

ANNUAL FINANCIAL REPORT FOR THE DIOCESE OF RALEIGH – January 2019

DEAR BROTHERS AND SISTERS IN CHRIST,
 As the Chief Financial Officer and Chief Administrative Officer of the Diocese of Raleigh, it is my responsibility and my privilege to make this Annual Report on the finances and other relevant statistical data for the Diocese of Raleigh. Our Diocesan finances are audited by the independent accounting firm of Cherry Bekaert, and those audited financial statements for the year ended June 2018 are published on our Diocesan website at: <http://dioceseofraleigh.org/offices/chief-financial-officer/audited-financial-statements>. If you do not have access to a computer and would like a copy of the audited financial statements, please call Karen Free at 919-821-9703.

I am pleased to report that our Diocese continues to be financially stable. The Diocesan unrestricted reserves have stayed the same as in the previous year, at just over the target level suggested by the Diocesan Finance Council. Once again, the audit is accompanied by an unmodified opinion, which is the highest level of assurance issued by the auditors, and which means that the auditors believe the financial statements fairly represent the financial status of the Diocese.

Our Diocese continues to experience many signs of growth and vibrancy:

- Parish offertory across the Diocese increased by over 5% over the previous year, and two thirds of our parishes and missions had an increase in offertory over the previous year. Twenty of our parishes and missions experienced offertory increases of over 10% above the prior year.
- This growth is also seen in the continuing construction of new facilities. During 2017-18, the Holy Name of Jesus Cathedral was dedicated, as were new churches



Number of Parishes

79

Parishes

18

Missions



27

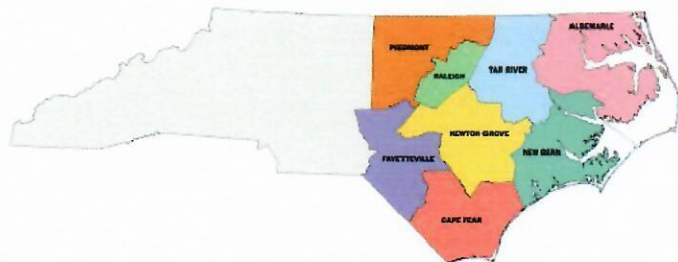
Seminarians

25

Extern Priests

103

Active Diocesan and Religious Order Priests



237,372 Registered Parishioners
250,000 Estimated Unregistered Catholics
487,372 Estimated Total Catholic Population in the Diocese of Raleigh

for St. Mary Magdalene in Apex, St. Luke in Raleigh, St. Joseph the Worker in Warrenton, and Our Lady of La Vang in Raleigh. As of the writing of this letter, a new church is under construction at St. Stephen the First Martyr in Sanford. A new church is under architectural design at Holy Infant in Durham, and new facilities are either under design or in the planning stages for St. Joseph in Raleigh and for Mother Teresa Mission in Cary. St. Thomas More in Chapel Hill has acquired an adjacent former Methodist church as part of an expansion of its current campus.

- The Holy Name of Jesus Cathedral has been in operation since late July 2017. Offertory for the first year of operation was tracking at an increase of close to 50% vs. the same period of time in the previous year. As anticipated, a Diocesan subsidy continues to be required for the operations of the Cathedral at an amount of approximately \$160,000 for the 2018-19 year, with the presumption that this subsidy can be eliminated by the end of June 2020 if favorable offertory trends continue.
- The Diocese has 27 men in formation for the priesthood, and three men were ordained to the priesthood in June 2018, with two men expected to be ordained to the priesthood during 2019. Seminarian formation and education are ministries that receive significant funding (over \$800,000 in 2017-18) from the Bishop's Annual Appeal. I am grateful for so many of the faithful who pray for increased vocations to the priesthood and religious life, and I am also thankful for so many of our parishioners who regularly pray for our seminarians by name.
- Studies are underway in several parts of the Diocese to determine the enrollment demand and financial feasibility for possible new Catholic high schools.

Amidst the growth in many areas of the Diocese, that growth and prosperity is not uniform across the eastern half of the state. There are parishioners and people in our communities who are facing serious economic challenges. One third of our parishes and missions have had an offertory decline vs. last year, and seven of our parishes and missions have had an offertory decline of over 10% vs. the prior year.

In response to these and other similar challenges,

CURRENT MEMBERS OF THE DIOCESAN FINANCE COUNCIL: Mr. Greg Anglum, Chair – Senior Vice President and Chief Financial Officer of Bioventus, LLC | Mr. James T. Boyle, Jr. – Retired Chief Operating Officer, LabCorp | Rev. Msgr. David Brockman – Vicar General/Rector, Holy Name of Jesus Cathedral | Rev. Michael Burbeck – Pastor, St. Charles Borromeo, Ahoskie | Ms. René Corders – Principal, St. Ann Catholic School, Fayetteville | Mr. Russell Elmayer – Chief Financial Officer/Chief Administrative Officer, Diocese of Raleigh | Mr. Thomas Fenn – Certified Financial Planner | Mr. Kevin Green – Sr. Solution Architect and Practice Lead, IBM | Rev. Michael Martin, O.F.M. Conv. – Director, Duke Catholic Center | Mr. Robert Moloney – Principal, Wilmore Capital, LLC | Mr. Brian Reid – Triangle Market President, Paragon Bank | Mr. Tim Thronson | Retired Partner, PricewaterhouseCoopers

the Diocese has responded in the following manner:

- Twelve of our smaller parishes and missions in rural areas of the Diocese receive annual subsidies so that a Catholic presence can be maintained in those parts of eastern North Carolina. In addition, the Diocese provides full or partial funding for priests serving in ministry throughout the Diocese at parishes which could not otherwise afford them. This funding of over \$500,000 per year comes from the Bishop’s Annual Appeal.
- Catholic Charities, which receives over \$1.3 million per year in funding from the Bishop’s Annual Appeal - more than any other single ministry - continues to serve over 60,000 people in need each year in our communities. The Bishop’s Annual Appeal is also the largest source of funding for Catholic Charities, providing 27% of the operating budget for Catholic Charities. Two major new initiatives are underway: (1) The Durham Community Food Pantry is being developed and is scheduled to open in March 2019 and (2) the Oak City Cares Center is a multi-service center providing referrals and services to the homeless which will be opening in Raleigh and Catholic Charities plans to be the operator of that facility. This is a partnership with the city, the county, and the Partnership to Prevent and End Homelessness.

I am grateful for the many volunteers who assist the Catholic Charities staff in its outreach and for the benefactors who provide the resources to make much of this outreach possible. Just as importantly, I also ask you to join me in offering continued prayers for all those in need.

I am pleased to report on continued progress in key areas:

- The Diocese refinanced its Deposit and Loan Program, with a resulting reduction in loan interest rates to our parishes from 5.5% to 4.0%, during a time when prevailing mortgage rates have been on the rise. This sizeable decrease in interest rates will save our parishes over \$500,000 per year in interest expense. This will allow our parishes to devote more financial resources to ministry instead of interest expense on loans for construction related projects.

CATHOLIC POPULATION

■ **The Diocese of Raleigh continues to grow in its population and vibrancy. The registered Catholic population has increased by 16% since 2007.**



4,825
Baptisms



4,849
First
Communions



4,055
Confirmations

- The Diocese has greatly increased its commitment to conducting financial audits and internal control reviews at parishes and schools. For the past several years, the Diocese had one person performing audits, with each parish or school typically being audited once every four years. This past year, the commitment to parish audits was enhanced, with three auditors in place with the objective of performing audits at parishes and schools every other year.
- The Diocese has implemented a free bookkeeping service for small parishes without the resources or ability to devote towards having a full-time paid staff person producing the financial statements and paying the bills. Currently, the Diocese is assisting six parishes and missions in this manner, and it is prepared to assist even more parishes in the future.
- The priest pension plan has a benefit security ratio of 92%, and the lay pension plan (which has been frozen in lieu of a defined contribution plan) has a benefit security ratio of 92% as well. The funded status of both the clergy and the lay pension plans represent a sizeable increase from prior years and are just above the target rates of 90%. The

National Special Collections 2017 - 2018

Church in Latin America.....	\$108,908
Church in Central & Eastern Europe.....	\$89,445
Black & Native American Missions	\$88,591
Catholic Relief Services	\$150,164
Operation Rice Bowl	\$75,553
Holy Land Shrines	\$118,027
Catholic Home Mission	\$95,700
Collection for the Holy Father (Peter’s Pence)	\$81,545
Catholic University of America	\$90,456
World Mission Sunday.....	\$105,436
Catholic Communication Campaign	\$82,710
Catholic Campaign for Human Development.....	\$98,439
Retirement Fund for Religious.....	\$209,694
Disaster Relief	\$774,068
Total Special Collections	\$2,168,736

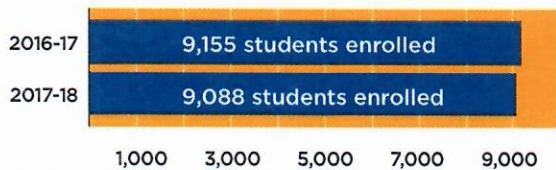
Diocese is also making annual contributions to an endowment which will provide funding for the long-term nursing and other care needs for priests that are not covered by health insurance.

- For the ninth consecutive year, health insurance premiums have increased by 5% or lower (with an annual average increase of less than 2%) while national trends in percentage increases in premiums have been significantly higher. In addition, during the last nine years, there have also been four “monthly premium holidays” where health insurance premiums were not charged to our parishes, schools, and employees.

Importantly, as part of the work performed by the independent auditors, there is an attestation letter which indicates that their review and testing shows that no funds from parish deposits with the Diocese, the Bishop’s Annual Appeal, and the Our Cathedral: One Faith, One People campaign have been used for expenses related to allegations of misconduct by a representative of the church.

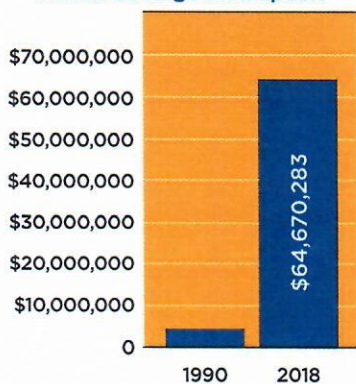
I invite you to review the report on our Diocesan website at the web address listed at the beginning of this letter. This report visually highlights some key financial, statistical, and pastoral benchmarks, as an accompaniment to the annual financial audit. We take seriously our obligation of exercising proper

CATHOLIC SCHOOL ENROLLMENT

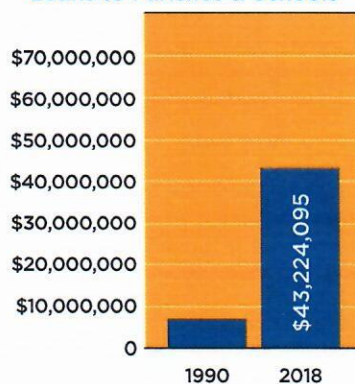


■ 9,088 students are enrolled in Catholic schools within the Diocese or Raleigh. During the 2017-2018 enrollment year, over \$1.9 million was distributed by the North Carolina Opportunity Scholarship Program, serving 445 students. The God’s Work, Our Challenge Tuition Assistance endowment distributed \$80,300 amongst 21 schools (serving 161 students).

Parish Savings on Deposit



Loans to Parishes & Schools



Grants Distributed 2017-2018

Small Parish Operating Assistance	\$129,400
Parish Assistance for One-Time Projects	\$44,650
Deanery Endowment for the Poor	\$95,800
Diocesan Endowment for the Poor	\$21,400
Respect Life Grants	\$10,497
Catholic Schools Tuition Assistance	\$80,300
Grants for Campus Ministry	\$425,880
Priestly Ministry at Hospitals & Parishes	\$279,016
Catholic Campaign for Human Development	\$21,800
Home Mission Society	\$323,754
Early Childhood Development	\$44,534
Total Grants Distributed	\$1,477,031



Catholic Charities Statistics

Number of People Served: **63,579**

Number of Volunteers: **2,909**

Number of Volunteer Hours: **53,923**

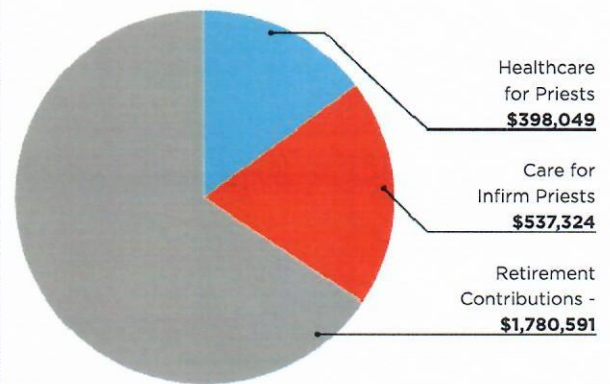
Value of In-Kind Gifts Received: **\$3,250,000**

27% of the budget for Catholic Charities comes from the Bishop’s Annual Appeal

stewardship over the resources that have been entrusted to us, and I believe that you will find that we have honored that obligation and commitment.

I express gratitude to Bishop Luis Rafael Zarama for his steadfast support for prudent fiscal practices and for his leadership of our Diocese. I am also grateful for the members of the Diocesan Finance Council and the Diocesan Investment Committee, who provide such wise advice and counsel. I offer renewed thanks for your support, which makes it possible for our Diocese to provide the pastoral and charitable ministries that positively impact so many people each year. †

Sincerely,
Russell C. Elmayan, M.B.A., M.P.S.
Chief Financial Officer and Chief Administrative Officer



PRIEST WELFARE & RETIREMENT EXPENDITURES - 2018 \$2.72 MILLION*

■ The Diocese of Raleigh is fortunate to have many Diocesan Religious Order Priests in service here. These expenditures are part of our continuing care for the priests, both active and retired. Each parish contributes to the funding of Priest Welfare & Retirement Expenditures. The chart above represents how those funds are spent.

*Excludes Extraordinary Diocesan Contributions to augment the fund status of the clergy pension plan.