

DIOCESE SHARES ANNUAL REPORT

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CHIEF FINANCIAL OFFICER AND CHIEF ADMINISTRATIVE OFFICER

I AM PLEASED TO REPORT that our diocese continues to be financially stable. The diocesan unrestricted reserves have increased since the prior year, and they are near 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. The diocese continues to experience signs of vibrancy; it also faces some challenges and it is making continued progress in key areas.

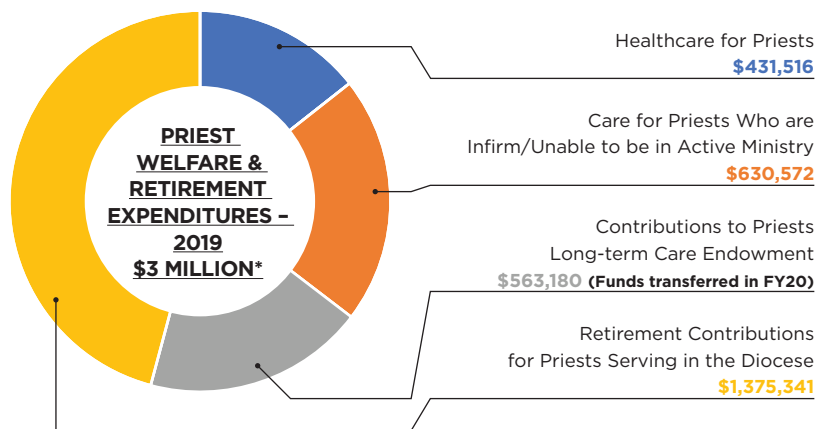
Key highlights:

GROWTH AND VIBRANCY

- Catholic population growth in the Diocese of Raleigh is resulting in the continuing construction of new facilities. A new church at St. Stephen the First Martyr in Sanford was dedicated in 2019. As of Dec. 2019, a new church is under construction at Holy Infant in Durham, and a new hall and classroom building is under construction at St. Joseph in Raleigh. New facilities are in the planning stages at Mother Teresa Mission in Cary and at Sts. Mary and Edward in Roxboro.
- Holy Name of Jesus Cathedral has been in operation since July 2017. Offertory for the first year of operation



The registered Catholic population has increased by **13%** since 2009



■ 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.

increased by approximately 50% vs. the previous year. Offertory for the second year of operation has increased by 8%. Further analytical work will take place to determine if an operating subsidy for cathedral remains necessary.

- The diocese has 24 men in formation for the priesthood. Two were ordained to the priesthood in 2019. The budget for tuition, room and board, and other expenses for seminarian education and formation is over \$1.2 million. While endowments and other gifts help fund these expenses, the Bishop's Annual Appeal provides significant funding as well.
- Studies have been undertaken in several parts of the diocese to determine the enrollment demand and financial feasibility for possible new Catholic high schools. With support from the Cardinal Gibbons High School Board of Trustees, the diocese placed a parcel of land in Durham under contract as a possible site for a future Catholic high school, pending city approvals and a successful future capital funding plan.
- Under the leadership of Bishop Luis Rafael Zarama, the diocese is supporting efforts to try to establish a Cristo Rey High School in the Raleigh-Durham area. Cristo Rey schools are Catholic schools which provide a Catholic education for those who would not otherwise be able to afford it. Funds come from local businesses, benefactors and work-study performed by students at local businesses.

CHALLENGES

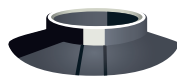
- Parish offertory increased by 1% over the previous year. However, there were 53 weeks in the fiscal year that ended June 2019, and 52 weeks in the fiscal year that ended June 2018. On a standardized basis, using the same number of weeks in each year, offertory declined by 1%. Two weather events – a Dec. snowstorm on a weekend as well as Hurricane Florence, played a part in the offertory results.
- 53 parishes and missions had increases in offertory, but 44 parishes and missions had decreases in offertory.
- 30 parishes sustained \$11 million in facility damages from Hurricane Florence. The diocese partially self-insures for property-related insurance claims. Through the diocesan insurance program, the maximum out-of-pocket deductible any one parish incurred for damages directly related to the hurricane was \$1,000. However, the unfavorable claims experience that took place because of the hurricane damage could result in a sizeable increase in parish property insurance premiums in future years.
- The BAA for 2019, which funds the 2019-20 fiscal year, will likely end the year approximately \$300,000 short of goal. Due mostly to budgeted, but unfilled, staff positions at diocesan offices, the 2018-19 year

ended with an operating surplus of over \$500,000. This surplus will be used to fund the expected operating deficit in 2019-20 caused by the shortfall in the 2019 BAA. Several changes are underway which are designed to help the 2020 BAA be more successful. If the 2020 BAA does not meet goal, spending cuts and reduction in diocesan ministries and services may be necessary to operate at a balanced budget.

- It is necessary to be searching for land for future parishes and schools and to be purchasing land now, when the land is available and presumably less expensive than it will be in the future, in areas where future growth is expected to occur. The diocese uses demographic projection software to aid it in identifying areas where the future needs will be located. The diocese has several parcels of surplus land listed for sale at this time, with the proceeds from those future sales to be placed in a Land Trust fund for future land purchases. The acquisition of additional funding for land purchases is one of the strategic priorities of the diocese.

OUTREACH TO THOSE IN NEED

■ Growth and prosperity is not uniform across the eastern half of the state. There are people in our communities who are facing serious economic challenges. Almost half of our parishes and missions have had an offertory decline vs. last year, and eight of our parishes and missions had an offertory decline of over 10% vs. the prior year. **In response to these and other similar challenges, the diocese has responded in the following manner:**



24
Seminarians

24
Extern
Priests*

116
Active
Diocesan
and
Religious
Order
Priests

*Priests serving here from other dioceses

80
Number of
Parishes
17
Number of
Missions

- Provides just under \$700,000 per year in the diocesan operating budget to support parishes. A large part of this funding comes from the BAA. This support consists of \$353,000 for eight priests ministering at small parishes and at hospital ministries, \$225,000 in subsidies for daily operations at nine parishes, \$75,000 in subsidies for small parishes which may be unable to support the new priest salaries, and \$45,000 in parish assistance grants.
- Provides \$470,000 per year in financial support for six campus ministry sites at college campuses.
- Provides approximately \$4 million in interest-free loans, from the Interest Free Home Revolving Fund, to parishes in need. This saves parishes approximately \$140,000 per year in interest expense.
- Provides \$1.6 million in financial support to Catholic Charities and to local initiatives that serve the poor. This is funded largely from the BAA, as well as from the Endowment for the Poor. Catholic Charities receives more funding from the BAA than any other single ministry, and the BAA is the largest source of funding for Catholic Charities. In the past year, the Durham Community Food Pantry and the Oak City Multi-Service Center for the homeless in Raleigh, both operated by Catholic Charities, have opened.

CONTINUED AREAS OF PROGRESS

- The funding in the Catholic Community Deposit and Loan program was refinanced, with resulting reductions in loan interest rates to parishes from 5.5% to 4.0% and then to 3.5%, during a time when prevailing mortgage rates have often been on the rise. This sizeable decrease in loan interest rates will save our parishes over \$500,000 per year in interest expense. This will allow parishes to devote more financial resources to ministry instead of interest expense on loans for construction related projects.
- At the same time, the interest rate on parish deposits, which can be withdrawn upon demand, have increased from 0.75% to 1.25%. This change will result in additional annual earnings of approximately \$350,000 to parishes across the diocese.
- The diocese has continued its enhanced commitment to conducting financial audits and internal control reviews at parishes and schools. Three auditors are 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, missions, and campus ministries without the resources to devote toward a full-time paid staff person producing financial statements and paying bills. Currently, the diocese is assisting 16 parishes, missions and campus ministries in this manner.

FY19 Diocesan Support for Small Parishes, Priestly Ministries, and Campus Ministries

FY19 Grants Distributed

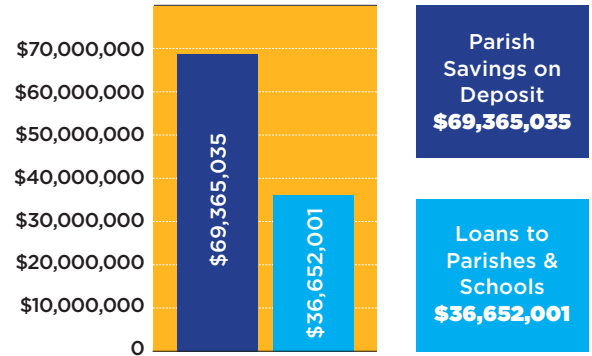
Parish Operating Assistance	\$ 270,966	Deanery Endowment for the Poor	\$ 93,500
Grants for Campus Ministries	\$ 457,970	Diocesan Endowment for the Poor (God's Work-Our Challenge Campaign)	\$ 20,925
Priestly Ministry at Hospitals & Parishes	\$ 356,350	Respect Life Grants	\$ 7,715
Funding for Parish Early Childhood Development Centers	\$ 141,898	Catholic Schools Tuition Assistance	\$ 81,100
		Catholic Campaign for Human Development Grants in the Diocese of Raleigh	\$ 21,000
		Diocesan Endowment for the Poor (Catholic Charities)	\$ 93,350



TOTAL	\$1,227,184	TOTAL	\$317,590
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National Special Collections 2018-2019

Church in Latin America.....	\$110,561
Church in Central & Eastern Europe.....	\$113,741
Black & Native American Missions.....	\$97,796
Catholic Relief Services.....	\$142,301
Operation Rice Bowl.....	\$70,059
Holy Land Shrines.....	\$106,516
Catholic Home Mission.....	\$120,307
Collection for the Holy Father (Peter's Pence).....	\$115,924
Catholic University of America.....	\$85,385
World Mission Sunday.....	\$118,081
Campaign for Human Development.....	\$107,021
Retirement Fund for Religious.....	\$180,933
Disaster Relief within the Diocese of Raleigh.....	\$485,116
Catholic Communication Campaign.....	\$81,538
Total Special Collections.....	\$1,935,279



► 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 Deposit and Loan Fund, the BAA or the Our Cathedral: One Faith, One People campaign have been used for expenses related to allegations of misconduct by a representative of the church.

- As of Sept. 2019, the priest pension plan has a benefit security ratio of 90%, which is at the target rate set by the Diocesan Finance Council. As of April 2019 (the most recent valuation), the lay pension plan (which is frozen in lieu of a defined contribution plan) has a benefit security ratio of 85%. The target ratio is 90%, but the adoption of a new mortality table resulted in a 4% drop in the funded status. Presuming rates of return for pension investments meet projections, the funded status of this plan should be at 90% within one to two years. As financial funding dynamics permit, the diocese makes annual contributions to an endowment which will provide funding for long-term nursing and other care needs for priests not covered by health insurance.



- Once again, the diocese has experienced a zero percent increase in health insurance premiums for its employees while national trends in premiums have been trending upward. In addition, there will also be another “monthly premium holiday” where health insurance premiums are not charged to our parishes, schools and employees.
- The Foundation of the Roman Catholic Diocese of Raleigh, North Carolina has been formed, with an executive director and a lay board of directors. The Foundation holds the endowments from the diocese, its parishes and schools, and Catholic Charities; and its purpose is to grow existing endowments, start new endowments to support pastoral and charitable ministries of the diocese, and to secure funding for major diocesan initiatives. †

CATHOLIC CHARITIES STATISTICS

- Number of People Served: **68,663**
- Number of Volunteers: **4,551**
- Number of Volunteer Hours: **64,834**
- Value of In-kind Gifts Received: **\$3,798,000**
- **28%** of the budget for Catholic Charities comes from the Bishop's Annual Appeal



CATHOLIC SCHOOL ENROLLMENT

- **9,059** students are enrolled in Catholic schools within the Diocese of Raleigh
- During the 2018-2019 enrollment year, **over \$2 million** was distributed by the North Carolina Opportunity Scholarship Program, serving 476 students
- The God's Work, Our Challenge Tuition Assistance endowment distributed **\$80,000** amongst **21 schools** and served **160 students**

CURRENT MEMBERS OF THE DIOCESAN FINANCE COUNCIL: Mr. Greg Anglum, Chair – Senior Vice President and Chief Financial Officer, Bioventus LLC | Mr. Jay 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. Rene Corders – Principal, St. Ann Catholic School, Fayetteville | Dr. 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 – President, Towne Bank Triangle | Mr. Tim Thronson – Retired Partner, PriceWaterhouseCoopers

PLEASE NOTE:

- Diocesan finances are audited by the independent accounting firm of Cherry Bekaert
- The audited financial statements for the year that ended June 2019 are published on the diocesan website at [HTTP://DIOCESEOFRALEIGH.ORG/OFFICES/CHIEF-FINANCIAL-OFFICER/AUDITED-FINANCIAL-STATEMENTS](http://dioceseofraleigh.org/offices/chief-financial-officer/audited-financial-statements)