue their ministry work wherever possible and to pay their staffs and provide benefits to those unable to work. Grants are available to parishes that continue to pay regularly scheduled staff members (for those who have them) and do not have sufficient revenue to cover costs without using a considerable amount of their savings. Grants are available so as to ensure that every parish retains 75% of their unrestricted cash and savings or enough to cover one month’s expenses, whichever is greater, as well as all restricted and capital funds.

The pandemic is also impacting the finances of the diocese. Over the course of this year and next, the diocese expects to



lose approximately \$2 million in income. As is the case with most parishes, the diocese applied for and received CARES Act funding which partially offset this loss. Cost containment measures are being implemented to cover the balance of the revenue shortfall.

The many efforts in the diocese over the past year are summarized on the following pages, followed by a detailed financial report for the fiscal year ending June 30, 2020.



Our hearts and prayers go out to the people who have fallen sick and, most especially, to those who have lost loved ones due to the COVID-19 pandemic. So, too, we remember in prayer those who have lost jobs and suffered so many other consequences of this global health emergency.

Pastoral Ministry

This year has tested all of us – including the faith-filled men and women whose vocation of service to God and His Church provide us daily examples of holiness. Nearly every aspect of their ministry – from the celebration of the sacraments, to outreach to the sick and homebound, to pastoral outreach and care, to promoting vocations – has been affected by the COVID-19 pandemic.

Yet all those who serve the 400,000-plus people of our diocese have responded to the challenges with hope, stamina and faith in God’s providence. The 84 active diocesan priests, 23 religious order priests, 29 retired priests, 127 permanent deacons and 128 women religious, 2,600 employees and countless volunteers – all have taken to heart the theme Bishop Peter Jugis chose for the 16th annual Eucharistic Congress, presented virtually and in parishes this year: “Be Holy,” from 1 Peter 1:16.

When the pandemic forced churches to cancel most public Masses and parish activities in March, then carefully reopen with safety measures in place, pastors and their staffs adapted with creativity and inspiration – finding new ways to connect in the digital sphere. Masses streamed live on Facebook and YouTube. Email newsletters instead of paper bulletins. Phone calls and porch visits. Drive-through Eucharistic Adoration, rosaries and outdoor confessions. Whatever it took to help keep people connected to their faith and to their parish family.



“Let us continue to pray for, and especially to encourage, vocations to the holy priesthood throughout the Church, especially here in the Diocese of Charlotte,”
Bishop Peter Jugis said at the opening of St. Joseph College Seminary.

VOCATIONS, CLERGY AND RELIGIOUS LIFE FINANCIAL HIGHLIGHTS FOR THE YEARS ENDING JUNE 30

	2020	2019		2020	2019
REVENUE & OTHER SUPPORT			EXPENSES		
Contributions			Seminarian formation	\$ 1,522,266	\$ 1,497,231
Priests’ retirement collection	\$ 1,187,775	\$ 955,125	Duc in Altum	3,349	25,708
FFHL Contributions	96,648	418,806	Quo Vadis Days	7,596	39,437
Priests’ Continuing Education			Diaconate formation	23,049	30,953
& Seminarian collection	68,127	274,695	Care for priests not in ministry	599,295	715,449
Seminarian education campaign	976,275	623,957	St. Joseph College Seminary administration	182,297	128,843
St. Joseph College Seminary building	3,858,140	4,861,228	St. Joseph College Seminary fundraising	194,774	340,417
Other	36,907	60,159	Priests’ retirement benefits	2,171,386	2,036,810
Parish Assessments	762,397	982,164	Other	381,850	384,679
Grants & Endowment Distributions	85,150	87,650			
DSA funding	759,287	808,163	TOTAL EXPENSES	\$ 5,085,862	\$ 5,199,527
Supplemental DSA funding	-	9,357			
Other income	21,493	65,702	Surplus – St. Joseph College Seminary -		
Administration funding	899,597	541,517	earmarked for building project	\$ 3,665,934	\$ 4,488,996
TOTAL REVENUE & OTHER SUPPORT	\$ 8,751,796	\$ 9,688,523			

Temporarily waiving the obligation to attend Sunday Mass, Bishop Peter Jugis entreated the faithful to rely on the Holy Spirit to strengthen and guide them through the difficult times. “Be holy,” he reminded people in numerous homilies, reminding us of the fruits of the Holy Spirit: among them charity, patience, kindness, gentleness, self-control, faithfulness and peace.

Not even a pandemic could stop the work of the Church, and so on July 24, 2020, Bishop Jugis conferred the sacrament of holy orders on Father Jacob Mlakar and Father Jonathan Torres, welcoming them as the diocese’s newest priests. The next

month, on Aug. 15, 2020, he instituted as acolytes 12 men in formation for the permanent diaconate. And on Sept. 15, 2020, he formally opened and blessed the new permanent home for St. Joseph College Seminary.

With its striking Gothic architecture and 30,000 square feet of living and learning space, the new building serves as home to young men who are exploring a vocation to the priesthood while also pursuing an undergraduate degree at nearby Belmont Abbey College. The building features 40 10-foot-by-10-foot rooms for the college seminarians, a chapel, classrooms and a library, and a meditative cloister walk.



The opening of St. Joseph College Seminary represented a milestone in the history of the diocese. It is the only college seminary program between Washington, D.C., and Miami, and has been a magnet for young men wanting to discern the priesthood. The program has proven so popular that construction of the building, situated amid 86 wooded acres in Mount Holly, had to be accelerated. Enrollment has more than tripled since the program was established in 2016, and upon opening the new seminary building this year, the program is already at two-thirds of capacity with 27 out of 40 slots filled. Those enrolled come from across the diocese – including Arden, Biscoe, Boone, Brevard, Charlotte, Forest City, Gastonia, Huntersville, Lenoir, Newton, Salisbury and Tryon. Private donors have already contributed more than \$16.5 million toward the \$20 million project.

Deacons of the diocese also continued to serve faithfully in parishes and minister in diocesan offices, schools and agencies – helping the faithful navigate changes in public health protocols by assisting at Mass, offering the sacraments, staffing parishes and ministries, and more. They also adapted to changing circumstances to continue serving in hospitals, prisons and the Charlotte airport.

Women religious serving in our diocese, representing 23 different religious communities, continued to show God's love by their example, caring for the poor, the sick and the most vulnerable with unswerving devotion.

The ongoing evangelization work of the Church was also evident in the diocese's African American Affairs Ministry and Hispanic Ministry.

Social protests sparked across the nation by the deaths of several Black citizens during interactions with police prompted the African American Affairs Ministry to focus on educating people about institutional racism and its impacts, and urging prayers for peace and understanding. In a June pastoral letter to the faithful, Bishop Jugis underscored the spiritual aspect of the issue by reiterating the U.S. bishops' teaching against the sin of racism in "Open Wide Our Hearts."

In February 2020, Father Julio Dominguez was appointed by Bishop Jugis to be the new Vicar for Hispanic Ministry, succeeding Father Fidel Melo. Two vicariate coordinators were also added to the team: Father Gabriel Carbajal for the Albemarle Vicariate, and Deacon Sigfrido de la Valle for the Smoky Mountain Vicariate.

When COVID-19 caused churches to close to in-person services and activities, Hispanic Ministry coordinators and volunteers shifted nimbly to social media and video conferencing on Zoom and Skype to continue their outreach efforts to parishes and ministries serving the growing Hispanic Catholic population, particularly young people.

Hispanic Ministry also continued its work with V Encuentro, now in the process of discerning how to apply the conclusions from the national conference here in our diocese. This phase of the multi-year effort has the following objectives:

- present V Encuentro's proceedings and conclusions to diocesan and parish leaders,
- reflect on the reality of the Hispanic community in our diocese,
- conduct a pastoral planning process to help us implement the findings in our diocese,
- propose action steps that respond to the pastoral priorities with a special focus on Bishop Jugis' episcopal priorities,
- commit to advancing the New Evangelization, including creating a "culture of encounter,"
- celebrate the fruits of the V Encuentro process and our Catholic faith, and
- provide the national V Encuentro team with our current and future pastoral priorities and responses to assist in the development of the renewed vision and national pastoral plan for Hispanic/Latino ministry.

At the heart of the diocese's extraordinary effort to serve the people of God in western North Carolina has been its commitment to encouraging vocations to the priesthood. Since becoming bishop in 2003, Bishop Jugis has made promoting vocations one of the four priorities of his episcopacy. Through much prayer and your support, the diocese now has 41 seminarians (27 college seminarians and 14 men enrolled in major seminaries) in various stages of formation to be ordained priests of the diocese.

"With all that has been done here with the guidance of Our Blessed Lord and the help of the Holy Spirit, let there be for us and into the future, many more blessings to come," Bishop Jugis said at the opening of St. Joseph College Seminary. "Let us continue to pray for, and especially to encourage, vocations to the holy priesthood throughout the Church, especially here in the Diocese of Charlotte."

Corporal Works of Mercy

Pope Francis reminds us in *Gaudete et Exsultate*: "The call to holiness is at once personal and communal – pushing us to actively build the kingdom of God." We build the Kingdom of God when we serve the poor, embrace the marginalized, and care for the most vulnerable among us. This essential work of the Church – through parishes and exemplified by our Catholic Charities agency and our housing corporation – is accomplished thanks to you and tens of thousands of other people of goodwill across western North Carolina.

As the COVID-19 pandemic has ravaged families and local economies, the need for this work of charity has grown. And the people of the diocese have responded wholeheartedly.



CATHOLIC CHARITIES DIOCESE OF CHARLOTTE
FINANCIAL HIGHLIGHTS FOR THE YEARS ENDING JUNE 30

	2020	2019		2020	2019
REVENUE & OTHER SUPPORT			EXPENSES		
Paycheck Protection Program award	\$ 438,197	\$ -	Counseling program	\$ 429,379	\$ 424,110
Other federal and state agency awards	1,982,412	1,575,575	Direct Assistance	1,970,087	1,440,459
Other grants, contracts and awards	297,129	534,385	Family Life Services	316,324	353,114
Contributions - Diocese of Charlotte:			Office of Economic Opportunity	48,953	122,052
DSA funding	1,948,595	1,953,109	Refugee & Immigration Services	1,338,892	1,569,671
Other support	18,770	18,170	Respect Life	62,220	58,937
Contributions - Other	2,013,508	1,563,350	Social Concerns & Advocacy	150,895	151,087
Fees	462,028	530,425	Stay the Course/Teen Parenting Program	191,291	218,287
Other	107,117	277,590	Translation & Interpretation	537,092	579,918
TOTAL REVENUE	\$ 7,267,756	\$ 6,452,604	U.S. Bishops collections (CCHD & CRS)	54,488	50,230
			Veterans Services	432,389	-
			Youth Counseling	117,338	167,627
			Administrative expenses	862,772	773,000
			Fundraising expenses and direct benefits to donors	351,416	340,180
			TOTAL EXPENSES	\$ 6,863,536	\$ 6,248,672

Thanks to your generosity, Catholic Charities was able to respond to increased requests for food, financial help and burial assistance. Regional pantries in Asheville, Charlotte and Winston-Salem provided 662,967 pounds of food and 19,242 pounds of supplies to 11,154 people. Regional offices in Asheville and Winston-Salem also gave out more than 900 bags of clothing. With the help of parishes and community groups, 1,080 people received food and other assistance over the holidays, and others received disaster relief assistance. Our Burial Assistance program provided 104 dignified burials for the especially destitute, including four children.

Beyond providing for these essential needs, Catholic Charities continued to provide services to develop healthy children, families and seniors. Six families and individuals received pregnancy support and adoption services. Its teen parenting program helped 19 young parents with parenting skills and assistance in achieving their educational and career goals. More than 260 people received counseling services – including telehealth counseling, launched soon after the pandemic shut down most in-person services. Catholic Charities also continued its ongoing education to foster healthy marriages: offering marriage preparation classes to 375 couples and Natural Family Planning instruction to another 557 people. And across the diocese, 1,007 seniors took part in 34 Elder Ministry events.

Catholic Charities also resettled 144 refugees and asylum seekers and, thanks to parish and community support, set up 12



Making these corporal works of mercy possible were more than 50 full- and part-time employees, 316 volunteers who contributed 19,515 hours of service, over 2,000 donors who gave directly to Catholic Charities, and financial support received through the annual Diocesan Support Appeal.

apartments for newly arrived refugee families. An additional 350 refugees benefited from employment, case management, transportation, and/or afterschool mentoring to become self-reliant members of our community. Legal immigration services were provided to 310 people.

Honoring Pope Francis' call, Catholic Charities has gone a step further: providing emergency rent and utility assistance to families economically affected by the pandemic, to help them avoid utility shut-offs or eviction. This was made possible thanks to your financial support as well as two grants totaling \$115,000 from the Charlotte-Mecklenburg COVID-19 Response Fund.

Through Catholic Charities' special outreach to homeless veterans, 73 former members of the military were provided with a safe place to sleep at night.

In addition, the Diocese of Charlotte Housing Corporation continued its ministry to build affordable housing for vulnerable seniors, adults with developmental and intellectual disabilities, and other vulnerable/underserved populations. With three successful housing developments already in its portfolio, the housing corporation moved closer this year to opening its fourth. Guardian Angel Villa, a three-story, 81-unit community in Charlotte for seniors – the diocese's largest project to date – is expected to open in November 2020. Built in partnership with Douglas/Schaumber Development, it will serve seniors 55 and older who earn between 30% and 60% of the area's median income.

Education and Catechesis

Catechesis aims to foster an ever-increasing desire to be holy, to become missionary disciples in communion with Jesus. We are able to grow in holiness through the experience of life in the Church: participation in the Holy Sacrifice of the Mass, reception of the sacraments, Adoration of the Most Blessed Sacrament, prayer, and Christian service in the spiritual and corporal works of mercy.

Drastic changes in the last quarter of the academic year, prompted by the pandemic, did not deter us from this call to discipleship.

The entire Education Vicariate – from Youth Ministry, to Catholic Schools, to Campus Ministry, to Adult and Lay Ministry – shifted to connect with the faithful via the internet and social media. The challenges were many, as were blessings. In the last quarter, most meetings and continuing education moved to digital experiences with a creativity that helped build confidence

and motivate additional efforts to work for the common good and achieve excellence.

Before and during the pandemic, the work of the Education Vicariate continued apace:

- More than 800 Catholic school teachers, faith formation catechists, and parents completed the online Basic Catechetical Certification Program.
- The Faith Formation Office provided support to parish catechetical leaders as faith formation programs for the 2019-20 year encompassed 27,623 students and 14,447 adults, taught by 3,600 catechists.
- The Office for Youth Ministry reached up to 1,250 individuals directly, both in person and electronically through online meetings and events. Online meetings also enabled the Diocesan Youth Advisory Council to expand for the 2020-21 year.
- Campus Ministry’s nine full-time campus ministers worked with 1,695 students at various college and university programs – particularly aiding them during campus pandemic-related closures in the spring and reopenings in the fall.
- The Lay Ministry Formation Office completed its two-year program with 183 people registered at five English-speaking course locations and two Spanish-speaking course locations. Also, 23 people were involved in a study of the Church Fathers.
- The 2019-20 year saw the 19 Catholic schools of the diocese serving 6,896 students with 654 teachers/administrators. All schools successfully transitioned to remote learning in March – then, through careful planning and coordination among school leaders, guidance from public health officials and engagement with families, they resumed in-person instruction in August and September.
- Growth in the work of the Education Vicariate prompted Bishop Jugis to add a second vicar for education as the diocese ended FY 2019-20 and began FY 2020-21: Father Timothy Reid was appointed Vicar for Education: For Catholic Schools. Father Roger Arnsperger, the current education vicar, became Vicar for Education: For Catechetical Formation.

EDUCATION FORMATION OFFICES OF THE DIOCESE OF CHARLOTTE FINANCIAL HIGHLIGHTS FOR THE YEARS ENDING JUNE 30		
	2020	2019
REVENUE & OTHER SUPPORT		
(includes DSA funding of \$1,640,876 in 2020 and \$1,526,667 in 2019)	\$2,286,839	\$2,191,936
EXPENSES	\$2,286,839	\$2,191,936
DIOCESAN AND REGIONAL SCHOOLS FINANCIAL HIGHLIGHTS FOR THE YEARS ENDING JUNE 30		
	2020	2019
Tuition and fees	\$46,487,371	\$45,759,477
Parish support	4,477,466	4,327,008
Campaign contributions	2,650,051	4,161,941
Other contributions and gifts	1,886,810	2,806,139
School activity revenue	1,089,383	1,340,250
Income from rental property	646,182	646,182
Other	1,663,023	1,065,167
TOTAL REVENUE & OTHER SUPPORT	<u>\$58,900,286</u>	<u>\$60,106,164</u>
Instructional personnel	\$27,605,639	\$27,349,869
Other instructional costs	2,404,608	2,721,743
Facilities	9,529,670	9,090,463
Administrative personnel	3,679,204	3,607,162
Supplementary programs and activities	4,340,118	5,030,285
Other	4,445,383	5,450,952
TOTAL EXPENSES	<u>\$52,004,662</u>	<u>\$53,250,474</u>





“Let the fruits of the Holy Spirit be noticed by everyone you meet. What a powerful witness of Christ you will be,” Bishop Peter Jugis told 2020 graduates during a livestreamed baccalaureate Mass in May.

Another initiative overseen by the Education Vicariate, the Eucharistic Congress, was a success in September 2019 yet was necessarily re-imagined for the fall of 2020 in response to the pandemic. The 15th annual Diocesan Eucharistic Congress, held Sept. 6-7, 2019, brought more than 15,000 people together at the Charlotte Convention Center for an annual “family reunion” so that we could be in the Lord’s Presence in the Most Holy Eucharist. The 16th annual Congress, originally scheduled for Sept. 12-13, 2020, shifted from what would have been a similarly large celebration in uptown Charlotte to parish- and home-based family celebrations. Parishes developed their own worship and educational programs for youth and adults alike, including Eucharistic Adoration and Mass. Bishop Jugis offered a special Mass streamed live from St. Patrick Cathedral, and the Catholic News Herald provided supplemental educational materials for families to deepen their devotion to the Eucharist.

Stewardship of Treasure

As missionary disciples, we are called by God to be holy in every aspect of our lives – and that means using our gifts to help build up the kingdom of God and be His witness in our community.

Employees, volunteers, supporters and the faithful of the diocese take this mission to heart, generously providing

THE FOUNDATION OF THE ROMAN CATHOLIC DIOCESE OF CHARLOTTE FINANCIAL HIGHLIGHTS FOR THE YEARS ENDING JUNE 30

	2020	2019		2020	2019
ASSETS			LIABILITIES		
Cash	\$ 978,376	\$ 1,086,001	Payables & unearned income	\$ 46,894	\$ 32,886
Due from Advancement Corp. and other receivables	248,264	298,410	Custodial & annuity obligations	17,927,594	17,182,723
Investments	56,827,887	55,516,493	TOTAL LIABILITIES	\$ 17,974,488	\$ 17,215,609
Beneficial Interest in Advancement Corp.	85,062	256,871	NET ASSETS		
Assets held in trust	-	39,064	Net assets without donor restrictions	\$ 3,850,602	\$ 3,777,871
TOTAL ASSETS	\$ 58,139,589	\$ 57,196,839	Net assets with donor restrictions	36,314,499	36,203,359
			TOTAL NET ASSETS	\$ 40,165,101	\$ 39,981,230
			TOTAL LIABILITIES AND NET ASSETS	\$ 58,139,589	\$ 57,196,839

prayers and support to ensure that the wide-ranging work of our parishes, schools and ministries – indeed, our entire diocese – remains robust and flourishes for generations to come.

Your support this past year included gifts to the Foundation of the Roman Catholic Diocese of Charlotte, which established 11 new endowments during fiscal year 2019-20, raising the total number of endowments to 278. These various endowments helped lift up our parishes, schools, Catholic Charities, priest retirement, seminarian education and outreach programs. Principal additions to new and existing endowments for the year totaled \$1,357,197. Distributions for the year totaled \$973,160 – bringing the total of distributions since the foundation began in 1994 to more than \$10 million. The foundation also awarded \$69,394 in grants to churches and diocesan ministries to support 17 projects.

DIOCESAN SUPPORT APPEAL MINISTRY FUNDING FOR THE YEARS ENDING JUNE 30					
	2020 (from 2019 DSA)	2019 (from 2018 DSA)		2020 (from 2019 DSA)	2019 (from 2018 DSA)
GRANTS TO CATHOLIC CHARITIES	\$ 1,948,595	\$1,953,109	VOCATIONS		
EDUCATIONAL MINISTRIES			Seminarian Education	676,574	711,641
Adult Education/Evangelization	100,297	85,829	Permanent Diaconate	82,713	96,522
Campus/Young Adult Ministry	789,088	702,840	TOTAL VOCATIONS	\$ 759,287	\$ 808,163
Faith Formation Office	428,685	457,997	Eucharistic Congress/Year of St. Joseph	\$ 288,773	\$ 207,361
Youth Ministry Office	114,215	122,106	Housing Ministry	\$ 309,514	\$ 280,801
Catholic Schools Office	113,776	64,457	DSA CAMPAIGN COSTS	\$ 338,418	\$ 309,434
Education Administration	94,815	93,438	TOTAL DSA FUNDING	<u>\$ 6,032,464</u>	<u>\$5,863,720</u>
TOTAL EDUCATIONAL MINISTRIES	\$ 1,640,876	\$1,526,667			
MULTICULTURAL MINISTRIES	\$ 747,001	\$778,185			

Beyond the long-term support provided through the foundation, the annual Diocesan Support Appeal (DSA) enabled us to offer back to God a portion of what He has given us, to support the work of the diocese today. Financial gifts totaling \$6.32 million from 16,500 donors to the 2019 appeal supported more than 50 ministries and programs across the diocese, including seminarian education; Catholic Charities; educational programs for children and adults; the permanent diaconate; multicultural ministries; the housing corporation ministry; and the Eucharistic Congress. Fifty-four parishes that exceeded

their DSA goals received \$418,238, and 35 parishes that fell short of their goal contributed a total of \$180,003 to the appeal from parish funds.

SPECIAL COLLECTIONS AMOUNTS COLLECTED FOR THE YEARS ENDING JUNE 30		
	2020	2019
International/National Combined Collection	\$ 101,521	\$ 232,306
Catholic Campaign for Human Development	144,390	151,614
Religious Retirement Collection	278,897	228,973
Combined Mission Collection	272,834	267,102
World Mission Sunday	213,568	173,876
Archdiocese for Military Services	162,805	-
Disaster Relief	-	181,395
TOTAL	<u>\$ 1,174,015</u>	<u>\$ 1,235,266</u>

In addition, contributions to special collections in fiscal 2019-20 supported: International/National Combined Collection (Catholic Relief Services, Collection for the Holy Land, Collection for the Works of the Holy Father/Peter’s Pence, Catholic University of America, and Catholic Communications Campaign) • Catholic Campaign for Human Development • Religious Retirement Collection • Combined Mission Collection

(Church in Latin America, Church in Central and Eastern Europe, United States Mission Appeal/Black and Indian Mission, Catholic Home Mission, and Church in Africa) • World Mission Sunday • Archdiocese for Military Services

The year also saw many people continue to make regular payments toward their pledges in the Diocese of Charlotte’s “Forward in Faith, Hope, and Love” campaign. The unprecedented campaign was launched in 2012 to renew, strengthen and advance the financial resources of the 92 parishes and missions in the diocese, and to solidify the diocese’s financial foundation for the future.

FORWARD IN FAITH, HOPE, AND LOVE \$65 MILLION GOAL ALLOCATION

PARISH LIFE AND MINISTRIES	\$16.25 million	CLERGY SUPPORT	\$13 million
		– Expand Priest Retirement Fund: \$10 million	
CATHOLIC EDUCATION	\$12.75 million	– Expand Vocation and Seminarian Support	
– Expand Faith Formation Endowment: \$1 million		Endowment: \$3 million	
– Expand Tuition Assistance Endowment: \$6 million		CATHOLIC OUTREACH	\$11.5 million
– College Campus Ministry: \$1.75 million		– Expand Catholic Charities Diocese of Charlotte	
– Renovate Existing Catholic Schools: \$4 million		Endowment: \$6 million	
PASTORAL AND TEMPORAL RESOURCES	\$11.5 million	– Expand Multicultural Ministries Endowment: \$3 million	
– Parish and Mission Support Services Endowment: \$6 million		– Housing Initiatives: \$2.5 million	
– St. Patrick Cathedral Renovations: \$4 million			
– Retreat and Conference Center Renovations: \$1.5 million			

In addition, campaign costs, which include educational materials, communications, accounting and fundraising staff, were projected to approximate 6.5 percent of the total campaign goal, a total of \$4,225,000.

The solicitation phase of the campaign ended in 2015; as such, only minimal gifts were received during the fiscal year ended June 30, 2020. Pledge payments received during fiscal 2020 totaled \$1,466,000, bringing total pledge redemptions to \$53,304,000. Distributions for the fiscal year ending June 30, 2020, totaled \$1,054,000, bringing inception-to-date distributions to \$43,193,000, comprised of:

PARISH LIFE & MINISTRIES	\$ 19,088,000
CATHOLIC EDUCATION	6,658,000
PASTORAL & TEMPORAL RESOURCES	4,350,000
CLERGY SUPPORT	7,728,000
CATHOLIC OUTREACH	5,369,000
TOTAL DISTRIBUTED	\$ 43,193,000
DISTRIBUTIONS PENDING for Capital Projects	4,954,000
DISTRIBUTION PENDING for Priest Retirement	28,000
APPLIED TO COVER CAMPAIGN EXPENSES	5,129,000
TOTAL PAYMENTS RECEIVED ON PLEDGES	\$ 53,304,000
The above distribution total was earmarked as follows:	
TO PARISHES/MISSIONS	\$19,088,000
TO THE PRIEST RETIREMENT TRUST	\$ 5,938,000
TO ENDOWMENTS WITH THE	
DIOCESAN FOUNDATION	\$15,511,000
FOR CAPITAL INITIATIVES	\$ 2,656,000



Campaign costs during the fiscal year ended June 30, 2020, amounted to \$128,000 – bringing inception-to-date campaign costs to \$5,074,000.

“I am humbled and extremely grateful for the generosity of so many people throughout our diocese in faithfully fulfilling their commitments to the ‘Forward in Faith, Hope, and Love’ campaign,” Bishop Jugis said as the diocese finished another year of parishioners fulfilling their pledges.

Human Capital

The call to stewardship and mission described above also characterized the efforts of the approximately 2,600 full- and part-time employees of the diocese, who found many creative ways to continue their work without interruption when in March the diocesan offices, parishes, ministries and schools were suddenly faced with the task of working remotely – something that many employees had not done before.

**THE COST OF EMPLOYEE BENEFIT PROGRAMS
FOR ALL DIOCESAN ENTITIES FOR THE YEARS ENDING JUNE 30**

	2020	2019
Long Term Disability	\$ 165,393	\$ 160,485
Health and Life Insurance	9,467,941	9,879,472
Lay Pension Plan	2,984,012	2,670,496
403(b) Plan Contributions	3,435,641	3,379,154
FSA/HSA Administration Fees	14,092	13,883
TOTAL	<u>\$ 16,067,079</u>	<u>\$ 16,103,490</u>

At the Diocesan Pastoral Center, an Incident Response Team worked together to address issues related to the pandemic and our response to it. A similar collaborative taskforce coordinated the Catholic Schools Office's response efforts. Communication materials relating to COVID-19 safety protocols, employment issues, and support for employees were developed and shared with parishes, schools and employees throughout the diocese.

Pope Francis has said, "We are all called to be holy by living our lives and by bearing witness in everything we do, wherever we find ourselves." Clergy, religious, employees, volunteers and other people of goodwill throughout the diocese embraced this challenge during the COVID-19 pandemic, serving others and demonstrating the fruits of the Holy Spirit as Bishop Jugis has called us all to do. "Be Holy" is not just a theme for this year, it's our call to be missionary disciples in communion with Jesus.



Looking Forward

Because of your prayers, support and discipleship, we have been able to play our part in the Church and community response to the pandemic this year, prioritizing people's health and well-being while meeting the challenges set before us with faith, charity and confidence in God's love.

In summary, we are well positioned to move forward with the vital ministry of the Church here in western North Carolina. The following pages detail the diocese's finances for the fiscal year ending June 30, 2020.

The Lord has been and continues to be with us. Let us raise our voices in thanksgiving for His blessings and in petition that the coronavirus be contained, that health be restored to the sick, and that the unemployed and under-employed find gainful employment.

Report from the Chief Financial Officer

Despite many significant challenges posed by the pandemic, the Diocese of Charlotte remains in good financial health. Operating income for the year ended June 30, 2020 (before considering capital campaign activity) was \$4.1 million, up from \$527,000 in fiscal 2019. Expenses increased \$75,000 or 0.1% over the prior year, thus the net increase in operating income is mainly attributable to revenue increases, primarily from school tuition and fees, parish support of schools, parish assessments for employee benefit programs, and proceeds from the federal CARES Act awarded to Bishop McGuinness Catholic High School, Catholic Charities and the Central Administration of the Diocese.

Financial resources (donor-restricted and general-purpose funds) spent during the past fiscal year went toward the following diocesan priorities:

- Our retired priests, seminarians and other clergy serving the faithful, approximately \$5.9 million;
- The recently completed construction of St. Joseph College Seminary, \$8.8 million;
- Capital additions and improvements at our regional and diocesan schools, \$2.6 million; and grants to parish schools, \$296,000, \$187,000 of which was earmarked for student tuition assistance;
- Pastoral programs for our Catholic immigrant brothers and sisters, approximately \$900,000;
- Social service programs for our neighbors in need, \$5.7 million;
- Parish Faith Formation and support for our 19 schools by the Catholic Schools Office, \$2.3 million;
- Grants to support parishes, \$754,000 (primarily from the FFHL campaign proceeds).

All of our initiatives are dependent on the good work of our many dedicated clergy and lay persons. During the fiscal year just ended, employee salaries and benefits totaled approximately \$56.3 million, up from \$55.9 million in fiscal 2019. Employee benefits include three health insurance programs from which employees may select, term life insurance, numerous employee-paid optional

benefits, a generous schedule of paid time off and a 403(b) defined contribution pension plan. Non-temporary employees working at least 1,000 hours in a calendar year receive a contribution to their 403(b) account totaling 5% of their annual salary. In addition, they receive a match equal to 50% of the first 4% of pay they contribute to their pension account.

Of course, the heart of the Diocese is our parishes and schools. And, while this report covers the financial activities of many diocesan ministries and entities, it does not include our parishes (and parish and inter-parochial schools), which report separately to their parishioners. The diocesan financial statements for the years ended June 30, 2020 and 2019 are presented on the following pages for your review.

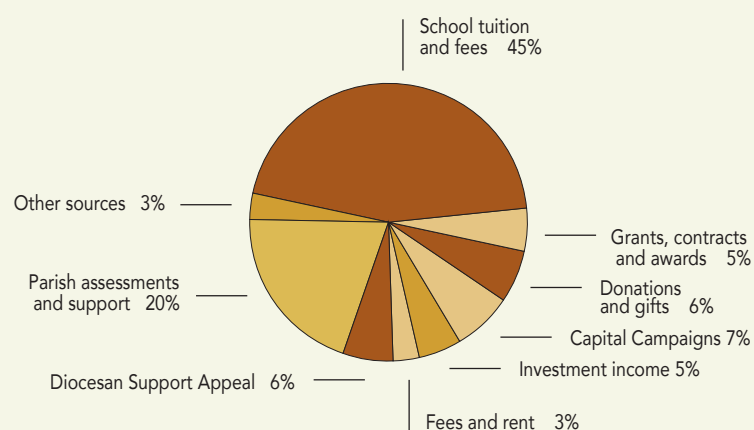
Results of operating activities for the year ended June 30, 2020

Expenses in support of our various program (ministry) services totaled \$58.2 million, while all other operating expenses (excluding the capital campaign expenses) totaled approximately \$29 million, for a total of \$87.2 million, representing an increase from the prior year of \$75,000. We were blessed to receive \$87.8 million in financial support without donor restrictions (excluding capital campaign income), and reclassified donor restricted revenue totaling \$5.3 million to unrestricted operating revenue as a result of fulfilling donor restrictions, for a total of \$93.1 million in revenue without donor restrictions (excluding capital campaign revenue).

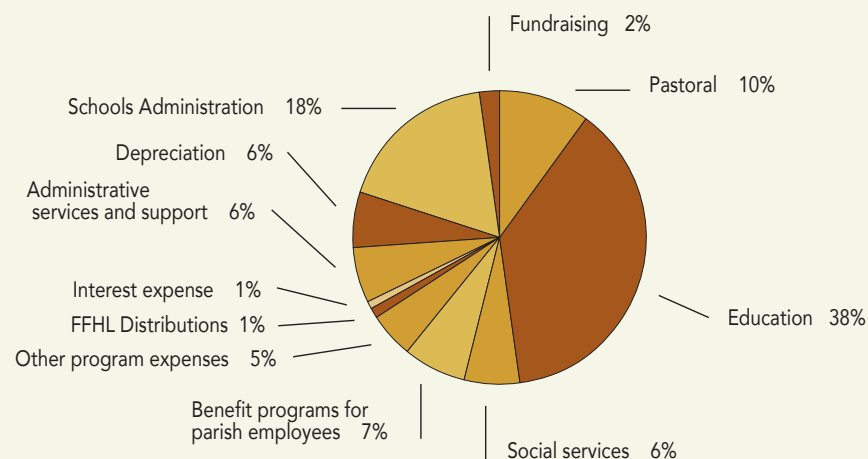
The Diocese recorded a net decrease in donor-restricted operating funds (excluding capital campaign activities) of approximately \$1.8 million for the year ended June 30, 2020. This represents the excess of \$5.3 million in donor-restricted gifts whose restrictions were fulfilled during the fiscal year over \$3.5 million in donor-restricted donations and grants received during the fiscal year.

The pie charts depict the major sources of revenues and summarize expenditures for the fiscal year just ended. Additional detail about revenues and a breakout of expenses by functional area, along with a comparison to fiscal 2019, are presented within the Statement of Activities on page 19.

SOURCES OF REVENUE



USES OF OUR RESOURCES



Capital campaign activity for the year ended June 30, 2020

There were four capital campaigns with activity during fiscal 2020. The FFHL campaign recorded a loss of approximately \$155,000 as a result of distributions to parishes and administrative expenses in excess of income recorded. Page 14 provides additional information about FFHL activities. The campaign for the construction of St. Joseph College Seminary recorded revenue, net of campaign costs, totaling \$3.7 million during the fiscal year. MACS had two capital campaigns in the gift solicitation phase: (1) for the construction of a Fine Arts Center at Charlotte Catholic High School and (2) to expand the gymnasium and add athletic amenities at Christ the King Catholic High School. The MACS campaigns recorded total revenue, net of campaign costs, of \$2.5 million during fiscal 2020.

Results of nonoperating activities for the year ended June 30, 2020

Nonoperating activities consist of the return earned on diocesan investments. The Diocese reported a gain on investments this past year of approximately \$4.6 million, of which \$1.3 million is subject to donor restrictions.

Net Asset Charge for the year ended June 30, 2020

The Diocese recorded a \$11.3 million charge to (decrease in) net assets in fiscal 2020 due to our pension and post-retirement benefit plans' most recent actuarial valuations. The primary driver of this charge is a decrease in the discount rate from last year. As a result of fluctuating discount rates, the Diocese recorded net asset credits related to our pension and post-retirement benefit plans totaling \$24 million in fiscal years 2017 and 2018 and net asset charges totaling \$20.5 million in fiscal years 2019 and 2020, resulting in a net credit over the past four years of \$3.5 million.

The cumulative charge against net assets related to our pension and post-retirement benefit plans through June 30, 2020 totals approximately \$53.4 million, leaving a balance in net assets without donor restrictions of approximately \$78.7 million, of which approximately \$49.7 million is designated for certain diocesan activities. Additionally, the accrued liability for the pension and post-retirement benefit plans was approximately \$81.2 million at June 30, 2020. Due to the significant liability and charge to net assets related to the

Lay Employee Pension Plan, this plan was amended to eliminate future accruals for all participants, except for those who were at least age 62 and had at least 12 years of service, and was closed to new entrants, as of January 1, 2018. Although the plan is frozen, employees who were participants in the plan will retain benefits accumulated up to January 1, 2018, based on credited service and eligible earnings, in accordance with the terms of the plan.

Cash flows for the year ended June 30, 2020

Cash generated from operating activities totaled approximately \$13.8 million (including \$2.5 million of pledge receivables collected), which provided a majority of the funds needed for the acquisition of property and equipment, which totaled \$15.8 million.

Liquidity as of June 30, 2020

Although the pension and post-retirement benefit liabilities have a significant impact on our unrestricted net assets, they are long term in nature and do not affect our liquidity in the short term. As the Statement of Financial Position shows, cash and investments total \$174 million at June 30, 2020, of which \$54 million is invested in donor-restricted endowments, leaving a balance of \$120 million. Receivables totaling \$6 million are due within the coming year, resulting in liquid assets of \$126 million. Of this amount, \$53 million is either restricted as to use by donor stipulations or management designations or is required for FFHL and endowment distributions and grant commitments, further reducing funds available to \$73 million. Of this amount, \$42 million represents parish deposits held by DL Catholic, leaving a balance of \$31 million for general operations, including payment of liabilities reported on the Statement of Financial Position at June 30, 2020.

Financial governance and oversight

The diocesan Finance Office remains committed to the highest standards of fiscal integrity, accountability and transparency. To this end, the Diocese has developed guidelines for strong financial governance, which can be found on the diocesan website. The complete compendium of financial policies of

the Diocese of Charlotte are also published on the diocesan website. These policies are updated regularly. It is the responsibility of the diocesan Finance Office to ensure that accounting policies and procedures are being adhered to, and internal controls are in place and operating so as to safeguard diocesan assets and ensure that all financial activity is accounted for properly. The Diocese's commitment to the pillar of transparency is evident by the high rating the Diocese received from the Voice of the Faithful: one of only five dioceses in the United States to receive a score of 100%.

Financial oversight is provided through routine financial audits and the diocesan Finance Council, which is directly responsible to the Bishop. The diocesan Finance Council fulfills its audit oversight responsibilities by meeting annually with the Diocese's outside auditors and exercising oversight as it relates to the following specific matters:

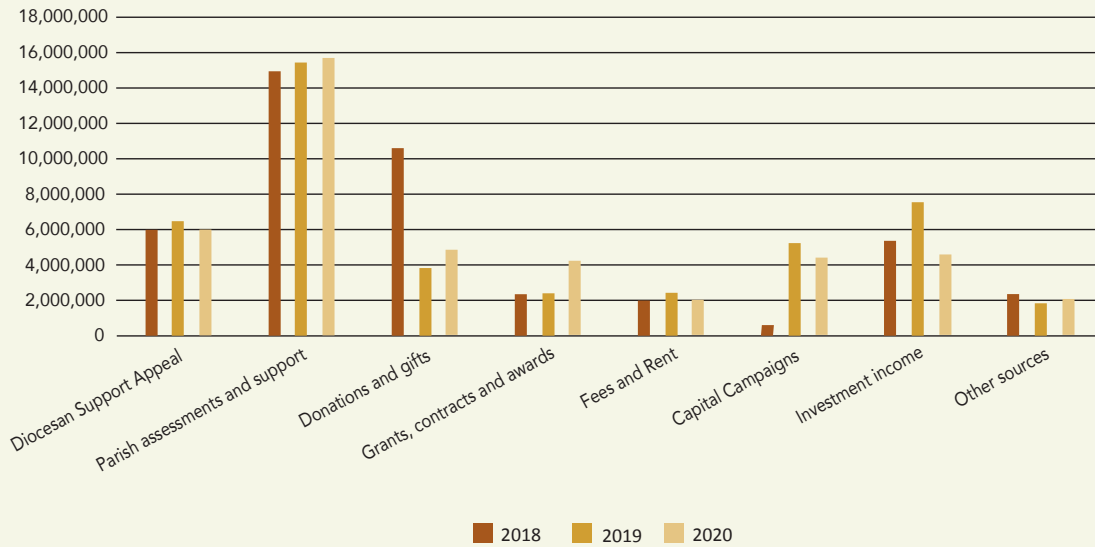
- Systems of internal accounting control;
- Compliance with laws and regulations;
- Compliance with diocesan code of ethics;
- Financial reporting; and the
- External auditors.

The integrity of the financial statements that follow and the integrity of the underlying financial systems are the responsibility of the Diocese. The public accounting firm of Deloitte and Touche LLP was engaged to perform an independent audit of these financial statements. Their audit report is included in the financial report that follows.

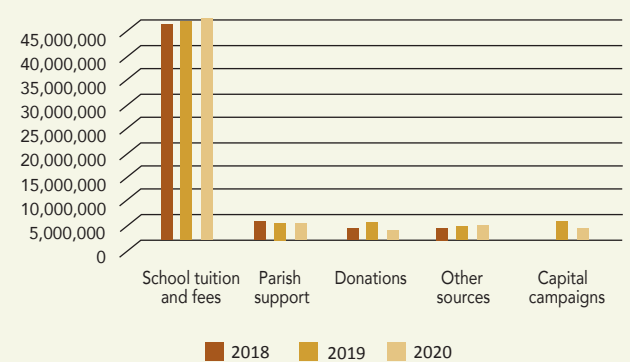


William G. Weldon, CPA
Chief Financial Officer

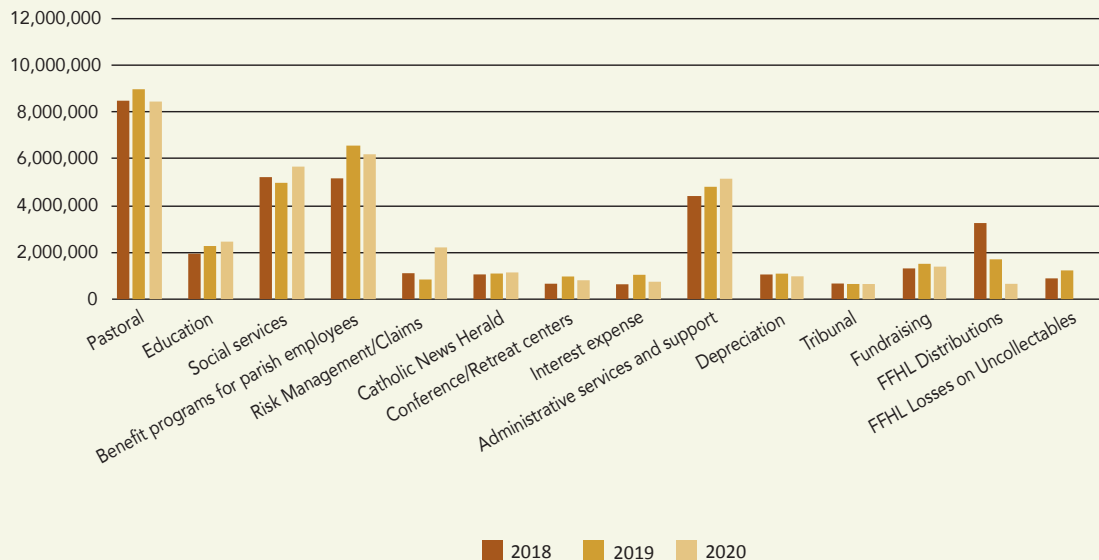
Diocesan Revenues excluding Schools: 2018 - 2020



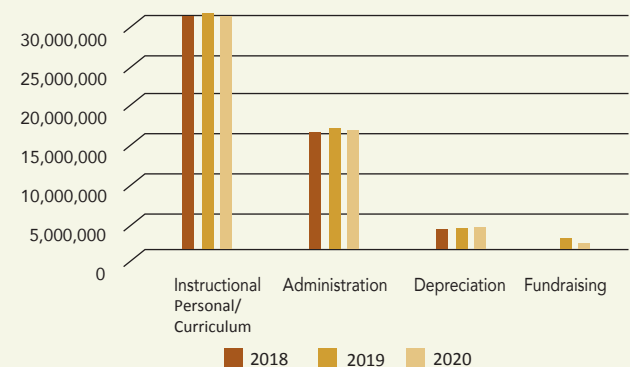
Regional and Diocesan Schools' Revenues: 2018 - 2020



Diocesan Expenses excluding Schools: 2018 - 2020



Regional and Diocesan Schools' Expenses 2018 - 2020



INDEPENDENT AUDITORS' REPORT

To the Most Reverend Peter J. Jugis, Bishop of Charlotte:

We have audited the accompanying combined financial statements of The Roman Catholic Diocese of Charlotte (the "Diocese"), which comprise the combined statements of financial position as of June 30, 2020 and 2019, and the related combined statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the combined financial statements. The combined financial statements include the accounts of the affiliated diocesan entities described in Note 1 to the combined financial statements, which operate under the auspices of the Diocese.

Management's Responsibility for the Combined Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including

the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Diocese's preparation and fair presentation of the combined financial statements 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 Diocese's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Diocese as of June 30, 2020 and 2019, the combined changes in their net assets, their cash flows, and their functional expenses for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

October 12, 2020

**THE ROMAN CATHOLIC DIOCESE OF CHARLOTTE
COMBINED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2020 AND 2019**

	2020	2019
ASSETS		
CASH AND CASH EQUIVALENTS	\$30,933,154	\$35,604,728
PLEDGES RECEIVABLE—Net	7,540,965	8,091,593
OTHER ACCOUNTS RECEIVABLE—Net	2,902,835	3,636,545
NOTES RECEIVABLE—Net	11,537,433	14,194,825
ADVANCES TO PARISHES—Net	3,775,520	1,895,182
INVESTMENTS	143,134,462	134,434,926
PROPERTY AND EQUIPMENT—Net	95,459,689	88,383,178
BENEFICIAL INTERESTS IN PERPETUAL TRUSTS	9,516,848	9,422,676
DEFERRED RENT AND RIGHT-OF-USE ASSETS—Operating leases	1,315,732	1,519,143
OTHER ASSETS	925,295	1,092,919
TOTAL	<u>\$307,041,933</u>	<u>\$298,275,715</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$3,752,525	\$8,260,852
Accrued salaries, wages, and benefits	5,526,547	5,171,312
Accrued pension and postretirement benefits	81,203,778	68,418,719
Unearned revenue	10,862,501	10,650,082
Lease liabilities	1,389,209	2,264,071
Custodial, annuity, and other obligations	57,691,281	60,267,356
Total liabilities	<u>160,425,841</u>	<u>155,032,392</u>
CONTINGENCIES (Note 12)		
NET ASSETS:		
Net assets without donor restrictions:		
Undesignated	82,401,678	68,487,058
Net asset charge—Lay and Priest Retirement Plans and Retired Clergy Health Plan	(53,423,646)	(42,141,559)
Total undesignated net assets without donor restrictions	<u>28,978,032</u>	<u>26,345,499</u>
Designated	49,731,562	45,309,968
Total net assets without donor restrictions	<u>78,709,594</u>	<u>71,655,467</u>
Net assets with donor restrictions	67,906,498	71,587,856
Total net assets	<u>146,616,092</u>	<u>143,243,323</u>
TOTAL	<u>\$307,041,933</u>	<u>\$298,275,715</u>

See notes to combined financial statements.

**THE ROMAN CATHOLIC DIOCESE OF CHARLOTTE
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$3,372,769	\$3,415,066
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Contributions from donor restrictions—property purchases	(6,157,318)	(8,136,380)
Contributions from donor restrictions—endowments	(361,553)	(527,086)
Depreciation and amortization	5,420,171	5,194,096
Investment realized and unrealized gains	(1,530,596)	(3,582,888)
Gain on disposition of property	(690,790)	(396,619)
Net asset charge—Lay and Priest Retirement Plans and Retired Clergy Health Plan	11,282,087	9,237,288
(Decrease) increase in discounts and allowances on advances, notes, and pledges receivable	(1,549,821)	946,942
Changes in operating assets and liabilities:		
Other accounts receivable	733,710	(1,050,307)
Deferred rent	91,585	108,287
Pledges receivable	2,450,947	4,865,727
Other assets	111,180	48,315
Accounts payable and accrued expenses	(1,422,463)	643,418
Accrued salaries, wages, and benefits	355,235	150,038
Accrued pension and postretirement benefits	1,502,972	969,048
Unearned revenue	212,419	1,047,937
Net cash provided by operating activities	<u>13,820,534</u>	<u>12,932,882</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(15,815,206)	(9,569,408)
Proceeds from the sale of property	923,450	617,912
Purchase of investments	(49,024,690)	(42,809,260)
Proceeds from maturity and sales of investments	41,426,470	40,342,067
Issuance of advances and notes	(3,471,592)	(859,900)
Payments received on advances and notes	4,248,982	3,633,045
Increase in custodial obligations	(3,622,790)	1,008,170
Net cash used in investing activities	<u>(25,335,376)</u>	<u>(7,637,374)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Distribution of corpus from perpetual trust	\$92,483	\$109,455
Contributions with donor restrictions—property purchases	6,812,422	\$1,908,236
Contributions with donor restrictions—endowments	423,377	461,226
Net proceeds - PPP Loan	278,022	
Principal payment of finance lease obligations	(763,036)	(776,260)
Net cash flows provided by financing activities	<u>6,843,268</u>	<u>1,702,657</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>(4,671,574)</u>	<u>6,998,165</u>
CASH AND CASH EQUIVALENTS:		
Beginning of year	35,604,728	28,606,563
End of year	<u>\$30,933,154</u>	<u>\$35,604,728</u>
SUPPLEMENTAL DATA:		
Interest paid	<u>\$22,152</u>	<u>\$1,714</u>
Non-cash acquisition of property	<u>\$525,066</u>	<u>\$5,942,029</u>
Non-cash acquisition of other assets	<u>\$-</u>	<u>\$15,000</u>

See notes to combined financial statements.

(Concluded)

THE ROMAN CATHOLIC DIOCESE OF CHARLOTTE
COMBINED STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED

	JUNE 30, 2020			JUNE 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT:						
School tuition and fees—net	\$46,493,871	\$ -	\$46,493,871	\$45,768,828	\$ -	\$45,768,828
Contributions—Diocesan Support Appeal (DSA)	5,869,209	-	5,869,209	6,081,232	-	6,081,232
Other support—DSA programs	330,602	-	330,602	462,312	-	462,312
Other donations and gifts	3,484,083	3,245,460	6,729,543	3,499,587	3,178,834	6,678,421
Parish assessments:						
Employee benefit programs	8,536,510	-	8,536,510	8,265,961	-	8,265,961
Property liability insurance	1,732,178	-	1,732,178	1,640,725	-	1,640,725
Catholic News Herald	983,160	-	983,160	981,900	-	981,900
Central office	4,523,242	-	4,523,242	4,499,739	-	4,499,739
Parish support of schools	4,477,466	-	4,477,466	4,327,008	-	4,327,008
Federal and state agency awards	4,841,076	-	4,841,076	1,723,114	-	1,723,114
Other grants and awards	18,379	301,500	319,879	263,839	555,587	819,426
Fees for services rendered	1,512,944	-	1,512,944	1,597,804	-	1,597,804
Rental income	1,244,550	-	1,244,550	1,284,460	-	1,284,460
Interest income—parish loans	531,093	-	531,093	666,132	-	666,132
Other income	3,154,987	10,429	3,165,416	2,859,609	21,214	2,880,823
Net assets released from restriction	5,335,997	(5,335,997)	-	5,729,652	(5,729,652)	-
Total revenues and other support	93,069,347	(1,778,608)	91,290,739	89,651,902	(1,974,017)	87,677,885
EXPENSES:						
Program expenses:						
Pastoral:						
Clergy, vocations, and support for retired priests	5,897,844	-	5,897,844	5,731,834	-	5,731,834
Multicultural ministries	859,203	-	859,203	994,549	-	994,549
Contributions, grants, and subsidies	1,139,835	-	1,139,835	1,881,714	-	1,881,714
Other	444,005	-	444,005	402,227	-	402,227
Education:						
Regional and diocesan schools	30,950,178	-	30,950,178	31,461,156	-	31,461,156
Other education and faith formation	2,286,839	-	2,286,839	2,191,936	-	2,191,936
Social service programs	5,661,246	-	5,661,246	5,146,404	-	5,146,404
Benefit programs for lay parish employees	6,301,072	-	6,301,072	6,575,153	-	6,575,153
Risk management services/claims	2,111,545	-	2,111,545	919,187	-	919,187
Publication of Catholic News Herald	1,157,650	-	1,157,650	1,178,354	-	1,178,354
Conference/retreat centers	801,021	-	801,021	932,951	-	932,951
Tribunal	545,862	-	545,862	574,962	-	574,962
Total program expenses	58,156,300	-	58,156,300	57,990,427	-	57,990,427
Administrative:						
Central office administration	3,704,974	-	3,704,974	3,473,975	-	3,473,975
Regional and diocesan schools administration	16,170,669	-	16,170,669	16,821,879	-	16,821,879
Social services administration	810,456	-	810,456	717,663	-	717,663
Interest—parish savings and investments	736,191	-	736,191	1,065,784	-	1,065,784
Interest—lease obligations	18,229	-	18,229	29,710	-	29,710
Depreciation and amortization	5,420,171	-	5,420,171	5,194,096	-	5,194,096
Other	835,356	-	835,356	657,875	-	657,875
Total administrative expenses	27,696,046	-	27,696,046	27,960,982	-	27,960,982
Fundraising	1,373,300	-	1,373,300	1,199,422	-	1,199,422
Total expenses	87,225,646	-	87,225,646	87,150,831	-	87,150,831
CHANGE IN NET ASSETS BEFORE CAPITAL CAMPAIGN AND NONOPERATING ACTIVITIES AND NET ASSET CHARGE	\$ 5,843,701	\$(1,778,608)	\$ 4,065,093	\$2,501,071	\$(1,974,017)	\$527,054
CAPITAL CAMPAIGN ACTIVITIES:						
Forward in Faith, Hope, and Love (FFHL):						
FFHL—contributions	87,000	10,200	97,200	225,500	55,904	281,404
FFHL—losses on uncollectible contributions	-	548,879	548,879	-	(1,355,065)	(1,355,065)
FFHL—net assets released from restriction	672,302	(672,302)	-	1,871,088	(1,871,088)	-
FFHL—distributions to parishes	(672,302)	-	(672,302)	(1,871,088)	-	(1,871,088)
FFHL—fundraising and other expenses	(128,487)	-	(128,487)	(203,330)	-	(203,330)
Net FFHL campaign activity	(41,487)	(113,223)	(154,710)	22,170	(3,170,249)	(3,148,079)
Mecklenburg Area Catholic Schools (MACS):						
MACS—contributions	156,099	2,493,951	2,650,050	546,714	3,615,227	4,161,941
MACS—fundraising expenses	(156,099)	-	(156,099)	(546,714)	-	(546,714)
Net MACS campaign activity	-	2,493,951	2,493,951	-	3,615,227	3,615,227
St. Joseph College Seminary:						
St. Joseph College Seminary—contributions	194,774	3,663,366	3,858,140	340,075	4,521,153	4,861,228
St. Joseph College Seminary—fundraising expenses	(194,774)	-	(194,774)	(340,075)	-	(340,075)
St. Joseph College Seminary—net assets released from restrictions	9,253,932	(9,253,932)	-	-	-	-
Net St. Joseph College Seminary campaign activity	9,253,932	(5,590,566)	3,663,366	-	4,521,153	4,521,153
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	15,056,146	(4,988,446)	10,067,700	2,523,241	2,992,114	5,515,355
NONOPERATING—Net investment return	3,280,068	1,307,088	4,587,156	4,494,695	2,642,304	7,136,999
CHANGE IN NET ASSETS FROM NONOPERATING ACTIVITIES	3,280,068	1,307,088	4,587,156	4,494,695	2,642,304	7,136,999
CHANGE IN NET ASSETS BEFORE NET ASSET CHARGE	18,336,214	(3,681,358)	14,654,856	7,017,936	5,634,418	12,652,354
NET ASSET CHARGE—Lay and Priest Retirement Plans and Retired Clergy Health Plan	(11,282,087)	-	(11,282,087)	(9,237,288)	-	(9,237,288)
CHANGE IN NET ASSETS	7,054,127	(3,681,358)	3,372,769	(2,219,352)	5,634,418	3,415,066
NET ASSETS:						
Beginning of year	71,655,467	71,587,856	143,243,323	73,874,819	65,953,438	139,828,257
End of year	<u>\$78,709,594</u>	<u>\$67,906,498</u>	<u>\$146,616,092</u>	<u>\$71,655,467</u>	<u>\$71,587,856</u>	<u>\$143,243,323</u>

See notes to combined financial statements.

(Concluded)

**THE ROMAN CATHOLIC DIOCESE OF CHARLOTTE
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020**

	Personnel Costs	Occupancy Costs	Office/Program Expenses	Professional Services	Travel & Professional Development	Grants & Other Assistance	Other	Total
PROGRAMS:								
Pastoral:								
Clergy, vocations and support for retired priests	\$ 4,555,321	\$ 571,890	\$ 185,913	\$ 208,193	\$ 302,888	\$ 8,956	\$ 64,683	\$ 5,897,844
Multicultural ministries	604,303	57,306	19,219	9,600	161,369	3,262	4,144	859,203
Contributions, grants and subsidies	-	-	-	-	-	1,139,835	-	1,139,835
Other	20,448	100,857	58,975	227,956	35,360	-	409	444,005
Education:								
Regional and diocesan schools	27,605,641	-	3,344,537	-	-	-	-	30,950,178
Other education and faith formation	1,585,766	375,333	133,094	120,214	70,545	-	1,887	2,286,839
Social service programs	2,802,403	560,885	157,357	382,875	135,072	1,620,408	2,246	5,661,246
Benefit program for lay parish employees	6,301,072	-	-	-	-	-	-	6,301,072
Risk management services/claims	-	1,763,518	-	-	-	7,695	340,332	2,111,545
Publication of Catholic News Herald	517,236	52,607	447,252	134,108	6,019	-	428	1,157,650
Conference/retreat centers	495,478	208,467	84,801	3,162	4,236	25	4,852	801,021
Tribunal	374,487	51,651	34,332	48,938	35,974	-	480	545,862
Total program expenses	44,862,155	3,742,514	4,465,480	1,135,046	751,463	2,780,181	419,461	58,156,300
ADMINISTRATIVE:								
Central office administration	2,567,494	(269,227)	378,092	771,732	183,533	60,101	13,249	3,704,974
Regional and diocesan schools administration	7,203,538	5,624,883	2,554,935	456,373	244,166	-	86,774	16,170,669
Social Services Administration	599,978	33,729	27,426	77,200	28,861	-	43,262	810,456
Interest—parish savings and investments	-	-	-	-	-	-	736,191	736,191
Interest—lease obligations	-	-	-	-	-	-	18,229	18,229
Depreciation and amortization	-	5,420,171	-	-	-	-	-	5,420,171
Other	402,952	107,582	126,035	159,298	38,056	-	1,433	835,356
Total administrative expenses	10,773,962	10,917,138	3,086,488	1,464,603	494,616	60,101	899,138	27,696,046
FUNDRAISING	620,813	13,410	567,022	155,065	6,320	-	10,670	1,373,300
TOTAL EXPENSES BEFORE CAPITAL CAMPAIGN ACTIVITIES IN THE STATEMENT OF ACTIVITIES	56,256,930	14,673,062	8,118,990	2,754,714	1,252,399	2,840,282	1,329,269	87,225,646
CAPITAL CAMPAIGN ACTIVITIES:								
Distributions to parishes—FFHL	-	-	-	-	-	672,302	-	672,302
Fundraising and other expenses—FFHL	-	-	31,841	96,646	-	-	-	128,487
Total FFHL expenses	-	-	31,841	96,646	-	672,302	-	800,789
MACS campaigns' expenses	20,688	-	67,684	60,000	7,727	-	-	156,099
St Joseph College Seminary campaign expenses	-	-	38,242	155,375	1,157	-	-	194,774
Total capital campaign expenses	20,688	-	137,767	312,021	8,884	672,302	-	1,151,662
TOTAL EXPENSES PER THE STATEMENT OF ACTIVITIES	\$56,277,618	\$14,673,062	\$8,256,757	\$3,066,735	\$1,261,283	\$3,512,584	\$1,329,269	\$88,377,308

**THE ROMAN CATHOLIC DIOCESE OF CHARLOTTE
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019**

	Personnel Costs	Occupancy Costs	Office/Program Expenses	Professional Services	Travel & Professional Development	Grants & Other Assistance	Other	Total
PROGRAMS:								
Pastoral:								
Clergy, vocations and support for retired priests	\$ 4,292,878	\$ 615,118	\$ 188,057	\$ 144,346	\$ 397,277	\$ 27,060	\$ 67,098	\$ 5,731,834
Multicultural ministries	636,861	70,372	32,459	25,820	217,595	4,935	6,507	994,549
Contributions, grants and subsidies	-	-	-	-	-	1,881,714	-	1,881,714
Other	23,854	82,298	58,616	206,918	29,444	-	1,097	402,227
Education:								
Regional and diocesan schools	27,349,869	-	4,111,287	-	-	-	-	31,461,156
Other education and faith formation	1,456,091	333,895	149,645	135,447	113,760	-	3,098	2,191,936
Social service programs	2,951,433	530,075	175,787	323,412	167,096	993,826	4,775	5,146,404
Benefit program for lay parish employees	6,575,153	-	-	-	-	-	-	6,575,153
Risk management services/claims	-	863,215	-	-	-	3,600	52,372	919,187
Publication of Catholic News Herald	563,306	50,568	437,781	115,007	11,159	-	533	1,178,354
Conference/retreat centers	557,067	253,968	113,992	3,873	3,571	100	380	932,951
Tribunal	373,783	52,543	28,209	46,275	73,116	-	1,036	574,962
Total program expenses	44,780,295	2,852,052	5,295,833	1,001,098	1,013,018	2,911,235	136,896	57,990,427
ADMINISTRATIVE:								
Central office administration	2,435,595	29,553	328,026	380,750	180,646	91,121	28,284	3,473,975
Regional and diocesan schools administration	7,181,648	5,533,316	2,989,336	778,280	266,543	-	72,756	16,821,879
Social Services Administration	521,679	44,712	30,798	72,591	20,109	-	27,774	717,663
Interest—parish savings and investments	-	-	-	-	-	-	1,065,784	1,065,784
Interest—lease obligations	-	-	-	-	-	-	29,710	29,710
Depreciation and amortization	-	5,194,096	-	-	-	-	-	5,194,096
Other	398,287	11,596	96,240	113,801	29,189	-	8,762	657,875
Total administrative expenses	10,537,209	10,813,273	3,444,400	1,345,422	496,487	91,121	1,233,070	27,960,982
FUNDRAISING	503,750	2,723	503,267	166,026	7,244	-	16,412	1,199,422
TOTAL EXPENSES BEFORE CAPITAL CAMPAIGN ACTIVITIES IN THE STATEMENT OF ACTIVITIES	55,821,254	13,668,048	9,243,500	2,512,546	1,516,749	3,002,356	1,386,378	87,150,831
CAPITAL CAMPAIGN ACTIVITIES:								
Distributions to parishes—FFHL	-	-	-	-	-	1,871,088	-	1,871,088
Fundraising and other expenses—FFHL	-	-	80,499	122,831	-	-	-	203,330
Total FFHL expenses	-	-	80,499	122,831	-	1,871,088	-	2,074,418
MACS campaigns' expenses	35,638	-	51,275	402,501	57,300	-	-	546,714
St Joseph College Seminary campaign expenses	-	-	61,484	278,027	564	-	-	340,075
Total capital campaign expenses	35,638	-	193,258	803,359	57,864	1,871,088	-	2,961,207
TOTAL EXPENSES PER THE STATEMENT OF ACTIVITIES	\$55,856,892	\$13,668,048	\$9,436,758	\$3,315,905	\$1,574,613	\$4,873,444	\$1,386,378	\$90,112,038

See notes to combined financial statements.

THE ROMAN CATHOLIC DIOCESE OF CHARLOTTE
NOTES TO COMBINED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

1. ORGANIZATION

The Roman Catholic Diocese of Charlotte (the "Diocese") serves the Roman Catholic Church in western North Carolina. The Diocese comprises a geographic area of 20,470 square miles covering 46 counties ranging from the North Carolina piedmont region to the North Carolina mountain region. The accompanying combined financial statements do not include the assets, liabilities, or activities of individual parishes and interparochial schools as the financial operations of such entities are not under the auspices of the Diocese. These excluded activities are operating entities distinct from the offices and organizations included herein, maintain separate accounts, and carry on their own programs.

The accompanying combined financial statements include the accounts of the following organizations, which operate under the auspices of the Diocese:

- The Central Administration, which provides administrative and other services to parishes, schools, and agencies of the Diocese. Services include coordination and support of educational programs and multicultural ministries; the vocations program; continuing formation of priests and support of retired priests; employee benefit program; property/casualty insurance program; diocesan tribunal; operation of the Catholic Conference Center, Living Waters Reflection Center, and Cathedral Publishing, Inc., the publisher of the Catholic News Herald.
- Bishop McGuinness Catholic High School ("BMCHS"), which provides Catholic secondary education for the Winston Salem, Greensboro, and High Point areas.
- Mecklenburg Area Catholic Schools ("MACS"), which operates nine schools throughout Mecklenburg County as of June 30, 2020 and 2019.
- Catholic Charities Diocese of Charlotte ("CCDOC"), a professional human services agency that provides counseling, adoption support, pregnancy support, foster care, crisis intervention, material assistance, burial assistance, immigration services, refugee resettlement, justice and peace advocacy, and education, along with family enrichment services.
- The Foundation of the Roman Catholic Diocese of Charlotte, Inc. (the "Foundation"), which receives, administers, and disburses funds through the creation of endowments for educational, religious, and charitable purposes for the benefit of the Diocese and its various parishes, schools, and agencies.
- The Catholic Diocese of Charlotte Housing Corporation (the "Housing Corporation"), whose mission is to create, maintain, promote, and operate housing facilities and provide accompanying services for seniors, individuals, and families with low incomes, and other vulnerable populations.
- DL Catholic, Inc. ("DL Catholic"), which holds funds on deposit from the Central Administration, parishes, schools, and other Catholic institutions in the Diocese. These amounts generally represent funds in excess of current operating needs that have been set aside to fund future programs and/or facility needs. Interest on deposits is paid based on rates established for the terms of the deposits selected by the depositors. DL Catholic also provides loans to the Central Administration, parishes, schools, and other Catholic institutions in the Diocese, which are primarily for funding the purchase of property and acquisition or construction of facilities.
- The Catholic Diocese of Charlotte Advancement Corporation (the "Advancement Corporation"), which conducts diocesan wide fundraising campaigns (the Forward in Faith, Hope, and Love (FFHL) capital campaign and the annual Diocesan Support Appeal (DSA)) to support operating, capital, and endowment activities of the Central Administration and other entities of the Diocese of Charlotte.
- Saint Joseph College Seminary is a house of formation whose primary mission is to form undergraduate men for the Catholic priesthood while attending Belmont Abbey College.
- The Triad Area Catholic Schools Education Foundation, which conducts and administers fund-raising activities for the benefit of BMCHS and the parish-based Catholic schools in the Winston-Salem, Greensboro, and High Point area. This entity was in operation in 2019 but ceased operations during fiscal year ended June 30, 2020.

The activities of the above organizations have been combined by functional area in the accompanying combined statements of activities. All significant intradiocesan transactions have been eliminated in combination.

2. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Basis of Presentation—The combined financial statements have been prepared under the accrual basis in accordance with accounting principles generally accepted in the United States of America as set forth in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), including FASB ASC 958, Not for Profit Entities. FASB ASC 958 requires the reporting of total assets, liabilities, and net assets in a statement of financial position; reporting the change in net assets in a statement of activities; and reporting the sources and uses of cash in a statement of cash flows.

Use of Estimates in the Preparation of Financial Statements—The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Significant estimates and assumptions are used for, but not limited to, valuation of pledges receivable, other accounts receivable, notes receivable, advances to parishes, valuation of beneficial interests in perpetual trusts, investments, accrued pension benefits, and accrued health benefits for retired priests. Actual results could differ from those estimates.

Operating Activities—Transactions that are part of the ongoing major or central activities of the combined entities are reported as operating in the accompanying combined statements of activities. All other transactions are reported as non-operating.

Functional Expenses—The costs of program and supporting services activities have been summarized on a functional basis in the combined statements of activities. The combined statement of functional expenses presents the natural classification detail of expenses by function. Certain costs are attributed to more than one program or supporting function and, therefore, require allocation among the programs and supporting services benefited. We believe our allocations are done on a reasonable and consistent basis. Occupancy costs are allocated on a square footage basis. Most personnel costs, office expenses, professional services, travel and professional development costs, and grants and other assistance are identified with a specific program or supporting function at the time they are incurred and are reported accordingly. However, some of these expenses require allocation, which is done on the basis of estimates of time and effort.

Cash and Cash Equivalents—The Diocese considers all highly liquid instruments with an original maturity of three months or less at the time of purchase to be cash equivalents. Cash equivalents are stated at cost, which approximates fair value. At various times throughout the year, the Diocese may maintain bank accounts in excess of the Federal Deposit Insurance Corporation-insured limit.

Allowance for Doubtful Accounts—The Diocese recognizes an allowance when information available prior to the issuance of the combined financial statements indicates that it is probable that a receivable has been impaired as of the date of the combined financial statements and the amount of loss can be reasonably estimated.

Beneficial Interests in Perpetual Trusts—Beneficial interests in perpetual trusts represent irrevocable interests in assets held by third parties under split-interest agreements and are measured at fair value, with the change in fair value reported within net investment return in the accompanying combined statements of activities.

Investments—Investments consist primarily of marketable debt and equity securities and funds and are measured at fair value in the accompanying combined statements of financial position. Net investment return is reported within non-operating activities in the combined statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external investment expenses. The Diocese utilizes financial institutions to provide custodial and recordkeeping services, in addition to investment managers with full discretionary authority, subject to the Diocese's investment policies, to provide investment management services.

Property and Equipment—Upon acquisition, property and equipment is recorded at cost when purchased and at estimated fair value when donated. Depreciation expense is determined by using the straight line method over the estimated useful lives of the assets. Equipment held under finance leases and leasehold improvements is amortized over the shorter of the lease term or the estimated useful life of the related asset.

Property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset group to future net undiscounted cash flows expected to be generated by the asset group. If such assets are considered to be impaired, the impairment recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. No impairment charges related to property and equipment were recognized during fiscal years 2020 and 2019.

The major classes of property and equipment represented as of June 30, 2020 and 2019, are as follows:

	2020	2019	Life (In Years)
Land*	\$18,248,430	\$18,077,464	N/A
Land improvements	20,869,597	18,963,869	5-15
Buildings**	98,370,480	84,987,843	30-40
Furniture and equipment	12,205,655	11,024,946	3-10
Vehicles	2,796,877	2,752,786	5
Right-of-use assets (finance leases)	2,705,223	2,712,993	3
Interest in St. Matthew Education Center	5,561,332	5,561,332	Varies
Construction in progress	676,775	5,297,441	N/A
Property held for sale	17,500	17,500	N/A
	161,451,869	149,396,174	
Less accumulated depreciation	(65,992,180)	(61,012,996)	
Total	\$95,459,689	\$88,383,178	

* The Central Administration is the lessor in operating leases of various parcels of land, which are included in the land classification above. The cost basis for land leased totaled \$875,132 and \$762,257 as of June 30, 2020 and 2019, respectively.

** MACS is the lessor in an operating lease associated with the former All Saints School (see Note 12), which is included in the buildings major class above. The cost basis for the property lease totaled \$3,415,520 and the accumulated depreciation totaled \$2,487,804 and \$2,389,232 as of June 30, 2020 and 2019, respectively.

Accumulated depreciation related to right-of-use assets (finance leases) totaled \$1,313,552 and \$713,793 at June 30, 2020 and 2019, respectively.

The construction in progress as of June 30, 2020 consists primarily of amounts expended for expansion of Christ the King Catholic High School's gymnasium and the MACS Fine Arts Center being built on the campus of Charlotte Catholic High School. The construction in progress as of June 30, 2019 consists primarily of amounts expended for expansion of Christ the King Catholic High School gymnasium, St. Gabriel roof replacement and construction of a permanent facility at Saint Joseph College Seminary.

Unexpended contractual commitments at June 30, 2020 were approximately \$77,200 for construction of the Seminary facility and \$1,328,562 for construction of the MACS Fine Arts Center; at June 30, 2019, unexpended contractual commitments were approximately \$8.0 million for construction of the Seminary facility. There were no such commitments for construction of the MACS Fine Arts Center at June 30, 2019.

The interest in St. Matthew's Education Center shown above represents the total amount paid by MACS for the acquisition and construction of property and equipment in accordance with a joint usage agreement with St. Matthew Catholic Church. It is being depreciated over the useful lives of the assets in which MACS has an interest. The depreciation is included in accumulated depreciation.

Interest expense incurred that relates to the acquisition or construction of property and equipment is capitalized. No interest expense was capitalized in fiscal year 2020 or 2019 in the accompanying combined statements of financial position.

Custodial Obligations—Custodial funds are managed by the Diocese, as agent, on behalf of the originating organization. These funds are not recorded as contributions or net assets of the Diocese but rather are included as assets and corresponding custodial obligations in the accompanying combined statements of financial position.

Pension and Other Retirement Benefit Plans—The Diocese accounts for its defined benefit pension and other postretirement benefit plans by recording an asset (liability) for the excess (deficit) of plan assets over the actuarially determined projected benefit obligation, with the net periodic benefit cost allocated to program and administrative expenses based on related salaries and wages. Changes in the funded status of the plans, other than net periodic benefit costs, are reported as a net asset (charge) credit in the accompanying combined statements of activities. The net asset charge of \$11,282,087 and \$9,237,288 for the years ended June 30, 2020 and 2019, respectively, is primarily attributable to decreases in the discount rate. The Diocese's defined benefit pension and other postretirement benefit plans are described below:

Employee Retirement Plans—The Diocese sponsors a noncontributory defined benefit pension plan (the "Lay Plan") for all eligible diocesan lay employees. The Lay Plan provides for benefits based on an employee's years of service and compensation. In fiscal year 2017, the Lay Plan was amended to eliminate future accruals for all participants, except for those who are at least age 62 and have at least 12 years of service as of January 1, 2018. Although the plan has been frozen, employees who are participants in the plan will retain benefits accumulated up to January 1, 2018 based on credited service and eligible earnings, in accordance with the terms of the plan.

During fiscal years 2020 and 2019, each diocesan entity was assessed a percentage of lay employees' salaries to fund the contribution to the Lay Plan and certain other employee benefits. The assessment rate was 5.6% during fiscal years 2020 and 2019. It is the intent of the Diocese for the minimum funding to be the actuarially recommended contribution amount.

In addition to contributing the actuarially recommended contribution amount to the Lay Plan for fiscal years 2020 and 2019 of \$2,486,950 and \$2,508,662, respectively, the Diocese contributed \$269,274 and \$217,116 in additional contributions to the plan during fiscal years 2020 and 2019, respectively.

Priest Retirement Plan—The Diocese sponsors the Diocese of Charlotte Priest Retirement Plan (the "Priest Plan") to provide pension benefits for diocesan priests. The Priest Plan provides benefits for priests who are fully vested, in a uniform monthly amount that is increased annually based on the change in the Consumer Price Index. The Priest Plan received contributions directly from the Advancement Corporation of \$96,648 and \$418,806 during the years ended June 30, 2020 and 2019, respectively. In addition, the Diocese contributed the actuarially recommended contribution amount to the Priest Plan for fiscal years 2020 and 2019 of \$862,145 and \$821,090, respectively, and \$342,739 and \$139,374 in additional contributions during fiscal years 2020 and 2019, respectively. In addition, the Priest Plan received contributions directly from a donor's bequest of \$19,444 in fiscal year 2019. There were no donor bequests contributions in fiscal year 2020.

Retired Clergy Health Plan—In addition to providing the Priest Plan discussed above, the Diocese sponsors the Diocese of Charlotte Retired Clergy Health Plan, which provides retired diocesan priests certain health and long-term care benefits. In addition to contributing the actuarially recommended contribution amount to the Retired Clergy Health Plan for fiscal years 2020 and 2019 of \$396,841 and \$377,944, respectively, the Diocese contributed \$157,763 and \$64,152 in additional contributions to the Plan during fiscal years 2020 and 2019, respectively.

An annual collection is held at each parish to raise funds for the Priest Retirement Plan, the Retired Clergy Health Plan, and other priest benefits. Each parish was assigned 3.5% of annual offertory as their goal for this collection for fiscal years 2020 and 2019. Any shortfall from goal in the amount collected is paid by the parish. Annual collections from the parishes for this purpose are reported as collections in the accompanying combined statements of activities.

The Diocese also sponsors a tax deferred defined contribution plan under Section 403(b) of the Internal Revenue Code (IRC) for all eligible diocesan employees. Employer-matching contributions to the plan are based on a percentage of employee contributions. Each diocesan entity is responsible for payment of the matching contribution directly to the tax-deferred defined contribution plan. Matching contributions to this plan amounted to \$555,549 and \$497,593 in fiscal years 2020 and 2019, respectively, and are reported within expenses in the accompanying combined statements of activities. Starting in January 2018, in conjunction with the Lay Plan freeze, all diocesan entities also began contributing 5% of eligible salaries (basic contribution) on behalf of each eligible employee. The basic contribution expense totaled \$1,481,385 and \$1,323,828 in fiscal years 2020 and 2019, respectively and are reported within expenses in the accompanying statements of activities. The basic contribution for all diocesan entities is being held by the Diocese until the end of the calendar year, at which time, participant eligibility for the basic contribution will be determined based on an employee's hours worked in the calendar year. As of June 30, 2020 and 2019, funds held on behalf of parishes and combined entities totaled \$1,434,429 and \$1,330,685, respectively, which are included in accrued salaries, wages, and benefits in the accompanying combined statements of financial position.

Net Assets—Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets consist of the following:

Without Donor Restrictions—Net assets without donor restrictions consist of all resources that have no donor imposed restrictions. The Diocese has designated unrestricted net assets as of June 30, 2020 and 2019, as follows:

	2020	2019
Future expenditures for:		
Triad Area Catholic Schools Education Foundation grants	\$ -	\$ 112,308
Bishop McGuinness High School programs	431,802	220,237
Mecklenburg Area Catholic Schools capital projects	12,722,110	10,832,247
Mecklenburg Area Catholic Schools programs	3,195,228	4,430,974
Capital Campaign and DSA fundraising and administrative costs	1,009,811	865,250
Diocesan Support Appeal funded programs	9,043,485	9,535,069
Self insurance (property and employee health) and lay employee pension	12,206,850	10,657,058
Facility maintenance	1,296,136	1,294,600
Land acquisition/improvements	771,311	-
Seminary College building project	-	96,235
Seminary College programs	13,538	-
Other Diocesan programs	522,800	1,179,108
Reserve for potential investment/loan losses by DL Catholic	3,808,956	3,165,450
Management designated endowments established with the Diocesan Foundation	4,709,535	2,921,432
	<u>\$49,731,562</u>	<u>\$45,309,968</u>

With Donor Restrictions—Net assets subject to donor-imposed restrictions stipulating how, when and/or if the net assets are available for expenditure. Some donor-imposed restrictions are perpetual in nature, whereby the donor stipulates that resources be maintained into perpetuity. Others are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Net assets are released from restriction and reclassified to net assets without donor restrictions when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are released from restriction when the (long-lived) assets are placed in service. The composition of net assets with donor restrictions as of June 30, 2020 and 2019 is presented in Note 15.

School Tuition and Fees and Parish Support—Tuition and related fees represent amounts paid by students' families, net of applied tuition assistance, and are recognized over the school year in which earned. Parish support of schools represents contributions made by the participating parishes of the Diocese. Tuition and fees received in the current year for the following school year's tuition are recorded as unearned revenue in the accompanying combined statements of financial position.

Parish Assessments and Fees for Services Rendered—Parish Assessments represent annual assessments made to parishes. Fees for Services Rendered represent fees charged for programs, parish accounting services, investment management of parish endowments, Housing Corporation facility development, advertising, and various services rendered by Catholic Charities.

Contribution Revenue, Pledges Receivable and Other Donations and Gifts—Contribution revenue and other donations and gift revenue is recognized upon receipt of assets (financial or nonfinancial) or an unconditional promise to give from a donor, and is measured at fair value. The classification of revenue as without donor restrictions or with donor restrictions is determined by the donor's stipulations, or absence thereof, that limit the use of the donated assets. Fair value for unconditional promises to give is measured at net realizable value for pledges due within one year and at net present value for pledges to be collected in future years. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the periods in which the promises are received. Management evaluates the value of pledges receivable on an ongoing basis for changes in the estimated timing or amounts of cash flows. Decreases in the value of restricted pledges receivable after initial recognition are recognized as losses on uncollectible contributions. Recoveries of previously recognized decreases in value of restricted pledges receivable (up to the amount of decreases previously recognized) would be recognized as a reduction of losses on uncollectible contributions. The amortization of discounts on pledges receivable are included in contributions in the accompanying combined statements of activities.

Capital Campaign Contributions and Distributions—FFHL contributions are limited in their use to the specific purposes outlined in the fund raising materials. As such, contributions are classified as with donor restrictions, except for contributions allocated to cover campaign costs, which are classified as without donor restrictions designated for fund-raising and administrative costs. FFHL distributions to beneficiary entities are recorded based on the capital campaign's distribution policy, which generally provides for distribution to beneficiary entities upon receipt of cash payments by the Advancement Corporation and satisfaction of donor restrictions by the beneficiary entity. Proceeds received for construction activities are not recorded as distributions until commencement of the project. Proceeds received for the Priest Retirement Plan Trust are recorded as a reduction in accrued pension and postretirement benefits at the time of distribution to the Trust.

Income Taxes—The Diocese and the entities comprising the combined financials are exempt from federal income tax under Section 501(c)(3) of the IRC and are generally exempt from federal and state income taxes.

Accounting principles generally accepted in the United States of America prescribe a minimum recognition threshold that a tax position is required to meet before being recognized in the financial statements. Although these principles are primarily applicable to taxable business enterprises, an uncertain tax position may also include the characterization of income, such as a characterization of income as passive, a decision to exclude reporting taxable income in a tax return, or a decision to classify a transaction, entity, or other position in a tax return as exempt. The tax benefit from uncertain tax positions is recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits.

The Diocese and the entities comprising the combined financial statements had no unrecognized tax positions as of and during the years ended June 30, 2020 and 2019. Fiscal year 2017 and thereafter are subject to examination by the federal and state taxing authorities. There are no income tax examinations currently in process.

Risks and Uncertainties—The Diocese's investments consist of various equity securities, fixed income securities, money market funds, and other investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect the Diocese's investment balances reported in the combined statements of financial position.

COVID-19 Impact – On March 11, 2020, the World Health Organization declared the novel strain of coronavirus ("COVID-19") a global pandemic and recommended containment and mitigations measures worldwide. As of June 30, 2020, the Diocese believes the current impacts of the COVID-19 pandemic has not had significant impacts on the Diocese's results of operations. However, the Diocese cannot reasonably estimate the length or severity of this pandemic, or the extent to which a disruption may materially impact the Diocese's financial position, results of operations or cash flows for the year ending June 30, 2021.

Subsequent Events—The Diocese has evaluated subsequent events from the end of the most recent fiscal year through October 12, 2020, the date the combined financial statements were available to be issued.

Accounting Standards Updates—The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606) (“ASU 2014-09”) in May of 2014. The ASU affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. The core principle of the guidance in ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU was originally effective for fiscal years beginning after December 15, 2018 with early adoption permitted. The effective date was subsequently deferred by one year with the issuance of ASU 2020-05, issued in June of 2020. The Diocese early adopted the ASU on July 1, 2019. Adoption of this standard did not result in a material impact to its revenue recognition, financial position or results of operations.

In March 2017, the FASB issued ASU 2017-07, “Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost.” ASU 2017-07 applies to all entities that offer employees defined benefit pension plans, other postretirement benefit plans, or other types of benefits accounted for under Topic 715, Compensation – Retirement Benefits. The amendments require that an employer disaggregate the service cost component from the other components of net benefit cost, with all updates being applied retrospectively. This ASU is effective for the Diocese beginning in fiscal year 2021. The Diocese is currently evaluating the impact of this ASU on the Diocese’s combined financial statements.

3. LIQUIDITY AND AVAILABILITY

Financial assets available within one year of the statement of financial position date, without donor or other restrictions limiting their use, comprise the following:

	2020	2019
Cash and cash equivalents	\$30,933,154	\$35,604,728
Investments, other than endowments	86,306,575	78,918,433
Endowment investments available for general purposes and for distribution in accordance with the Foundation spending rate policy	2,212,060	1,958,784
Total cash, cash equivalents and investments	119,451,789	116,481,945
Pledges receivable, due within one year	1,446,735	2,344,614
Accounts receivable and other assets, due within one year	2,961,490	3,815,179
Notes receivable, due within one year	1,916,484	1,958,470
Advances to parishes, due within one year	298,089	336,953
	126,074,587	124,937,161
Less amounts unavailable for general expenditures:		
Required to satisfy donor restrictions	(12,211,346)	(16,206,347)
Required to satisfy management designations	(40,200,950)	(37,396,147)
Required for distributions, endowments, and grants	(141,265)	(1,874,711)
Financial assets available to meet cash needs for general expenditures and withdrawals of parish funds on deposit	73,521,026	69,459,956
Parish funds on deposit (Note 8)	(42,070,426)	(45,684,541)
Financial assets available to meet cash needs for general expenditures within one year, excluding parish funds on deposit	\$31,450,600	\$23,775,415

The Diocese’s endowment funds consist of donor-restricted endowments and funds designated by management as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of 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 5% of the most recent 12 quarter market value average, as prescribed by the Foundation. Only the funds available for distribution in accordance with the Foundation spending rate policy are included above.

The Diocese 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 our liquidity management plan, cash and savings program balances are invested in short term investments.

4. PLEDGES RECEIVABLE—NET

The following unconditional promises to give are included in pledges receivable in the accompanying combined statement of financial position as of June 30, 2020 and 2019:

2020	FFHL	MACS	Saint Joseph Seminary College	Other	Total
Unconditional promises at face value	\$9,631,225	\$4,680,375	\$3,068,245	\$1,516,686	\$18,896,531
Less allowance for uncollectible pledges	9,365,405	893,678	460,237	2,390	10,721,710
Less unamortized discount	9,440	328,135	268,212	28,069	633,856
Net unconditional promises to give	\$256,380	\$3,458,562	\$2,339,796	\$1,486,227	\$7,540,965
Amounts due in:					
Less than one year	\$9,411,255	\$627,205	\$908,024	\$1,346,826	\$12,293,310
One to five years	210,535	3,652,530	1,456,271	119,860	5,439,196
More than five years	9,435	400,640	703,950	50,000	1,164,025
Total	\$9,631,225	\$4,680,375	\$3,068,245	\$1,516,686	\$18,896,531

2019	FFHL	MACS	Saint Joseph Seminary College	Other	Total
Unconditional promises at face value	\$12,054,174	\$4,500,350	\$2,922,649	\$1,549,684	\$21,026,857
Less allowance for uncollectible pledges	10,955,773	828,450	438,397	7,626	12,230,246
Less unamortized discount	41,478	418,591	224,216	20,733	705,018
Net unconditional promises to give	\$1,056,923	\$3,253,309	\$2,260,036	\$1,521,325	\$8,091,593
Amounts due in:					
Less than one year	\$11,430,648	\$305,025	\$1,052,169	\$1,394,564	\$14,182,406
One to five years	608,354	3,793,245	1,615,480	120,120	6,137,199
More than five years	15,172	402,080	255,000	35,000	707,252
Total	\$12,054,174	\$4,500,350	\$2,922,649	\$1,549,684	\$21,026,857

The change in the allowance for uncollectible pledges for the year ended June 30, 2020, related to the FFHL campaign reflects recoveries of prior year allowances of \$548,880 on unconditional promises to give received in previous years and outstanding at June 30, 2020, plus actual write offs of \$1,041,488. The change in the allowance for uncollectible pledges for the year ended June 30, 2019, related to the FFHL campaign reflects additions of \$1,355,065 related to additional allowances provided on unconditional promises to give received in previous years and outstanding at June 30, 2019, less actual write offs of \$734,344. Pledges receivable due within one year as of June 30, 2020 and June 30, 2019, related to the FFHL campaign include past due accounts totaling approximately \$9,100,000 and \$10,500,000, respectively. Past due accounts include the portion of pledge receivables not paid when due under the pledge agreements.

5. NOTES RECEIVABLE—NET

Notes receivable consists primarily of term loans and lines of credit from DL Catholic to parishes and schools. Loans structured as lines of credit typically finance construction and facility improvement projects and do not have specific maturity dates, rather are converted to term loans upon completion of the related project. Term loans are typically structured to have terms up to 15 years. Line of credit loans generally bear interest at the prime rate minus 0.5%. The interest rate for term loans is generally based on the market swap rate for the applicable term of the borrowing at loan initiation, plus an additional percentage, which varies depending on the term of the borrowing. These notes bear interest at rates ranging from 3.0% to 5.04% at June 30, 2020 and 3.1% to 5.61% at June 30, 2019.

As of June 30, 2020, the future repayment requirements of the loans, assuming the loans mature over their scheduled repayment terms, are as follows:

Term loans:	
Amounts due in:	
Less than one year	\$1,916,484
One to five years	5,308,510
More than five years	3,393,963
Less allowances	(505,132)
Net—term loans	10,113,825
Lines of credit	1,423,608
Notes receivable—net	\$11,537,433

6. ADVANCES TO PARISHES

The Diocese maintains a revolving loan fund that was established primarily from resources provided by bequests stipulated for advances to small or needy parishes at no interest. Advances outstanding at June 30, 2020 and 2019, totaled \$4,595,759 and \$2,747,921, respectively. These advances are long term in nature and are reflected, net of allowances, at their estimated present value of \$3,775,520 and \$1,895,182 in the accompanying combined statements of financial position as of June 30, 2020 and 2019, respectively.

7. INVESTMENTS

The cost and fair value of investments as of June 30, 2020 and 2019, are summarized below:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Foundation:				
Endowment and custodial funds:				
Cash and cash equivalents	\$ 176,366	\$ 176,366	\$ 277,192	\$ 277,192
Equity funds and securities	34,828,425	40,050,001	32,466,642	39,101,933
Fixed income mutual funds	15,943,056	16,159,499	15,731,354	15,671,865
Annuity funds:				
Cash and cash equivalents	-	-	95	95
Money market funds	35,334	35,334	37,166	37,166
Equity funds and securities	202,656	225,459	196,252	224,617
Fixed income mutual funds	171,006	181,228	181,664	185,455
Other	-	-	18,936	18,170
Total Foundation investments	51,356,843	56,827,887	48,909,301	55,516,493
Other:				
Cash	1,624,862	1,624,862	1,320,001	1,320,001
Certificates of deposit	1,764,931	1,764,931	1,747,896	1,747,896
Variable rate demand notes	1,561,983	1,561,983	1,993,650	1,993,650
Equity funds and securities	15,458,944	18,013,617	14,550,005	17,706,680
Other	-	-	1,000,000	1,012,662
Bonds and fixed income funds	62,029,529	63,341,182	55,099,395	55,137,544
Total other investments	82,440,249	86,306,575	75,710,947	78,918,433
Total investments	\$133,797,092	\$143,134,462	\$124,620,248	\$134,434,926

The Diocese had no unfunded commitments to purchase investments as of June 30, 2020 or 2019.

8. SAVINGS PROGRAMS

DL Catholic administers savings and investment programs for the benefit of Central Administration, parishes, schools, and other Catholic institutions in the Diocese. These amounts generally represent funds in excess of current operating needs that have been set aside to fund future programs and/or facility needs. Demand funds on deposit earned interest at the prime rate minus 3.5% during fiscal years 2020 and 2019. Funds on deposit with an 18 month minimum investment period earned interest at the prime rate minus 2.5% during fiscal years 2020 and 2019. The prime rate was 3.25% and 5.5% at June 30, 2020 and 2019, respectively. Funds on deposit from non-combined entities along with accrued interest totaled \$42,070,426 and \$45,686,541 at June 30, 2020 and 2019 and, respectively, and are reflected as investments and custodial obligations in the accompanying combined statements of financial position.

9. PENSION AND RETIREMENT PLANS

The funded status and other information of the Lay and Priest plans as of June 30, 2020 and 2019 is set forth in the following tables (in thousands):

	2020		2019	
	Lay	Priest	Lay	Priest
Funded status and amounts recognized in the combined statements of financial position:				
Projected benefit obligation	\$(105,331)	\$(40,390)	\$(97,010)	\$(34,051)
Fair value of plan assets—end of year	52,435	16,852	52,289	16,102
Funded status	<u>\$(52,896)</u>	<u>\$(23,538)</u>	<u>\$(44,721)</u>	<u>\$(17,949)</u>
Accrued pension expense liability—end of year	<u>\$(52,896)</u>	<u>\$(23,538)</u>	<u>\$(44,721)</u>	<u>\$(17,949)</u>
Amounts recognized in net assets without donor restrictions (net asset charge) not yet recognized as net periodic benefit cost consist of the following:				
Unrecognized transition obligation	\$ -	\$ -	\$ -	\$ 69
Unrecognized prior service cost	-	303	-	500
Cumulative unrecognized net loss	35,871	14,675	27,923	9,614
Net asset charge—end of year	<u>\$ 35,871</u>	<u>\$ 14,978</u>	<u>\$ 27,923</u>	<u>\$ 10,183</u>
Amounts recognized in the combined statements of activities—net periodic benefit cost	<u>\$ 2,984</u>	<u>\$ 2,096</u>	<u>\$ 2,670</u>	<u>\$ 2,022</u>
Other changes in plan assets and benefit obligations recognized in net assets without donor restrictions:				
Net loss	10,620	5,392	8,423	1,755
Amortization of transition obligation	-	(69)	-	(69)
Amortization of prior service cost	-	(197)	-	(197)
Amortization of net loss	(2,672)	(331)	(1,804)	(270)
Total net asset charge	<u>7,948</u>	<u>4,795</u>	<u>6,619</u>	<u>1,219</u>
Total net asset charge and net periodic benefit cost recognized in net assets without donor restrictions	<u>\$ 10,932</u>	<u>\$ 6,891</u>	<u>\$ 9,289</u>	<u>\$ 3,241</u>
Amounts included in net assets without donor restrictions (net asset charge) that are expected to be recognized as net periodic benefit cost during the next year are as follows:				
Amortization of transition obligation	\$ -	\$ -	\$ -	\$ 69
Amortization of prior service cost	-	197	-	197
Amortization of unrecognized net loss	3,810	569	2,672	331
	<u>\$ 3,810</u>	<u>\$ 766</u>	<u>\$ 2,672</u>	<u>\$ 597</u>
Other information:				
Actuarially recommended annual contribution	\$ 2,487	\$ 862	\$ 2,509	\$ 821
Additional employer contributions	269	343	217	139
Contributions from Advancement Corporation	-	97	-	419
Contribution from donor bequest	-	-	-	19
Benefits paid	3,816	946	3,525	845
Accumulated benefit obligation	105,310	33,285	96,978	29,152
Assumptions used to determine benefit obligations as of June 30:				
Discount rate	2.96 %	3.25 %	3.69 %	3.88 %
Expected return on plan assets	6.75	6.75	6.75	6.75
Rate of compensation increase	2.50	-	2.50	-
Assumptions used to determine net benefit cost for the years ended June 30:				
Discount rate	3.69 %	3.88 %	4.35 %	4.45 %
Expected return on plan assets	6.75	6.75	6.75	6.75
Rate of compensation increase	2.50	-	2.50	-

The funded status and other information for the Retired Clergy Health Plan as of June 30, 2020 and 2019 is as follows:

	2020	2019
Funded status and amounts recognized in the combined statements of financial position:		
Projected benefit obligation	\$(16,430,441)	\$(16,972,536)
Fair value of plan asset—end of year	11,661,215	11,223,585
Funded status	<u>(4,769,226)</u>	<u>(5,748,951)</u>
Accrued pension expense liability—end of year	<u>\$(4,769,226)</u>	<u>\$(5,748,951)</u>
Amounts recognized in the combined statements of activities—net periodic benefit cost	\$1,035,059	\$843,571
Other changes in plan assets and benefit obligations recognized in net assets without donor restrictions (net asset (credit) charge)	(1,460,180)	1,398,549
Total net asset (credit) charge and net periodic benefit cost recognized in net assets without donor restrictions	<u>\$(425,121)</u>	<u>\$2,242,120</u>
Amounts recognized in net assets without donor restrictions (net asset charge) not yet recognized as net periodic benefit cost	<u>\$2,574,959</u>	<u>\$4,183,202</u>
Other information:		
Benefits paid	\$441,368	\$316,770
Actuarially recommended annual contribution	396,841	377,944
Additional employer contributions	157,763	64,152
Assumptions used to determine benefit obligations as of June 30:		
Discount rate	3.30 %	3.98 %
Expected return on plan assets	6.75 %	6.75 %
Assumptions used to determine net benefit cost for the years ended June 30—Discount rate	3.98 %	4.49 %

The assumed health care cost trend rates used to measure the expected cost of benefits covered by the plan, the ultimate trend rate, and the fiscal year when that rate is expected to be achieved for the years ended June 30, 2020 and 2019 are as follows:

	2020		2019	
	Long-Term Care	Health	Long-Term Care	Health
Health care cost trend rate	5 %	8 %	5 %	8 %
The ultimate trend rate to which the cost trend rate is assumed to decline	5 %	5 %	5 %	8 %
Fiscal year that the rate reaches the ultimate trend rate		2026		2026

The assumed long-term rate of return for the Lay, Priest, and Retired Clergy Health plans are based on the respective target asset allocation and is determined using forward looking assumptions in the context of historical returns for each asset class.

As of June 30, 2020 and 2019, the plan investments are maintained in trust accounts managed by Wells Fargo Bank, N.A. (the "Trustee"). The Trustee has full discretionary authority, subject to the plans' investment policies. The percentage of total investments by asset class for each plan as of June 30, 2020 and 2019 is as follows:

	2020			2019		
	Lay Pension	Priest Pension	Retired Clergy Health	Lay Pension	Priest Pension	Retired Clergy Health
Domestic large cap equity securities and funds	27 %	27 %	27 %	27 %	27 %	27 %
Domestic small and mid cap equity funds	8	8	8	7	7	7
International equity funds	27	26	26	27	26	26
Domestic fixed income	21	21	21	22	22	22
International fixed income	3	3	3	3	3	3
Domestic high-yield fixed income	2	2	2	2	2	2
Hedged equities	10	10	10	10	10	10
Cash and cash equivalents	2	3	3	2	3	3
Total	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

The Lay, Priest, and Retired Clergy Health plan investment policies stipulate allowable asset classes for inclusion in the portfolio and minimum and maximum allowable ranges. The following asset classes and corresponding ranges were allowable at June 30, 2020 and 2019:

	Lay Pension	Priest Pension	Retired Clergy Health
Domestic large cap equity securities and funds	20-60%	20-60%	20-60%
Domestic small and mid cap equity funds	0-20	0-20	0-20
International equity funds	0-30	0-30	0-30
Domestic fixed income	20-60	20-60	20-60
International fixed income	0-10	0-10	0-10
Domestic high-yield fixed income	0-10	0-10	0-10
Alternative investments (including hedged equities)	0-15	0-15	0-15
Cash and cash equivalents	0-20	0-20	0-20

The investment policies stipulate socially responsible investment guidelines, investment return objectives, both in the aggregate and relative to applicable investment benchmarks, minimum standards for investment holdings, and other guidelines for the investment of plan assets.

The estimated contribution to the Lay, Priest, and Retired Clergy Health plans for fiscal year 2021 is \$2,146,581; \$396,579; and \$35,092, respectively.

Benefits expected to be paid over the next 10 fiscal years as of June 30, 2020, are as follows:

Years Ended June 30	Lay Pension	Priest Pension	Retired Clergy Health
2021	\$ 4,629,969	\$ 1,178,809	\$ 529,081
2022	4,818,105	1,201,942	566,216
2023	4,999,610	1,291,142	604,640
2024	5,172,435	1,358,944	634,975
2025	5,318,548	1,332,973	654,578
2026-2030	27,461,922	7,312,108	3,876,839
Total	<u>\$52,400,589</u>	<u>\$13,675,918</u>	<u>\$6,866,329</u>

10. EMPLOYEE HEALTH BENEFITS

The Diocese administers medical insurance coverage for eligible employees of the Diocese. The Diocese charges each organization premiums for the coverage of its employees on a monthly basis. The individual organizations have no liability for claims in excess of the premiums to be paid. The Diocese has an arrangement with a third-party to administer the medical plan. During fiscal years 2020 and 2019, approximately 18.5% and 16.1%, respectively, of the premiums submitted by diocesan entities were paid to the third party administrator for administrative services and the premiums for specific and aggregate stop-loss coverages. The remaining portion of the premiums is designated by the Diocese to pay claims, which are processed by the third-party administrator. The Diocese has specific stop-loss coverage at \$175,000 per claimant in fiscal years 2020 and 2019, and aggregate coverage beginning at 125% of the actuarially projected total individual claims under \$175,000 for fiscal years 2020 and 2019. Total expenditures incurred for employee medical benefits were approximately \$12,936,000 and \$13,487,000 during fiscal years 2020 and 2019, respectively.

11. LEASES AND FACILITIES USAGE AGREEMENTS

Operating Leases in which the Diocese is the Lessee—The Diocese is the lessee in various operating leases for office equipment and for office space. These leases have fixed lease payments and do not contain options to extend or terminate early. Operating lease costs for the Diocese totaled \$148,961 and \$156,912 for the years ended June 30, 2020 and 2019, respectively. Right-of-use assets related to these leases is \$225,140 and \$336,966 as of June 30, 2020 and 2019, respectively, and is recorded in deferred rent and right-of-use-assets—operating leases in the accompanying statements of financial position.

Operating Leases in which the Diocese is the Lessor—The Diocese is the lessor in a ground lease agreement and the lessee in a space lease agreement with the same third party. In fiscal year 2003, the third party paid to the Diocese the net amount due for the entire terms of these lease agreements of \$290,128. The Diocese is also responsible for monthly payments relating to the operating costs associated with the space lease agreement which are adjusted annually based on changes to the Consumer Price Index. Prepaid rent relating to the space lease of \$567,698 and \$602,455 as of June 30, 2020 and 2019, respectively, is reflected in deferred rent and right-of-use assets—operating leases in the accompanying combined statements of financial position. Unearned revenue relating to the ground lease of \$663,178 and \$703,781 as of June 30, 2020 and 2019, respectively, is reflected in unearned revenue in the accompanying combined statements of financial position. The prepaid rent expense on the space lease and the unearned revenue related to the ground lease are both being amortized on a straight-line basis over the lives of the respective leases. Rental expense related to the space lease, net of income related to the ground lease, totaled \$43,291 and \$42,174 for the years ended June 30, 2020 and 2019 respectively.

The Diocese is a lessor in a ground lease with Guardian Angel Villa, LLC, a related party. During fiscal year 2020, a payment of \$450,000 representing the entire lease term was received. Unearned revenue related to the ground lease of \$444,530 as of June 30, 2020 is reflected in unearned revenue in the accompanying combined statements of financial position. The unearned revenue related to the ground lease is being amortized on a straight-line basis over the life of the lease. Rental income related to the ground lease totaled, \$5,470 for the year ended June 30, 2020. There was no unearned revenue or rental income related to the ground lease as of June 30, 2019.

The Diocese is also the lessor in various property leases with various third parties, some of which have variable lease payments linked to the Consumer Price Index to which the lease payments are adjusted at specified intervals throughout the lease term. The lease terms do not have options to extend or terminate early. Rental revenue pertaining to these leases totaled \$433,120 and \$432,144 for the years ended June 30, 2020 and 2019, respectively. Undiscounted cash flows to be received on an annual basis for the remainder of these leases are \$436,882 for fiscal year 2021, \$442,931 for fiscal year 2022, \$379,792 for fiscal year 2023, \$352,339 for fiscal year 2024, \$249,868 for fiscal year 2025, and \$1,728,254 thereafter.

The Diocese entered into an agreement to lease the former All Saints School to a third party for a 10-year period. The lease commenced on September 1, 2011. Rental revenue is recognized on a straight-line basis over the term of the lease agreement which totaled \$646,182 both fiscal year 2020 and 2019. As revenue recognized as of June 30, 2020 and 2019 exceeded rental payments received, a deferred rent asset of \$468,296 and \$524,728 is recorded in the statements of financial position as of June 30, 2020 and 2019, respectively. Undiscounted cash flows to be received on an annual basis for the remainder of this lease are \$1,065,421 for fiscal year 2021 and \$156,527 for fiscal year 2022.

Finance Leases—The Diocese is the lessee in finance leases for computer equipment used in MACS and BMCHS. The corresponding right-of-use assets of \$2,705,223 and \$2,712,993 as of June 30, 2020 and 2019, respectively, is reported within property and equipment—net in the accompanying combined statements of financial position. The lease obligation was \$1,164,069 and \$1,927,105 as of June 30, 200 and 2019, respectively. Total lease costs related to these leases was \$767,383 and \$798,462 for the years ended June 30, 2020 and 2019, respectively, of which \$749,154 and \$768,752 is amortization of the right-of-use assets and \$18,229 and \$29,710 is interest expense on lease liabilities for the years ended June 30, 2020 and 2019, respectively.

Short Term Leases—The Diocese is the lessee in a number of short term leases (defined as 12 months or less) primarily for housing various Religious Order priests and Religious Order sisters involved in diocesan ministry. As described in Note 2 above, the Diocese has elected the permitted option to adopt the short-term lease exception for all asset classes and, therefore, does not record a right-of-use asset or lease liability for any of its short-term leases. The total short-term lease costs incurred were \$95,488 and \$94,185 for the years ended June 30, 2020 and 2019, respectively, and is reflected in other administrative expenses in the accompanying combined statement of activities.

The Diocese is also the lessor in a number of short-term leases primarily of residential facilities that

are not currently needed to house clergy or Religious Order sisters. The short-term rental revenue totaled \$99,833 and \$141,884 for the years ended June 30, 2020 and 2019, respectively, and is reflected in rental income in the accompanying combined statement of activities.

Future Minimum Lease Payments

Future minimum rental commitments under non-cancelable operating and finance leases as of June 30, 2020 are as follows:

Years Ended June 30	Operating Leases	Finance Leases	Total Leases
2021	\$148,076	\$ 595,075	\$ 743,151
2022	67,635	595,075	662,710
2023	8,463	-	8,463
2024	4,787	-	4,787
2025	-	-	-
Thereafter	-	-	-
Total	228,961	1,190,150	1,419,111
Less amount representing interest on lease liabilities	(3,821)	(26,081)	(29,902)
Lease liability as of June 30, 2020	<u>\$225,140</u>	<u>\$1,164,069</u>	<u>\$1,389,209</u>
Lease liability as of June 30, 2019	<u>\$336,966</u>	<u>\$1,927,105</u>	<u>\$2,264,071</u>

Joint Facility Usage Agreements—MACS has agreements with participating parishes for their joint use, but not control, of various facilities with varying terms. These agreements provide for contingent rentals based on usage and may be amended or modified at any time. Expenses totaled \$599,040 and \$601,591 for fiscal years 2020 and 2019, respectively, and are reported within regional and diocesan schools administration expense in the accompanying combined statements of activities.

12. CONTINGENCIES

From time to time, the Diocese is subject to various disputes and legal proceedings arising in the ordinary course of business. Management is of the opinion, based upon information presently available, that it is unlikely that any liability to the extent not provided for through insurance or otherwise, would be material in relation to the Diocese's combined financial position, results of operations, or cash flows.

The Housing Corporation has guaranteed various contingent payment obligations of its equity method investee, Curlin Commons Housing of Mooresville, Inc. (CCHM), related to an affordable housing project located in Mooresville, North Carolina. The maximum amount of the Housing Corporation's guarantee obligation was approximately \$4,000,000 as of June 30, 2020; however, management believes the likelihood that the Housing Corporation will have to make any such payments is remote.

13. FAIR VALUE MEASUREMENTS

In accordance with accounting principles generally accepted in the United States of America, certain assets and liabilities are required to be measured at fair value on a recurring basis. For the Diocese, the assets and liabilities that are adjusted to fair value on a recurring basis are investments in debt and equity securities, investments in funds, beneficial interests in perpetual trusts, and interest rate swap agreements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1—Valuations based on unadjusted quoted prices for identical instruments in active markets that are available as of the measurement date

Level 2—Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly

Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement

The assets measured at fair value on a recurring basis as of June 30, 2020 and 2019, based on the three levels of inputs within the fair value hierarchy, are summarized as follows:

	Fair Value Measurement as of June 30, 2020			
	Total	Level 1	Level 2	Level 3
Investments:				
Money market funds	\$ 35,334	\$ -	\$ 35,334	\$ -
Investments in certificates of deposit	1,764,931	-	1,764,931	-
Variable rate demand notes	1,561,983	-	1,561,983	-
Domestic large cap equity securities	6,510,649	6,510,649	-	-
Domestic large cap equity funds	15,507,000	-	15,507,000	-
Domestic bonds	37,606,873	-	37,606,873	-
International bonds	4,290,386	-	4,290,386	-
Mutual funds:				
Domestic small and mid cap equities	6,444,386	6,444,386	-	-
Hedged equities	8,061,528	8,061,528	-	-
International equities	21,765,514	21,765,514	-	-
Domestic bonds	18,968,432	18,968,432	-	-
International bonds	2,689,243	-	2,689,243	-
Domestic high-yield bonds	1,915,895	1,915,895	-	-
United States treasury notes	5,867,167	-	5,867,167	-
Agency securities	2,610,466	-	2,610,466	-
Mortgage backed securities	2,194,898	-	2,194,898	-
Municipal bonds	3,538,549	-	3,538,549	-
Total investments	141,333,234	66,355,647	74,977,587	-
Beneficial interest in perpetual trust	9,516,848	-	9,516,848	-
Total	<u>\$150,850,082</u>	<u>\$66,355,647</u>	<u>\$84,494,435</u>	<u>\$ -</u>

Fair Value Measurement as of June 30, 2019

	Total	Level 1	Level 2	Level 3
Investments:				
Money market funds	\$ 37,166	\$ -	\$ 37,166	\$ -
Investments in certificates of deposit	1,747,896	-	1,747,896	-
Variable rate demand notes	1,993,650	-	1,993,650	-
Domestic large cap equity securities	6,304,031	6,304,031	-	-
Domestic large cap equity funds	15,594,628	-	15,594,628	-
Domestic bonds	24,630,332	-	24,630,332	-
International bonds	3,572,588	-	3,572,588	-
Other investments held	1,012,662	1,012,662	-	-
Mutual funds:				
Domestic small and mid cap equities	6,003,099	6,003,099	-	-
Hedged equities	7,731,780	7,731,780	-	-
International equities	21,399,692	21,399,692	-	-
Domestic bonds	18,198,463	18,198,463	-	-
International bonds	2,671,268	2,671,268	-	-
Domestic high-yield bonds	2,006,696	2,006,696	-	-
United States treasury notes	11,125,865	-	11,125,865	-
Agency securities	3,049,918	-	3,049,918	-
Mortgage backed securities	2,612,592	-	2,612,592	-
Municipal bonds	3,127,142	-	3,127,142	-
Other funds	18,170	18,170	-	-
Total investments	132,837,638	65,345,861	67,491,777	-
Beneficial interest in perpetual trust	9,422,676	-	9,422,676	-
Total	\$142,260,314	\$65,345,861	\$76,914,453	\$ -

The fair value of investments classified within Level 2 of the fair value hierarchy are measured using standard valuation techniques, based on inputs that are observable, including the stated interest rate, maturity, and credit risk. The measurement of investments classified within Level 2 of the fair value hierarchy are based on published net asset values determined by the fund manager and reported on a daily basis. These investments, however, are not registered with the Securities and Exchange Commission (unlike mutual funds, which are registered). In certain instances, net asset values may require adjustments to more appropriately reflect fair value. No adjustments to net asset values were required. Proceeds from the redemption of the domestic large cap equity funds are generally available within seven (7) days after receipt of a valid redemption request. Redemption requests for significant amounts may take longer to process.

Transfers between Levels—The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in the availability of observable market data may require the transfer of financial instruments from one fair value level to another. In such instances, transfers are reported at the end of the reporting period. There were no transfers between levels during fiscal years 2020 and 2019.

Accounting principles generally accepted in the United States of America also require that certain assets and liabilities be measured at fair value on a nonrecurring basis, generally as the result of impairment charges. The Diocese had no assets or liabilities adjusted to fair value on a nonrecurring basis as of June 30, 2020 and 2019.

A summary of the levels within the fair value hierarchy used to determine the fair value of the pension and postretirement plan assets, excluding cash deposits measured at cost, as of June 30, 2020 and 2019, respectively, is summarized as follows:

Fair Value Measurement as of June 30, 2020
for the Lay Plan

	Total	Level 1	Level 2	Level 3
Domestic large cap equity securities	\$ 4,099,573	\$ 4,099,573	\$ -	\$ -
Domestic large cap equity funds	9,924,099	-	9,924,099	-
Mutual funds:				
Domestic small and mid cap equities	4,068,049	4,068,049	-	-
Hedged equities	5,159,507	5,159,507	-	-
International equities	13,899,258	13,899,258	-	-
Domestic bonds	11,186,627	11,186,627	-	-
International bonds	1,706,223	1,706,223	-	-
Domestic high-yield bonds	1,214,291	1,214,291	-	-
Total	\$51,257,627	\$41,333,528	\$9,924,099	\$ -

Fair Value Measurement as of June 30, 2019
for the Lay Plan

	Total	Level 1	Level 2	Level 3
Domestic large cap equity securities	\$ 4,119,740	\$ 4,119,740	\$ -	\$ -
Domestic large cap equity funds	10,101,404	-	10,101,404	-
Mutual funds:				
Domestic small and mid cap equities	3,740,425	3,740,425	-	-
Hedged equities	5,155,234	5,155,234	-	-
International equities	13,893,307	13,893,307	-	-
Domestic bonds	11,457,659	11,457,659	-	-
International bonds	1,624,306	1,624,306	-	-
Domestic high-yield bonds	1,220,440	1,220,440	-	-
Total	\$51,312,515	\$41,211,111	\$10,101,404	\$ -

Fair Value Measurement as of June 30, 2020
for the Priest Plan

	Total	Level 1	Level 2	Level 3
Domestic large cap equity securities	\$ 1,303,009	\$ 1,303,009	\$ -	\$ -
Domestic large cap equity funds	3,159,705	-	3,159,705	-
Mutual funds:				
Domestic small and mid cap equities	1,295,502	1,295,502	-	-
Hedged equities	1,642,801	1,642,801	-	-
International equities	4,414,993	4,414,993	-	-
Domestic bonds	3,601,497	3,601,497	-	-
International bonds	543,768	543,768	-	-
Domestic high-yield bonds	379,223	379,223	-	-
Total	\$ 16,340,498	\$13,180,793	\$3,159,705	\$ -

Fair Value Measurement as of June 30, 2019
for the Priest Plan

	Total	Level 1	Level 2	Level 3
Domestic large cap equity securities	\$ 1,244,454	\$ 1,244,454	\$ -	\$ -
Domestic large cap equity funds	3,059,125	-	3,059,125	-
Mutual funds:				
Domestic small and mid cap equities	1,155,432	1,155,432	-	-
Hedged equities	1,556,615	1,556,615	-	-
International equities	4,208,076	4,208,076	-	-
Domestic bonds	3,516,970	3,516,970	-	-
International bonds	507,581	507,581	-	-
Domestic high-yield bonds	373,708	373,708	-	-
Total	\$15,621,961	\$12,562,836	\$3,059,125	\$ -

Fair Value Measurement as of June 30, 2020
for the Retired Clergy Health Plan

	Total	Level 1	Level 2	Level 3
Domestic large cap equity securities	\$ 912,103	\$ 912,103	\$ -	\$ -
Domestic large cap equity funds	2,202,035	-	2,202,035	-
Mutual funds:				
Domestic small and mid cap equities	903,462	903,462	-	-
Hedged equities	1,145,402	1,145,402	-	-
International equities	3,076,372	3,076,372	-	-
Domestic bonds	2,455,873	2,455,873	-	-
International bonds	369,252	369,252	-	-
Domestic high-yield bonds	263,489	263,489	-	-
Total	\$11,327,988	\$9,125,953	\$2,202,035	\$ -

Fair Value Measurement as of June 30, 2019
for the Retired Clergy Health Plan

	Total	Level 1	Level 2	Level 3
Domestic large cap equity securities	\$ 854,632	\$ 854,632	\$ -	\$ -
Domestic large cap equity funds	2,140,694	-	2,140,694	-
Mutual funds:				
Domestic small and mid cap equities	807,183	807,183	-	-
Hedged equities	1,089,813	1,089,813	-	-
International equities	2,934,364	2,934,364	-	-
Domestic bonds	2,439,583	2,439,583	-	-
International bonds	345,493	345,493	-	-
Domestic high-yield bonds	261,170	261,170	-	-
Total	\$10,872,932	\$ 8,732,238	\$2,140,694	\$ -

14. ENDOWMENT FUNDS

The Diocese's endowment funds are managed by the Foundation and consist of donor restricted funds and management designated funds established for the purposes as shown in Note 15, as well as custodial endowments established by organizations affiliated with the Diocese. Custodial endowments are not recorded as contributions and, therefore, are not reflected as net assets of the Foundation.

Management has interpreted the state of North Carolina's enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the Foundation to appropriate for expenditure or accumulate so much of an endowment fund as the Foundation determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. As a result, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent contributions to the permanent endowment, and (c) other accumulations to the permanent endowment as required by donor gift instruments. Gains (losses) on the investments of donor restricted endowment funds are recorded as additions to (reductions of) net assets with donor restrictions, until those amounts are appropriated for expenditure by the Foundation consistent with the donor's wishes, at which time they are reclassified to net assets without donor restrictions.

There were 19 and 8 donor restricted endowments in which cumulative investment losses exceed cumulative investment gains ("underwater" endowments) as of June 30, 2020 and 2019, respectively. The aggregate original gift amount of the "underwater" endowment funds totals \$1,450,106 and \$137,395 as of June 30, 2020 and 2019, respectively. The aggregate fair value of the "underwater" endowment funds totals \$1,393,800 and \$132,490 as of June 30, 2020 and 2019, respectively, resulting in aggregate losses of "underwater" funds totaling \$56,306 and \$4,905 as of June 30, 2020 and 2019, respectively. Although UPMIFA allows appropriations for expenditure from "underwater" endowments in an amount determined to be prudent given the specific circumstances, the Foundation's policy precludes spending from "underwater" endowments, unless specifically approved by the donor, the donor's representative or the Foundation's Board of Directors. During the fiscal years ended June 30, 2020 and 2019, \$5,000 was distributed each year from endowments with a fair value that was less than the cumulative original gift amount at the time of distribution.

The Foundation has developed an investment policy for all its investable assets whose general purpose is to preserve the capital and purchasing power of the endowments and to produce sufficient investment earnings for current and future spending needs. The Foundation has adopted a total return strategy whose asset allocation is designed to give balance to the overall structure of the Foundation's investment program over a long-term period. The Foundation has adopted a spending policy that limits the amount of funds available for distribution each year to 5% of the endowment funds' average fair value over the prior 12 quarters, determined on a quarterly basis. In establishing this policy, the Foundation considered the long-term expected return on its investments and the objective to preserve purchasing power.

The endowment net asset composition by fund type as of June 30, 2020 and 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
2020			
Designated	\$4,702,699	\$ -	\$ 4,702,699
Donor restricted:			
Purpose restrictions	-	36,392,501	36,392,501
No purpose restriction—time restriction only	-	115,473	115,473
Total funds	\$4,702,699	\$36,507,974	\$41,210,673

	Without Donor Restrictions	With Donor Restrictions	Total
2019			
Designated	\$4,650,250	\$ -	\$ 4,650,250
Donor restricted:			
Purpose restrictions	-	35,892,161	35,892,161
No purpose restriction—time restriction only	-	111,816	111,816
Total funds	\$4,650,250	\$36,003,977	\$40,654,227

Changes in endowment assets for the year ended June 30, 2020 consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets—beginning of year	\$4,650,250	\$36,003,977	\$40,654,227
Investment income	128,325	957,780	1,086,105
Additions	35,424	624,493	659,917
Distributions	(66,924)	(737,070)	(803,994)
Other changes:			
Administrative fees	(25,204)	(250,636)	(275,840)
Management fees	(19,172)	(90,570)	(109,742)
Endowment net assets—end of year	\$4,702,699	\$36,507,974	\$41,210,673

Changes in endowment assets for the year ended June 30, 2019 consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets—beginning of year	\$4,470,715	\$33,465,907	\$37,936,622
Investment income	289,459	2,215,153	2,504,612
Additions	3,987	1,358,978	1,362,965
Distributions	(31,144)	(610,390)	(641,534)
Other changes:			
Grants awarded	(35,000)	(66,072)	(101,072)
Administrative fees	(27,398)	(271,527)	(298,925)
Management fees	(20,369)	(88,072)	(108,441)
Endowment net assets—end of year	\$4,650,250	\$36,003,977	\$40,654,227

16. PAYCHECK PROTECTION PROGRAM

The Central Administration, CCDOC and BMHS applied for and received Paycheck Protection Program (PPP) loans from the Small Business Administration under the Coronavirus Aid Relief and Economic Security Act (CARES Act) in May 2020 in the net amount of \$2,841,945. As of June 30, 2020, \$2,563,923 of the proceeds of the loans were expended for expenses that qualify for forgiveness under the provisions of the PPP, and as such, is recorded in federal and state agency awards in the accompanying combined statements of activities. The remaining balance of \$278,022 is reported in custodial, annuity, and other obligations in the accompanying combined statements of financial position as of June 30, 2020. It is management's intention to expend this amount on expenses that qualify for forgiveness within the prescribed timeframe.

15. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of contributions received from donors whose use by the Diocese is limited by donor-imposed stipulations. The restricted amounts as of June 30, 2020 and 2019, and the corresponding purposes for which the income is expendable are as follows:

	2020	2019
TRIAD Area Catholic Schools Education Foundation grants	\$ -	\$ 50,000
Bishop McGuinness High School programs	271,297	374,908
Mecklenburg Area Catholic Schools capital projects	6,210,740	4,191,788
Mecklenburg Area Catholic Schools programs	429,221	448,707
Catholic Charities' programs	700,669	685,151
Elderly Outreach	487,331	487,331
FFHL gifts for parishes	102,283	279,514
FFHL gifts for Priest Retirement Plan	96,451	180,728
FFHL gifts for facility construction and improvements	4,992,340	5,054,569
St. Joseph Seminary construction	2,394,539	8,006,909
Other programs	426,892	433,467
Amounts in excess of endowment corpus and annuities subject to expenditure for donor specified purposes:		
Parishes	1,198,310	1,324,460
Education	1,198,135	1,378,030
Clergy/vocations	1,127,019	1,047,466
Outreach programs and services	2,188,630	2,073,346
Diocesan programs	418,348	401,832
Nondiocesan programs	87,471	82,421
	<u>22,329,676</u>	<u>26,500,627</u>
To be held in perpetuity to generate income for donor specified purposes:		
Endowments (including endowment cash, pledges and other receivables for future investment):		
Parishes	10,574,778	10,431,940
Education	8,526,378	8,346,282
Clergy/vocations	3,599,495	3,502,434
Outreach programs and services	6,420,740	6,348,218
Other diocesan purposes	802,111	875,369
Nondiocesan	397,932	397,417
	<u>30,321,434</u>	<u>29,901,660</u>
FFHL gifts restricted for endowments:		
Education	26,173	79,037
Clergy/vocations	9,815	29,639
Outreach programs and services	29,444	88,917
Other diocesan purposes	19,630	59,278
	<u>85,062</u>	<u>256,871</u>
Beneficial interest in perpetual trust—parishes	\$ 4,506,605	\$ 4,526,255
Beneficial interest in perpetual trust—education	5,010,243	4,896,420
Permanent loan fund—parishes	5,509,961	5,317,807
Annuity funds:		
Parishes	101,027	105,136
Clergy/vocations	21,245	22,008
Outreach programs	21,245	22,008
	<u>143,517</u>	<u>149,152</u>
Assets held in trust—parishes	-	39,064
Total net assets with donor restrictions	\$67,906,498	\$71,587,856

Protecting God's Children 2020

In 2002 the United States bishops issued the Charter for the Protection of Children and Young People. The Charter addressed the issue of child sexual abuse by Church personnel and established steps that every diocese must take to ensure that children are protected from the dangers of abuse.

The Diocese of Charlotte takes the Charter's mandate very seriously and continues its efforts to protect all children and the vulnerable. The cornerstones of our Safe Environment program are our comprehensive policies, continuing education programs and mandatory background screening processes. The diocese has promulgated its own Safe Environment policies, including the Code of Ethics and the Policy of the Diocese of Charlotte Regarding Sexual Misconduct by Church Personnel, which conform to the standards of the Charter. All clergy, religious, lay employees and volunteers must adhere to the provisions in these policies. During the past fiscal year, 3,773 diocesan personnel completed the Protecting God's Children educational awareness program and 4,644 criminal background checks were completed.

In December 2019, the diocese published a list of clergy who have been credibly accused of sexual abuse of children since the diocese was established in 1972. The information was published at www.accountability.charlottediocese.org and in the Catholic News Herald after an extensive records review by independent investigators. Upon publication of the list, Bishop Peter Jugis explained that "a full accounting of credibly accused clergy would provide validation for victims and demonstrate our commitment to transparency and accountability." This information will continue to be readily available to the public and updated as necessary.

This past year the diocese also launched an independent hotline for the reporting of sexual abuse and misconduct. Reports can be made 24 hours a day, 7 days a week, by phone or online through a web portal, in many different languages. Reports can be made anonymously, and individuals making a report can choose to receive updates through the hotline's web portal. The hotline is the latest among the diocese's longstanding efforts to protect children and the vulnerable from abuse.

Each year, the diocese participates in an audit to determine compliance with the Charter. The audit for the period of July 2019 through June 2020 will be conducted in December 2020. Stonebridge Business Partners has been contracted by the U.S Conference of Catholic Bishops to conduct the audit.

These activities represent a significant financial commitment on the part of the diocese. The cost of the various programs and measures outlined herein totaled \$525,645 during the fiscal year ended June 30, 2020, \$378,855 of which represents the cost of developing the list of clergy credibly accused of sexual abuse of children. The diocese also provided financial assistance to victims and their families. During the past year, \$4,995 was provided for medical and counseling services for historical victims. Additionally, the diocese incurred costs in connection with sexual misconduct lawsuits totaling \$36,859 during fiscal 2020. As in the past, none of these funds came from the Diocesan Support Appeal or from parish funds.

Our commitment to the protection of those in our care from the dangers of sexual abuse will never waver. In the 18 years since the Charter was issued, the diocese has continuously increased its efforts to engage everyone in providing a safe environment. As Pope Francis explains in "Gaudete et Exsultate": "A community that cherishes the little details of love, whose members care for one another and create an open and evangelizing environment, is a place where the risen Lord is present, sanctifying it in accordance with the Father's plan."