

Stay with Us, Lord

LUKE 24:29

Roman Catholic Diocese of Charlotte
Annual Report 2019

Dear Brothers and Sisters in Christ,

Grace to you and peace from God our Father and the Lord Jesus Christ.

The theme of this year's annual report, *Stay With Us, Lord*, is a fitting statement for the Diocese of Charlotte, as we continue to trust in the Lord to guide, enlighten and feed us on our journey, just as the disciples on the road to Emmaus experienced. We pray for the Lord to remain with us always, through good times and bad, because we know that without Him, we cannot accomplish anything: "I am the vine, you are the branches. Whoever remains in me and I in him will bear much fruit, because without me you can do nothing" (John 15:5).

This annual report presents information about the finances of the diocese, and through text and photos, it describes the gifts both given and received from July 1, 2018, through June of this year. I am pleased to report the overall good financial health of the diocese, and I am grateful for your sustained support through prayer, service and financial contributions.

The presence of the Lord has been truly felt this year in the diocese, as we look back in this report at the many blessings and gifts He has bestowed on our local Church.

A highlight of the year was the 2018 Eucharistic Congress, the 15th for the diocese, when thousands of people gathered at the Charlotte Convention Center to worship the Lord who remains with us through His Body, Blood, Soul and Divinity in the Most Blessed Sacrament of the Eucharist.

The diocese is thankful for the ministry of our priests, deacons and religious, who make Christ present every day to the 400,000 Catholics of western North Carolina. And because the harvest is so abundant, the Lord is calling more laborers to serve Him. We have been blessed this year to have three men, Michael Carlson, Alfonso Gamez Jr. and Britt Taylor, ordained to the holy priesthood. Earlier this year Jonathan Torres was ordained to the transitional diaconate in preparation for priestly ordination, and this fall Jacob Mlakar was also ordained to the transitional diaconate. In addition, St. Joseph College Seminary keeps growing at a rapid pace, as enrollment has risen to 26 for this school year and construction continues on the college seminary's permanent home in Mount Holly. Please pray for all 40 of our seminarians as they prepare to follow the Lord in serving the people of our diocese.

The diocese's 19 Catholic schools continue to fulfill their mission of providing a rigorous academic and solidly Catholic education, with teachers, staff and supporters modeling the example of Christ in their work serving nearly 7,000 students from pre-kindergarten through the 12th grade. Through participation in prayer, the sacraments and service projects, students are also learning how to express their Catholic faith and share the love of God with others.

Last year Catholic Charities Diocese of Charlotte made the presence of the Lord felt in the lives of 22,680 people, providing food, employment assistance, counseling, life skills training, pregnancy support, emergency financial aid, and other help in times of crisis. The numbers are heartwarming: Nearly 15,000 people received 548,000 pounds of food, 625 refugees obtained assistance, more than 1,000 people took part in marriage preparation or Natural Family Planning classes, and 69 families were provided a dignified burial for a loved one. More than 360 volunteers shared 22,423 hours of service, giving hope and a helping hand to their brothers and sisters in need.

In closing, I would like to express my deep appreciation to all of the faithful who have supported the efforts of the diocese during the past year. Your unflinching prayers, joyful service and financial generosity are all signs of the abiding presence of the Lord in our diocese.

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

+ Peter J. Jugis

Queridos hermanos y hermanas en Cristo,

Gracia y paz a ti de Dios nuestro Padre y Señor Jesucristo "

El tema del informe anual de este año, *Quédate con nosotros, Señor*, se ajusta a la Diócesis de Charlotte, ya que seguimos confiando en el Señor para guiarnos, iluminarnos y alimentarnos en nuestro viaje, al igual que los que experimentaron los discípulos en el camino a Emaús. Oramos para que el Señor permanezca con nosotros siempre, durante tiempos buenos y malos, porque sabemos que sin Él no podemos lograr nada: "Yo soy la vid, ustedes son las ramas. El que permanece en mí y yo en él dará mucho fruto, porque sin mí no pueden hacer nada" (Juan 15:5).

Este reporte anual presenta información sobre las finanzas de la diócesis y, a través de texto y fotos, describe los obsequios entregados y recibidos desde el 1 de julio de 2018 hasta junio de este año. Me complace informar sobre la buena salud financiera general de la diócesis y estoy agradecido por vuestro continuo apoyo a través de la oración, el servicio y las contribuciones financieras.

La presencia del Señor se ha sentido verdaderamente este año en la diócesis, al mirar hacia atrás en este informe a las muchas bendiciones y dones que Él ha otorgado a nuestra Iglesia local.

Lo más destacado del año fue el Congreso Eucarístico 2018, el 15 de la diócesis, cuando miles de personas se reunieron en el Centro de Convenciones de Charlotte para adorar al Señor que permanece con nosotros a través de Su Cuerpo, Sangre, Alma y Divinidad en el Santísimo Sacramento de La Eucaristía.

La diócesis está agradecida por el ministerio de nuestros sacerdotes, diáconos y religiosos, quienes hacen que Cristo esté presente todos los días ante los 400.000 católicos del oeste de Carolina del Norte. Y debido a que la cosecha es tan abundante, el Señor está llamando a más trabajadores para que le sirvan. Hemos sido bendecidos este año al tener tres hombres, Michael Carlson, Alfonso Gámez Jr. y Britt Taylor, ordenados al santo sacerdocio. A principios de este año, Jonathan Torres fue ordenado para el diaconado de transición

en preparación para la ordenación sacerdotal, y este otoño también se espera que Jacob Mlakar sea ordenado para el diaconado transicional. Además, el Seminario Universitario San José sigue creciendo rápidamente, ya que la inscripción ha aumentado a 26 plazas para el próximo año escolar y la construcción continúa en el futuro hogar permanente del seminario universitario en Mount Holly. Por favor, recen por los 40 seminaristas que se preparan para seguir al Señor sirviendo a las personas de nuestra diócesis.

Las 19 escuelas católicas de la diócesis continúan cumpliendo su misión de proporcionar una educación académica rigurosa y sólidamente católica, con maestros, personal y promotores que siguen el ejemplo de Cristo en su trabajo al servicio de casi 7.000 estudiantes, desde pre-kindergarten hasta el grado 12. A través de su participación en la oración, sacramentos y proyectos de servicio, los estudiantes también están aprendiendo cómo expresar su fe católica y compartir el amor de Dios con los demás.

El año pasado, Caridades Católicas de la Diócesis de Charlotte hizo sentir la presencia del Señor en la vida de 22.680 personas, proporcionando alimentos, asistencia laboral, consejería, capacitación en habilidades para la vida, apoyo para el embarazo, ayuda financiera de emergencia y otras ayudas para tiempos de crisis. Los números son conmovedores: casi 15.000 personas recibieron 548.000 libras de alimentos, 625 refugiados obtuvieron asistencia, más de 1.000 personas participaron en clases de preparación matrimonial o planificación familiar natural y 69 familias recibieron un entierro digno para un ser querido. Más de 360 voluntarios compartieron 22.423 horas de servicio dando esperanza y ayuda a sus hermanos y hermanas en necesidad.

Para concluir, me gustaría expresar mi profundo agradecimiento a todos los fieles que han apoyado los esfuerzos de la diócesis durante el año pasado. Sus incesantes oraciones, servicio alegre y generosidad financiera son signos de la presencia permanente del Señor en nuestra diócesis.

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

Where to find answers to...

Income & Expenses

1. What is the surplus/loss for the year from all operating and nonoperating activities; what are the revenue sources, expenses by program/ministry, administrative expenses and fundraising expenses?

**See: Combined Statement of Activities, page 19
CFO Report, pages 16- 17**

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

See: Combined Statement of Functional Expenses, page 20

3. What was the cost of 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 4

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

See: Chart, page 6

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

See: Chart, page 8

Assets & Liabilities

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

See: Combined Statement of Financial Position, page 18

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

See: Note 15, page 27

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

See: Chart, page 22

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

See: Note 7, page 23

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

**See: Chart in Note 3, page 23
CFO Report, pages 16- 17**

6. How much is outstanding in parish loans issued by DL Catholic and other notes receivable and what is the timeframe for collection?

See: Note 5, page 23

7. How much is outstanding in parish advances?

See: Note 6, page 23

8. How much of pledges receivable are for FFHL, MACS, St. Joseph College

Seminary and other programs and what is the timeframe for redemption?

See: Note 4, page 23

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

See: Note 8, page 24

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

See: Note 9, page 24

11. 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)

1. 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 14

2. 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, page 15

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

See: Chart, page 12

Foundation of the Diocese of Charlotte

1. How has the diocesan Foundation grown during the past year and what is the total under investment as of year-end?

See: Narrative and chart, page 14

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

See: Note 14, page 26

3. How much was added to endowments and how much accumulated investment income was distributed?

See: Narrative, page 14

Other

1. 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

2. What are the funding sources for the Housing Corporation's planned affordable housing community?

See: Narrative, page 12

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

See: Chart, page 12

Vocations

Women Religious, Seminarian Formation, Clergy Continuing Care, Permanent Diaconate

The Diocese of Charlotte is blessed to have a growing number of dedicated, holy men and women whose vocations of service and ministry serve as constant reminders of Christ's love, grace and presence among His People.

On June 22, 2019, Bishop Jugis conferred the sacrament of holy orders on three men – Michael Carlson, Alfonso Gamez Jr., and Britt Taylor. They join 88 active diocesan priests and 23 religious order priests celebrating the sacraments and serving the faithful of western North Carolina. The diocese also has 25 retired priests who continue to demonstrate His Presence among us by visiting the sick and the

imprisoned, and assisting our parishes by celebrating Mass as needed.

The diocese is also blessed with 130 permanent deacons who serve in parishes and minister in diocesan offices, schools, agencies, hospitals, prisons, and the Charlotte-Douglas International Airport.

Currently, there are 128 active women religious, representing 17 different religious communities, who have committed themselves totally to the service of Our Lord and His Church here in western North Carolina.

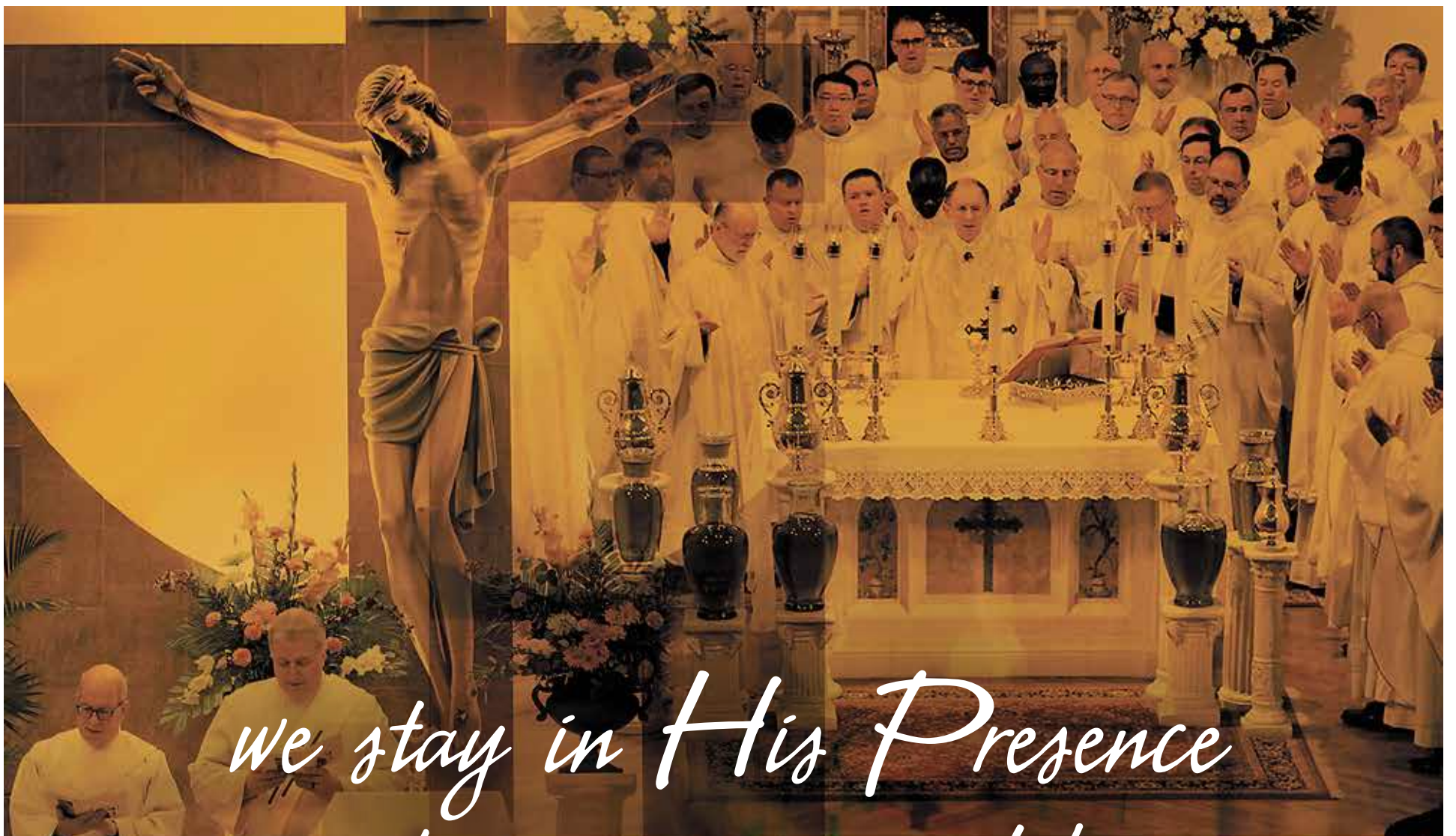
The love, courage and self-sacrifice shown by all of our clergy and religious – in conjunction with the prayers and support of the faithful – are encouraging even more people to want to walk with Our Lord, just like the disciples on the road to Emmaus. The diocese currently has 40 seminarians in various stages of study leading to ordination.

To continue encouraging consideration of religious vocations among youth, the diocese again hosted retreats for young men and women. Quo Vadis Days 2019 brought 87 young men to Belmont Abbey College for a time of prayer and reflection on the direction God may be calling them. Since 2013, almost 600 young men have attended Quo Vadis Days retreats. The fourth annual Duc in Altum discernment retreat, also held in June, drew 78 young women to Belmont Abbey College for a similar week of prayer and reflection. Over the past four years, almost 300 young women have participated in Duc in Altum retreats.

VOCATIONS, CLERGY AND RELIGIOUS LIFE FINANCIAL HIGHLIGHTS FOR THE YEARS ENDING JUNE 30		
	2019	2018
REVENUE & OTHER SUPPORT		
Contributions		
Priests' retirement collection	\$ 955,125	\$ 1,095,078
FFHL contributions	418,806	656,081
Priests' Continuing Education & Seminarian collection	274,695	315,569
Friends of Seminarian program	623,957	538,266
St. Joseph Seminary building project	4,861,228	866,840
Other	60,159	206,856
Parish assessments	982,164	726,858
Grants & Endowment Distributions	87,650	-
DSA funding	808,163	598,877
Supplemental DSA funding	9,357	9,705
Other income	65,702	48,377
Administration funding	541,517	722,888
TOTAL REVENUE & OTHER SUPPORT	<u>\$9,688,523</u>	<u>\$5,785,395</u>
EXPENSES		
Seminarian formation	\$ 1,497,231	\$ 1,121,815
Duc in Altum	25,708	23,057
Quo Vadis	39,437	33,314
Diaconate formation	30,953	76,996
Care for priests not in ministry	715,449	579,226
St. Joseph Seminary administration	128,843	178,879
St. Joseph Seminary fundraising	340,417	236,097
Priests' retirement plan funding	2,036,810	2,568,575
Other	384,679	418,958
TOTAL EXPENSES	<u>\$5,199,527</u>	<u>\$5,236,917</u>
Surplus – St Joseph Seminary - earmarked for building project	\$4,488,996	\$ 548,478

St. Joseph College Seminary

Progress continues on construction of a permanent home for St. Joseph College Seminary in Mount Holly. St. 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. Established in 2016, the college seminary's enrollment now totals 26, up from 21 last year. Construction is expected to be completed by the fall of 2020, so that the young men can move from their temporary quarters in Charlotte in time for the start of the 2020-21 academic year. A capital campaign is underway to raise funds for this project. As of June 30, 2019, the seminary received pledges totalling \$10.3 million, surpassing the 50% mark of its \$20 million goal.



*we stay in His Presence
when pursuing a life
devoted to ministering to others*



Education Vicariate

Office of the Vicar, Evangelization/Lay Ecclesial Ministry Formation, Campus (College)/Young Adult Ministry, Catholic Schools Office: pre K-12, Faith Formation: pre K-12 , RCIA (Becoming Catholic), Youth Ministry, Eucharistic Congress

The theme of the 15th Annual Diocesan Eucharistic Congress, ‘Stay With Us, Lord,’ comes from the Gospel of Luke, relating the words of the disciples to Jesus on the road to Emmaus. On the road to Emmaus, the disciples met the Risen Lord, whom they do not yet recognize. They are

intrigued by the catechesis He gives as He explains the scriptures and traditions relating to the Messiah. They enjoy being in His Presence. Desiring to hear more, they entreat the Lord: “Stay with us, Lord,” and He does. He continues the catechesis which leads to celebrating the “Breaking of the Bread,” which is the Sacrifice of the Mass. It is in the “Breaking of the Bread” – the Eucharistic Presence – that they recognize Jesus as the Risen Lord, the Messiah. As He leaves, they cannot wait to go tell others, so they race back to Jerusalem to report to the Apostles and the disciples there.

The road to Emmaus is the model of catechesis which the Education Vicariate strives to offer. Solid catechesis leads to a desire to hear more, to learn more. The intrigue moves the one learning to want to learn more. The experience leads to a desire to ask the Lord to “stay with us” and a profound desire for us to “stay with the Lord.” All catechesis leads to a desire to experience the mystical Holy Sacrifice of the Mass, the sacramental encounters, Adoration of the Most Blessed Sacrament, prayer of transforming union, service to the spiritual and corporal works of mercy. “...the definitive aim of catechesis is to put people not only in touch but in communion, in intimacy, with Jesus Christ: only He can lead us to the love of the Father in the Spirit and make us share in the life of the Holy Trinity.” (“Catechesi Tradendae,” 5)

The educational mission of the Diocese of Charlotte is to assist people to stay with the Lord in an intentional, ever-growing spiritual formation in which they desire His Presence, to experience the reality of His desire to “Stay with us.”

The offices and programs of the Education Vicariate assist in leading people to ask the Lord to stay with them and to increase their desire to stay with Him in the heart of the Church.

This effort encompasses diocesan Youth Ministry conferences and retreats, College Campus and Young Adult retreats and service projects, Lay Ministry Formation and Evangelization programs, our 19 Catholic schools’ “faith, tradition and academic excellence” programs, Education Vicariate in-service programs, and the Faith Formation Office’s programs in coordination with parish religious education directors.

Of particular note this year was the 15th Annual Diocesan Eucharistic Congress, which brought more than 10,000 people together for a diocesan “family reunion” so that we could be in the Lord’s Presence in the Most Holy Eucharist.

More than 800 Catholic school teachers, faith formation catechists and parents completed an online Basic Catechetical Certification Program during this fiscal year.

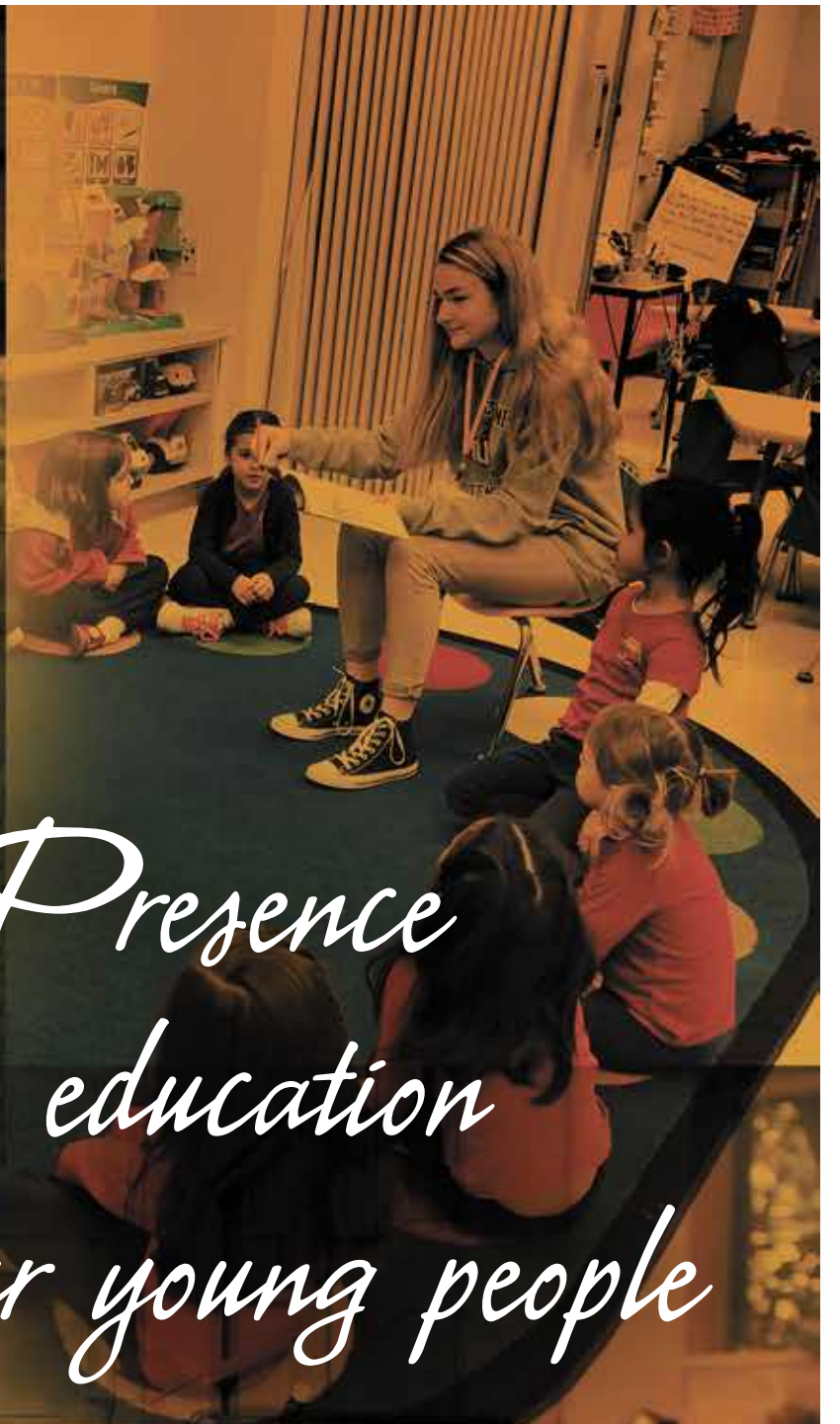
And the Fourth Annual Diocesan Catechetical Conference in Winston-Salem in November 2019 will bring together more than 600 parents, who are the first catechists of their children, Catholic school teachers, Faith Formation program catechists, priests, deacons and religious for educational seminars, networking and fellowship.

EDUCATION FORMATION OFFICES OF THE DIOCESE OF CHARLOTTE FINANCIAL HIGHLIGHTS FOR THE YEARS ENDING JUNE 30

	2019	2018
REVENUE & OTHER SUPPORT (includes DSA funding of \$1,526,667 in 2019 and \$1,366,216 in 2018)	\$2,191,936	\$1,955,470
EXPENSES	\$2,191,936	\$1,955,470

DIOCESAN AND REGIONAL SCHOOLS FINANCIAL HIGHLIGHTS FOR THE YEARS ENDING JUNE 30

	2019	2018
REVENUE & OTHER SUPPORT		
Tuition and fees	\$ 45,759,477	\$ 44,700,424
Parish support	4,327,008	4,669,132
Capital campaign contributions	4,161,941	
Other contributions and gifts	2,806,139	2,381,459
School activity revenue	1,340,250	1,139,802
Income from rental property	646,182	646,182
Other	1,065,167	1,125,004
TOTAL REVENUE & OTHER SUPPORT	\$60,106,164	\$ 54,662,003
EXPENSES		
Instructional personnel	27,349,869	26,760,001
Other instructional costs	2,721,743	2,830,692
Facilities	9,090,463	8,699,435
Administrative personnel	3,607,162	3,342,352
Supplementary programs and activities	5,030,285	4,586,912
Other	5,450,952	4,513,054
TOTAL EXPENSES	\$ 53,250,474	\$ 50,732,446



*we seek His Presence
while providing education
and guidance to our young people*



Catholic Charities Diocese Of Charlotte

Strengthening Families, Building Communities and Reducing Poverty

Administrative Office, Charlotte Regional Office, Piedmont Triad Regional Office, Western Regional Office, Refugee Resettlement Office, Social Concerns and Advocacy Office, Family Life Office

“If you see charity, you see the Trinity,” wrote St. Augustine. As Pope Emeritus Benedict XVI wrote in his first encyclical “Deus caritas est” (“God is Love”): “Love of neighbour, grounded in the love of God, is first and foremost a responsibility for each individual member of the faithful, but

it is also a responsibility for the entire ecclesial community at every level: from the local community to the particular Church and to the Church universal in its entirety. As a community, the Church must practise love. Love thus needs to be organized if it is to be an ordered service to the community” (20). As the ordered diocesan ministry of charity, Catholic Charities carries out the critical life-supporting work of service to our neighbors in need through the efforts of benefactors, volunteers and professional staff. Catholic Charities offers a variety of ministries, programs and services that strengthen families, build communities and reduce poverty.

Strengthening Families: Catholic Charities continued to provide a broad range of services to develop healthy children, families and seniors. Pregnancy support, adoption and post-adoption services were provided to 11 families and individuals. Our teen parenting program provided an array of services to help 31 birth mothers learn to better parent their babies and helped them achieve their educational and job goals. Outreach to youth in crisis helped 53 at-risk teenagers deal with personal and family crises. More than 2,400 counseling sessions were provided to 295 people. Programs to promote healthy marriages served 442 couples through marriage preparation classes. All couples completing a marriage preparation class also received instruction in Natural Family Planning (NFP). An additional 883

people received NFP instruction or assistance. Across the diocese, 1,275 seniors participated in Elder Ministry events.

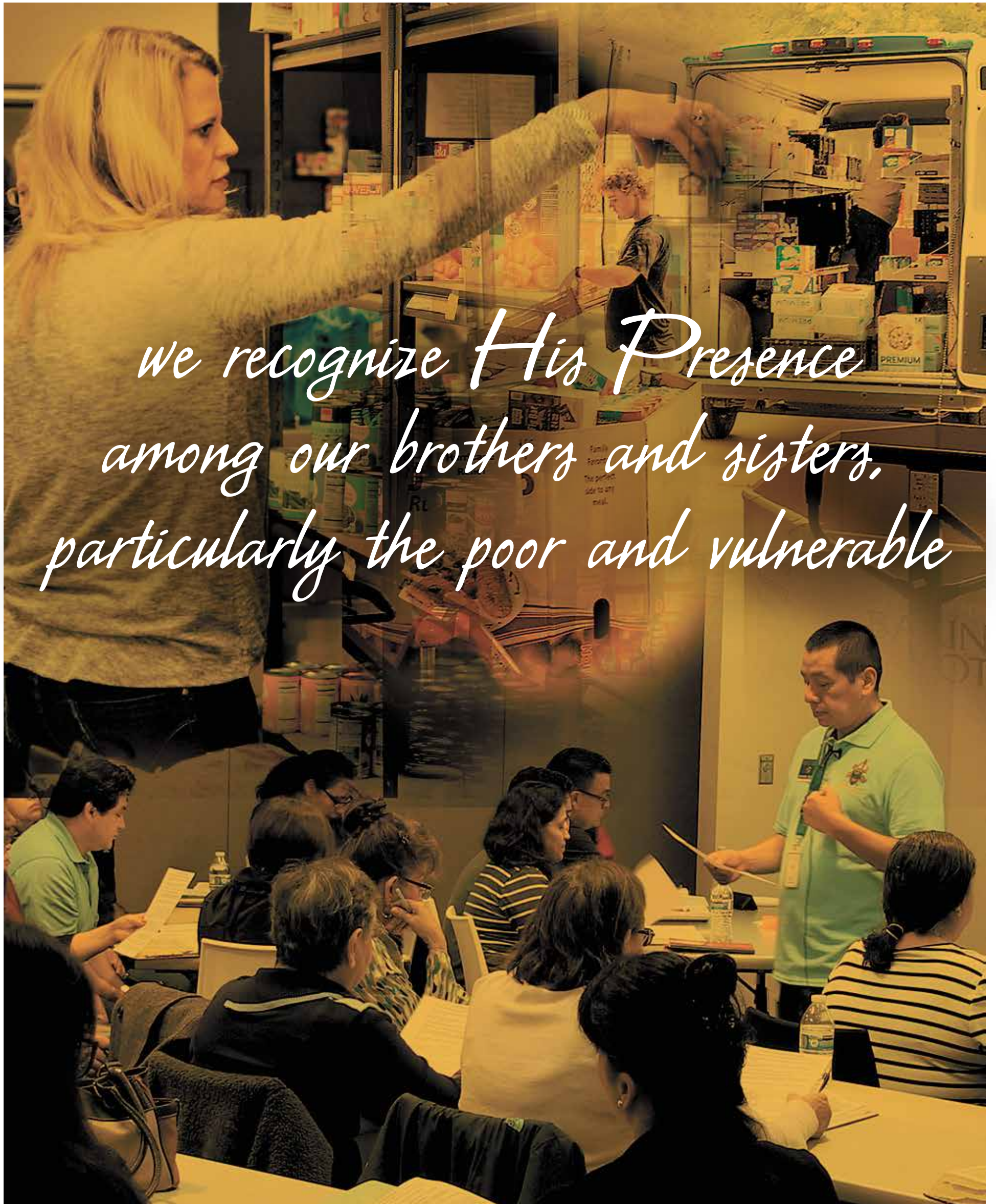
Building Communities: Services to build up the larger community were provided by Catholic Charities through the resettlement of 160 refugees and asylees. Parish and community support provided the setup of 24 fully-furnished apartments for newly-arrived refugees. An additional 483 refugees were assisted with employment, case management, transportation, and/or afterschool mentoring. Legal immigration services were provided to 429 people. The Social Concerns and Advocacy Office and the Respect Life program, in coordination with parishes and missions, promoted the intrinsic value of all human life through 75 educational workshops and informational efforts that drew 2,496 people.

Reducing Poverty: Catholic Charities continued to respond to a large increase in requests for food, financial help and burial assistance. Regional pantries in Asheville, Charlotte and Winston-Salem provided 548,410 pounds of much-needed food and 15,380 pounds of supplies to 14,414 people. Regional offices in Asheville and Winston-Salem distributed 2,928 bags of clothing. Thanks to help from parishes and other community groups, 1,230 people also received food and other assistance for the holidays. The agency also helped 45 people with disaster relief assistance. The Burial Assistance program provided 103 dignified burials for the especially destitute, including nine children.

Making this possible were more than 50 full- and part-time employees, 362 volunteers who contributed 22,423 hours of service, over 2,000 donors who gave directly to Catholic Charities, and financial support received through the annual Diocesan Support Appeal.

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

	2019	2018
REVENUE & OTHER SUPPORT		
Federal and state agency awards	\$ 1,575,575	\$ 1,859,830
Other grants, contracts & awards	534,385	461,905
Contributions - Diocese of Charlotte:		
DSA funding	1,953,109	1,903,015
Other support	18,170	51,000
Contributions - Other	1,563,350	1,342,751
Fees	530,425	463,615
Other	277,590	281,818
TOTAL REVENUE	\$ 6,452,604	\$ 6,363,934
EXPENSES		
Counseling program	\$ 424,110	\$ 428,378
Direct Assistance	1,440,459	1,467,126
Family Life program	187,000	201,942
Natural Family Planning	97,870	91,375
Office of Economic Opportunity	122,052	116,234
Refugee & Immigration Services	1,569,671	1,759,543
Social Concerns & Advocacy	151,087	194,804
Stay the Course/Teen Parenting Program	218,287	206,105
Translation & Interpretation	579,918	513,203
Youth Counseling program	167,627	167,902
Other programs	177,411	168,358
Administrative expenses	773,000	801,462
Fundraising expenses and direct benefits to donors	340,180	275,604
TOTAL EXPENSES	\$ 6,248,672	\$ 6,392,036



*We recognize His Presence
among our brothers and sisters,
particularly the poor and vulnerable*

Multicultural Ministries

The Diocese of Charlotte is comprised of an ever-increasing population that includes African, African American, Burmese, Hmong, Hispanic, Korean and Vietnamese communities – all forming one community of faith that celebrates the Church’s unity amid diversity.

African American Affairs Ministry

The African American Affairs Ministry, established in 1985, conducted several initiatives in 2018-19 to further its primary mission: to give visibility to the work, contributions, traditions and culture of Black Catholics to the Church and to society, and to propose diocesan responses to racism and other social injustices.

Parishioners gathered at multiple parishes in May and June 2019 to learn more about “Responding to the Sin of Racism,” an effort to discuss and raise awareness about racism in light of the U.S. bishops’ 2018 pastoral letter against racism entitled “Open Wide Our Hearts – the Enduring Call to Love.” The events were educational opportunities jointly sponsored by Catholic Charities Diocese of Charlotte, the African American Affairs Ministry, and the Sisters of Mercy to reflect on themes presented in the bishops’ letter. Resources promoting the bishops’ letter and more information were widely publicized, and efforts to continue this important dialogue are ongoing.

Also, thanks to support from the African American Affairs Ministry, Charlotte and Greensboro hosted “Tolton: From Slave to Priest,” a powerful one-man multimedia play depicting the life of Father Augustus Tolton, the first African American priest, who lived from 1854 to 1897. His cause for canonization was advanced in 2019, when Pope Francis declared him “venerable.”

Hispanic Ministry

Twelve delegates from the Diocese of Charlotte participated in the fifth National Encounter of Hispanic Ministry Sept. 20-23, 2018, in Grapevine, Texas. The theme of Encuentro V was “Missionary Disciples, Witnesses of God’s Love.” The event focused on discerning ways in which the Church in the U.S. can better respond to the Latino presence and strengthen the ways in which Latinos respond to the call to missionary discipleship. It was led by U.S. bishops and delegates in diocesan leadership roles from across the country as well as leaders of Catholic ecclesial movements and Catholic organizations and institutions.

The 12 delegates were commissioned by parishes and vicars of western North Carolina to be the bearers of the voices of thousands of Hispanic Catholics, practicing or not, about their spiritual and material needs in the Charlotte diocese.

Of the 64 parishes in the diocese which serve the Latino community, 42 – counting organized groups – sent final reports of conclusions and suggestions reached during a series of meetings held at the vicariate and regional levels in the months leading up to Encuentro V.

These grassroots-driven recommendations dealt with familiar challenges: how to engage youth, improving adult faith formation, and training more lay leaders to assist priests in serving the fast-growing immigrant community of approximately 225,000 Hispanic Catholics in the diocese.

Other diocesan priorities brought to the National Encounter were the need to: increase formation and spiritual direction programs for adults, the promotion of religious vocations, an increase in the number of bilingual ministers, training of lay leaders, development of family ministry, and expansion of evangelization efforts.

Vietnamese community in Charlotte

The Vietnamese community in Charlotte celebrated the 14th anniversary of the dedication of St. Joseph Vietnamese Church in May 2018, coinciding with the feast of St. Joseph the Worker. Bishop Peter Jugis was present to celebrate the anniversary Mass, recalling when he was there to consecrate the church in 2004 – St. Joseph Church’s dedication was one of the first he presided over after being installed as the Bishop of Charlotte. Addressing more than a thousand faithful who filled the pews and overflowed into the narthex, Bishop Jugis said he remembered very well that important date, “a beautiful day,” when the church was solemnly dedicated to God under the patronage of St. Joseph.



*His Presence
is evident in the parishes,
schools, and ministries of*

our growing diocese



Diocese of Charlotte Housing Corp.

The Catholic Diocese of Charlotte Housing Corp. is dedicated to developing affordable housing for seniors and adults with developmental and intellectual disabilities, as well as other vulnerable and underserved populations. Three such facilities have been brought into operation: Curlin Commons Senior Apartments in Mooresville, Good Shephard Gardens Senior Apartments in Salisbury, and Mother Teresa Villa Apartments in Charlotte, which serves adults with developmental and or intellectual disabilities who can live semi-independently.

In 2018, the Catholic Diocese of Charlotte Housing Corp., along with its development partner Douglas/Schaumber Development, were awarded \$9.4 million in federal low-income housing tax credits by the N.C. Housing Finance Agency, among other sources of financing. This funding will go towards the development of Guardian Angel Villa, a three-story, 81-unit senior affordable housing community in south Charlotte. Guardian Angel Villa will include both one- and two-bedrooms units, and will serve seniors aged 55 and older who earn between 30 and 60 percent of the area median income. Ground was broken on the project in August 2019, and it is expected to be completed in August 2020.

Special Collections

Special Collections are a powerful way to participate in the global work of the Church. Contributions to special collections taken up throughout the year provided funds for Catholic Relief Services, the Holy Land, Peter's Pence, Catholic University of America, Catholic Communications, the Church in Latin America, the Church in Central and Eastern Europe, the Church in Africa, the Propagation of the Faith, Catholic Home Missions, the Catholic Campaign for Human Development, and the Retirement Fund for the Religious. Additionally, the Disaster Relief Collection taken up in October of 2018 provided needed funds for use by the U.S. Conference of Catholic Bishops in responding to natural disasters. These initiatives were able to move forward in their mission, witnessing to the presence of Our Lord to our brothers and sisters in need, in our country and around the world.

SPECIAL COLLECTIONS		
AMOUNTS COLLECTED FOR THE YEARS ENDING JUNE 30		
	2019	2018
International/National Combined Collection	\$ 232,306	\$ 257,093
Catholic Campaign for Human Development	151,614	184,556
Religious Retirement Collection	228,973	317,539
Combined Mission Collection	267,102	273,524
World Mission Sunday	173,876	242,834
Disaster Relief 2018	181,395	
Hurricane Harvey		476,535
Hurricane Maria, Irma, Mexico Earthquake		268,690
TOTAL	\$ 1,235,266	\$ 2,020,771

Human Capital

Employees and volunteers of the Diocese of Charlotte bring their unique gifts and talents to the work of the Church in western North Carolina. They share in the mission which Christ entrusted to the Church: to spread the Gospel, to serve our brothers and sisters, and to build up the Body of Christ which is the Church.

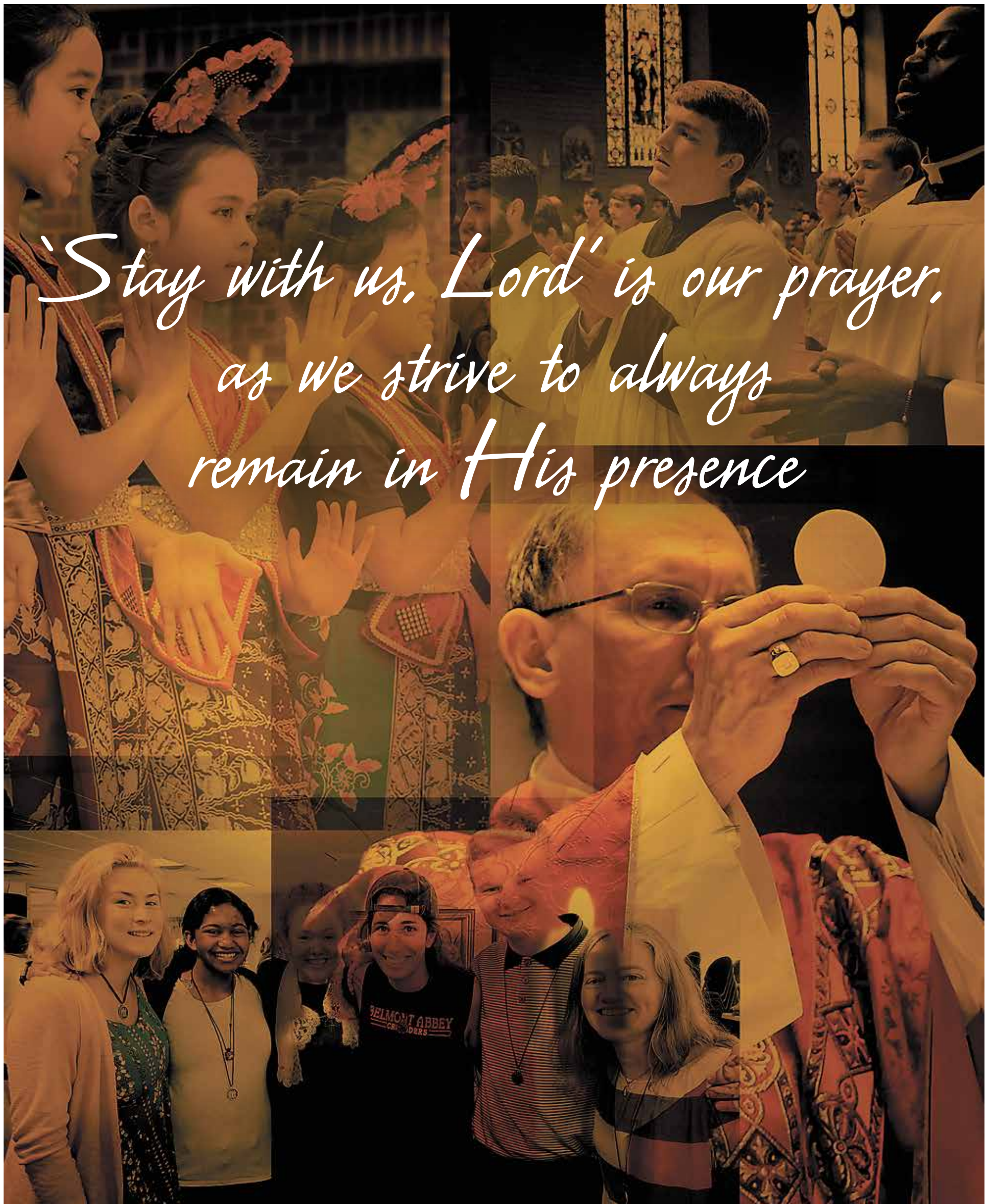
THE COST OF EMPLOYEE BENEFIT PROGRAMS		
FOR ALL DIOCESAN ENTITIES FOR THE YEARS ENDING JUNE 30		
	2019	2018
Long Term Disability	\$ 160,485	\$ 155,040
Health and Life Insurance	9,879,472	8,444,810
Lay Pension Plan	2,670,496	3,443,039
403(b) Plan Contributions	3,379,154	2,054,299
FSA/HSA Administration Fees	13,883	12,213
TOTAL	\$ 16,103,490	\$ 14,109,401

Diocesan policies and procedures are in place to ensure compliance with state and federal laws and to protect and support employees in the workplace. Every effort is made to help employees be successful in their positions.

The diocese provides various benefit programs for employees to enable them to care for themselves and their families. Core benefits include health, life, long-term disability insurance and an enhanced 403(b) defined contribution plan to help employees save for retirement. Employees may also choose from additional voluntary

benefits that may be customized to meet their family's needs. Wellness programs for employees encourage the development of healthy habits.

In whatever roles we fill, employees and volunteers know that God is present in everything we do. We need only ask Him to "stay with us, Lord."



*'Stay with us, Lord' is our prayer,
as we strive to always
remain in His presence*

The Foundation of the Roman Catholic Diocese of Charlotte

Supporters of the Foundation of the Diocese of Charlotte continue to make the presence of Christ felt across western North Carolina through their generous gifts ensuring that the work of the parishes, schools, the foundation and ministries of the Diocese of Charlotte will remain strong and continue to grow well into the future.

Seven new endowments were established through the foundation during fiscal year 2019. Gifts in all ranges were directed for a variety of purposes in the fiscal year. Two examples of the gifts that were established include an endowment set up by the family of Monsignor Anthony Marcaccio to benefit the poor in the Greensboro and Asheville vicariates, and an endowment created by Robert Daye, who left a lasting legacy for St. Leo the Great Parish in Winston-Salem. These are the types of gifts that enable the diocese to witness to the presence of Christ among us for years to come.

The foundation's total number of endowments grew from 260 in the 2018 fiscal year to 267 in the 2019 fiscal year. These endowments have helped to fund the works of our parishes, schools, Catholic Charities, priest retirement, seminarian education, and outreach programs.

Principal additions to new and existing endowments for the year totaled \$2,266,851. Total endowment distributions from all funds for the year were \$1,019,620. The foundation has now surpassed the \$10 million mark in distributions.

During this fiscal year, the foundation awarded \$46,575 in grants to seven mission churches. The grants range from \$3,165 to \$5,000, and supported 10 projects. Since 2001, the foundation has awarded 359 grants totaling \$939,560.

Diocesan Support Appeal

The annual Diocesan Support Appeal is one of the ways we reach beyond our own personal and parish concerns to address the needs of our diocesan family throughout western North Carolina.

The 2018 Diocesan Support Appeal, which was themed "We Are Called," raised more than \$6,334,000 through the generous financial support of more than 16,900 donors. Because of their witness to the presence of Christ in their lives and their willingness to share their blessings with others, more than 50 ministries and programs across the diocese are being funded to support the work of Catholic Charities Diocese of Charlotte, educational programs, multicultural ministries, the diocesan vocations program, the Diocese of Charlotte Housing Corp. and the annual Eucharistic Congress, among other efforts.

Of the amount collected in the 2018 DSA, \$551,365 was distributed to 59 parishes, representing funds collected that exceeded parish goals. Twenty-seven parishes fell short of their goal and contributed a total of \$94,826 to the appeal from parish funds.

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

	2019	2018
ASSETS		
Cash	\$ 1,086,001	\$ 693,167
Due from Advancement Corp. and other receivables	298,410	451,800
Investments	55,516,493	51,442,506
Beneficial Interest in Advancement Corp	256,871	1,561,069
Assets held in trust	39,064	38,024
TOTAL ASSETS	\$ 57,196,839	\$ 54,186,566
LIABILITIES		
Payables & unearned income	\$ 32,886	\$ 26,303
Custodial & annuity obligations	17,182,723	15,725,494
TOTAL LIABILITIES	\$ 17,215,609	\$ 15,751,797
NET ASSETS		
Net assets without donor restrictions	\$ 3,777,871	\$ 3,508,321
Net assets with donor restrictions	36,203,359	34,926,448
TOTAL NET ASSETS	\$ 39,981,230	\$ 38,434,769
TOTAL LIABILITIES AND NET ASSETS	\$ 57,196,839	\$ 54,186,566

DSA MINISTRY FUNDING FOR THE YEARS ENDING JUNE 30

	2019	2018
GRANTS TO CATHOLIC CHARITIES	\$ 1,953,109	\$ 1,903,015
EDUCATIONAL MINISTRIES		
Adult Education/Evangelization	85,829	95,520
Campus/Young Adult Ministry	702,840	586,176
Faith Formation Office	457,997	411,176
Youth Ministry	122,106	103,432
Catholic Schools Office	64,457	79,026
Education Administration	93,438	90,886
TOTAL EDUCATIONAL MINISTRIES	\$ 1,526,667	\$ 1,366,216
MULTICULTURAL MINISTRIES	\$ 778,185	\$ 766,952
VOCATIONS		
Seminarian Education	711,641	464,497
Permanent Diaconate	96,522	134,381
TOTAL VOCATIONS	\$ 808,163	\$ 598,878
EUCCHARISTIC CONGRESS	\$ 207,361	208,890
HOUSING MINISTRY	\$ 280,801	217,788
DSA CAMPAIGN COSTS	\$ 309,434	\$ 295,518
TOTAL DSA FUNDING	\$ 5,863,720	\$ 5,357,257



In the fall of 2012 the Diocese of Charlotte launched an unprecedented campaign to renew, strengthen and advance the financial resources of the 92 parishes and missions in the Diocese of Charlotte, and to solidify the financial foundation of the Diocese. The “Forward in Faith, Hope, and Love” campaign was conceived after organized and diligent study, and much prayer. The \$65 million campaign aims to meet present needs across the diocese as well as to provide a solid financial base for the future.

The campaign’s strategic objectives are:

- Strengthening parish life and ministries as the center of the Catholic community
- Ensuring the vitality of Catholic education
- Supporting seminarian formation and retired clergy
- Expanding the outreach of social services
- Guaranteeing the availability of pastoral and temporal resources

The \$65 million goal is allocated as follows:

PARISH LIFE AND MINISTRIES \$16.25 million

BROADER MINISTRIES (comprised as follows):

CATHOLIC EDUCATION \$12.75 million

- Expand Faith Formation Endowment: \$1 million
- Expand Tuition Assistance Endowment: \$6 million
- College Campus Ministry: \$1.75 million
- Renovate Existing Catholic Schools: \$4 million

PASTORAL AND TEMPORAL RESOURCES \$11.5 million

- Parish and Mission Support Services Endowment: \$6 million
- St. Patrick Cathedral Renovations: \$4 million
- Retreat and Conference Center Renovations: \$1.5 million

CLERGY SUPPORT \$13 million

- Expand Priest Retirement Fund: \$10 million
- Expand Vocation and Seminarian Support Endowment: \$3 million

CATHOLIC OUTREACH \$11.5 million

- Expand Catholic Charities Diocese of Charlotte Endowment: \$6 million
- Expand Multicultural Ministries Endowment: \$3 million
- Housing Initiatives: \$2.5 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.

CAMPAIGN RESULTS

The solicitation phase of the campaign ended in 2015; as such, there were only minimal gifts received during the fiscal year ended June 30, 2019. A loss of \$1,355,065 was recorded this past fiscal year as a result of updating the allowance for unfulfilled pledges received in prior years. FFHL pledges from inception of the campaign through June 30, 2018, total \$70,177,000, while estimated losses due to uncollectible pledges total \$17,154,000 as of June 30, 2019.

All 92 parishes and missions have received distributions from campaign proceeds. In addition, funds have already been used to renovate the Catholic Conference Center in Hickory, make improvements to several schools, college campus ministry centers and Living Waters Reflection Center, and build up the Priest Retirement Fund. In addition, approximately \$15.3 million has been added to the seven endowments benefiting seminarian education, faith formation, Catholic schools, college campus ministry, Catholic Charities, multicultural ministries, and parish/mission support services. Distributions for the fiscal year ending June 30, 2019, totaled \$4,701,000, bringing inception-to-date distributions to \$42,139,000, comprised of:

PARISH LIFE & MINISTRIES	\$ 18,416,000
BROADER MINISTRIES:	
Catholic Education	\$ 6,588,000
Pastoral & Temporal Resources	\$ 4,230,000
Clergy Support	\$ 7,607,000
Catholic Outreach	\$ 5,298,000
TOTAL DISTRIBUTED	\$ 42,139,000
DISTRIBUTIONS PENDING for Capital Projects	\$ 4,929,000
DISTRIBUTION PENDING for Priest Retirement	\$ 45,000
APPLIED TO COVER CAMPAIGN EXPENSES	\$ 4,725,000
TOTAL PAYMENTS RECEIVED ON PLEDGES	\$ 51,838,000

During the fiscal year ended June 30, 2019, campaign costs amounted to \$203,000, bringing inception-to-date campaign costs to \$4,946,000.

Cash payments are expected to approximate \$53,023,000 upon conclusion of the redemption phase of the campaign allowing for pledges made that may not be fully collected. The following table shows the allocation of total expected cash payments for (1) parish life and ministries (including parish challenge campaigns, which are additional parish initiatives conducted in conjunction with the FFHL campaign), (2) broader ministries, and (3) to cover campaign expenses.

PARISH LIFE & MINISTRIES SHARE	\$ 18,714,000
BROADER MINISTRIES SHARE	\$ 29,238,000
CAMPAIGN EXPENSE SHARE	\$ 5,071,000
TOTAL	\$ 53,023,000

As reflected in the preceding table, distributions directly benefiting parishes totals approximately \$19 million, or 35 percent of total expected cash payments. The total raised for the broader ministries – indirectly benefiting parishes – amounts to approximately 60 percent of the \$48.75 million goal for the broader ministries. The actual amounts distributed for each campaign element may vary from the amounts shown in the table above due to changes in the estimate of unfulfilled pledges.

“This extraordinary campaign will provide resources to better position the diocese by strengthening our parishes and the broader ministries that serve the people of our parishes,” Bishop Peter Jugis said as the diocese finished another year of parishioners making payments on their pledges to FFHL. “I am humbled and extremely grateful for the generosity of so many people throughout our diocese in faithfully fulfilling their commitments to the FFHL campaign.”

Report from Chief Financial Officer

Contributing to the many successful programs and ministries of the Diocese of Charlotte during the 2018-'19 fiscal year is a healthy financial foundation for the Diocese. We are directing our financial resources (donor restricted and general purpose funds) to further diocesan priorities. During the past fiscal year, we provided support for:

- Our retired priests, our seminarians and other clergy of approximately \$5.7 million;
- The ongoing construction of St. Joseph College Seminary in the amount of \$4.4 million (primarily from the seminary capital campaign proceeds);
- Capital additions and improvements at our regional and diocesan schools of \$6.4 million and grants to parish schools for capital improvements of \$1.0 million (primarily from the FFHL campaign proceeds);
- Our Catholic immigrant brothers and sisters by providing pastoral programs, totaling approximately \$1 million;
- Our neighbors in need in the amount of \$5.1 million for social service programs;
- Parish Faith Formation and Catholic school programs totaling \$2.2 million;
- Grants to support parishes in the amount of \$1.9 million (primarily from the FFHL campaign proceeds).

All 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 \$55.9 million, up from \$53.3 million in fiscal 2018. Employee benefits include 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 account totaling 5 percent of their annual salary. In addition, they receive a match equal to 50 percent of the first 4 percent of pay they contribute to their pension account. Page 12 of this report provides additional information about employee benefits.

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, 2019 and 2018 are

presented on the following pages for your review.

Results of operating activities for the year ended June 30, 2019

Expenses in support of our various program (ministry) services totaled just under \$58 million, while all other operating expenses (excluding capital campaign expenses) totaled approximately \$29 million, for a total of \$87 million. We were blessed to receive \$84 million in financial support without donor restrictions, and were able to reclassify donor restricted revenue totaling \$6 million to unrestricted operating revenue as a result of fulfilling donor restrictions.

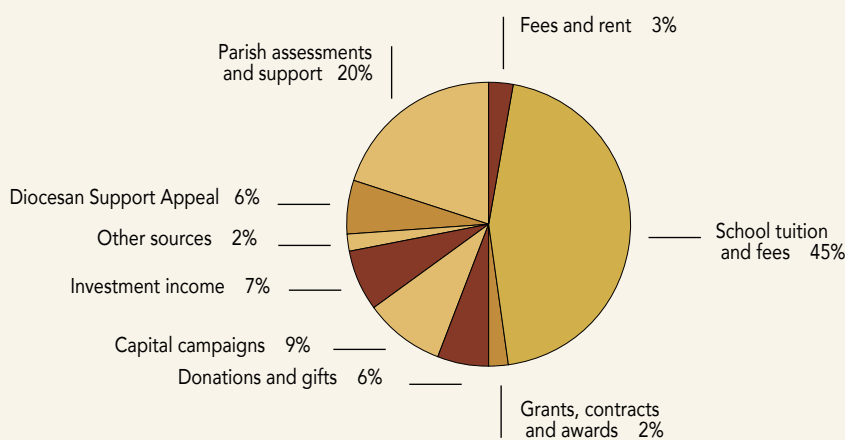
The diocese recorded a net decrease in donor restricted operating activities (excluding capital campaign activities) of approximately \$2 million for the year ended June 30, 2019. This represents the excess of \$6 million in donor restricted gifts whose restrictions were fulfilled during the fiscal year over \$4 million in donor restricted donations and grants received during the fiscal year.

The pie charts below depict the major sources of revenues and summarize expenditures for the fiscal year just ended. Additional detail about revenues and a break-out of expenses by functional area, along with a comparison to fiscal 2018, are presented within the Statement of Activities on page 19.

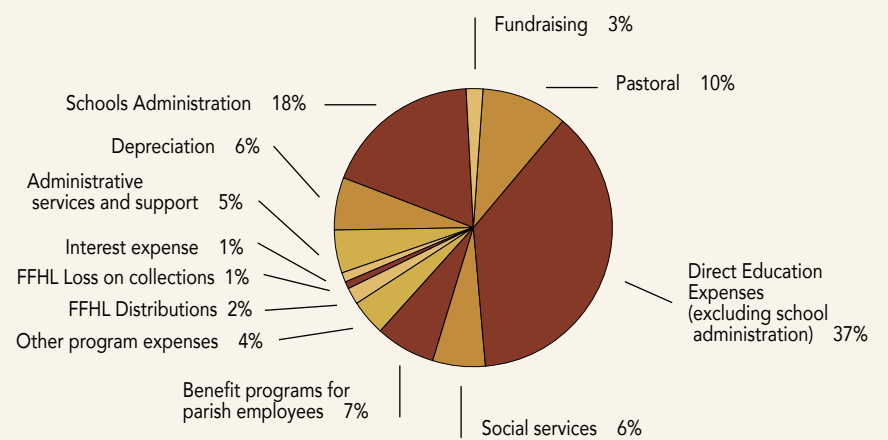
Capital campaign activity for the year ended June 30, 2019

There were four capital campaigns with activity during fiscal 2019. The FFHL campaign, now in the final pledge redemption phase, recorded a loss (on a combined basis) of approximately \$3.1 million primarily as a result of the distribution of pledge receipts and losses on uncollectible pledges during the fiscal year. Page 15 of this report provides additional information about FFHL activities. The campaign for the construction of St. Joseph College Seminary recorded revenue, net of campaign costs, totaling \$4.5 million during the fiscal year resulting in inception-to-June 30, 2019 pledges totaling \$10.3 million. 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 \$3.6 million during fiscal 2019.

SOURCES OF REVENUE



USES OF OUR RESOURCES



Results of nonoperating activities for the year ended June 30, 2019

Nonoperating activities consist of the return earned on diocesan investments. The diocese reported a gain on investments this past year of approximately \$7.1 million, of which \$2.6 million is subject to donor restrictions.

Net Asset Charge for the year ended June 30, 2019

The diocese recorded a \$9.2 million charge to (decrease in) net assets in fiscal 2019 related to our pension and post-retirement benefit plans' most recent actuarial valuations. The primary driver of this credit is a decrease in the discount rate from last year. During fiscal 2018 the diocese recorded

a \$9.3 million credit to (increase in) net assets, primarily as a result of an increase in the discount rate from the previous year. Essentially the charge in fiscal 2019 offsets the credit in fiscal 2018. The cumulative charge against net assets related to our pension and postretirement benefit plans through June 30, 2019, totals approximately \$42.1 million, leaving a balance in net assets without donor restrictions of approximately \$71.7 million, of which approximately \$45.3 million is designated for certain diocesan activities. Additionally, the accrued liability for the pension and post-retirement benefit plans is approximately \$68.4 million at June 30, 2019. 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 are at least age 62

and have at least 12 years of service, as of Jan. 1, 2018. The plan was closed to new entrants as of Jan. 1, 2018. Although the plan is frozen, employees who are participants in the plan will retain benefits accumulated up to Jan. 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, 2019

Cash generated from operating activities totaled approximately \$12.9 million (including \$4.9 million of FFHL and DSA pledge receivables collected) which, along with capital campaign donations restricted for property purchases of \$1.9 million, provided funds needed for the acquisition of property and equipment, which totaled \$9.6 million, and for the repayment of capital lease obligations, which totaled \$0.8 million.

Liquidity as of June 30, 2019

Although the pension and postretirement 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 \$170 million at June 30, 2019, of which \$53 million is invested in endowments, leaving a balance of \$117 million. Receivables totaling \$8 million are due within the coming year, resulting in liquid assets of \$125 million. Of this amount, \$55 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 \$70 million. Of this amount, \$46 million represents parish deposits held by DL Catholic, leaving a balance of \$24 million for general operations, including payment of liabilities reported on the Statement of Financial Position at June 30, 2019.

Financial governance and oversight

The diocesan Finance Office remains committed to the highest standards

of fiscal integrity and accountability. 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, most recently in September of this year. 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. Financial oversight is provided by 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 with the diocese's outside auditors and exercising oversight as it relates to the following specific matters:

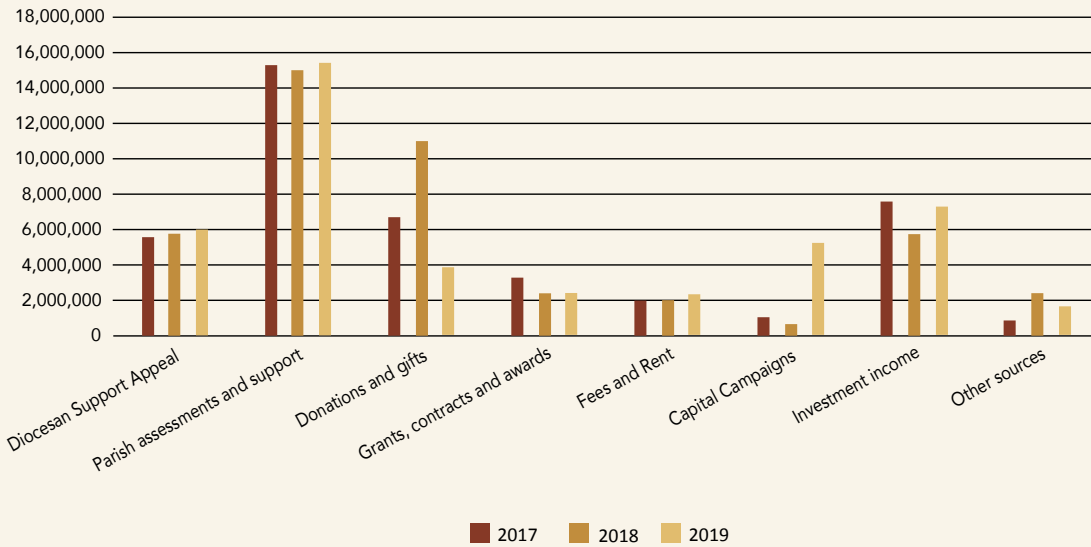
- Systems of internal accounting control,
- Compliance with laws and regulations,
- Compliance with diocesan code of ethics,
- Financial reporting, and
- External auditors

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.

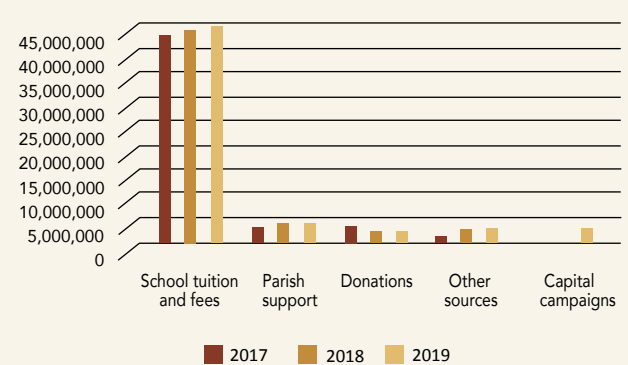
William G. Weldon

William G. Weldon, CPA
Chief Financial Officer

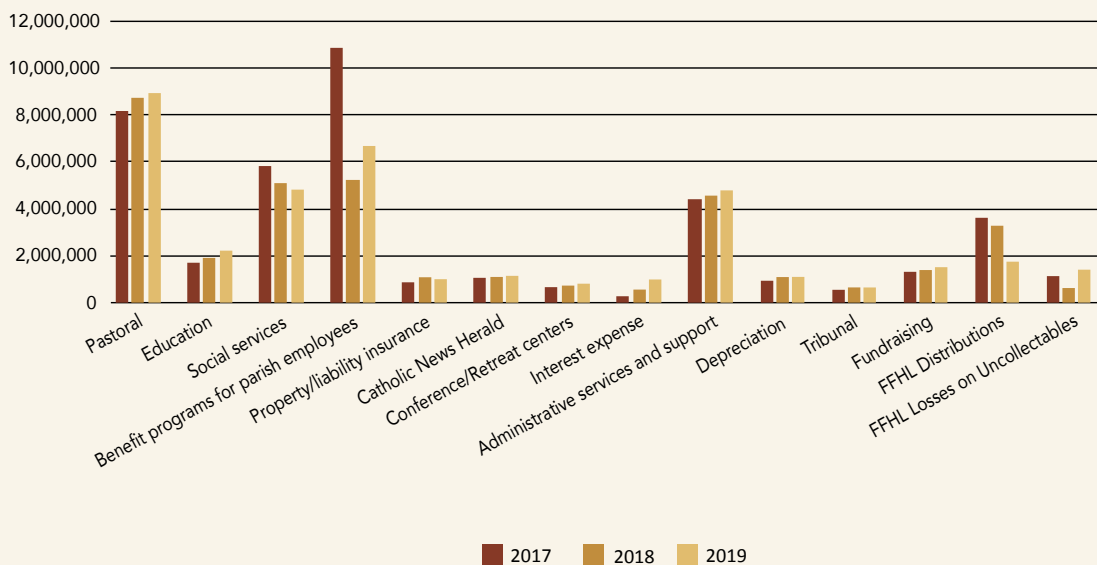
Diocesan Revenues excluding Schools: 2017 - 2019



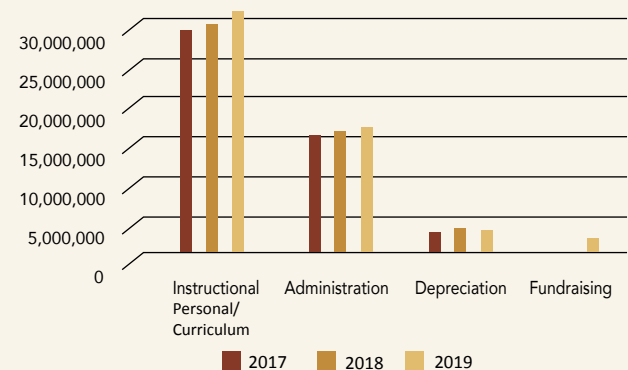
Regional and Diocesan Schools' Revenues: 2017 - 2019



Diocesan Expenses excluding Schools: 2017 - 2019



Regional and Diocesan Schools' Expenses 2017 - 2019



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, 2019 and 2018, and the related combined statements of activities, functional expenses, and cash flows 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, 2019 and 2018, the combined changes in their net assets, their functional expenses and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

October 10, 2019

**THE ROMAN CATHOLIC DIOCESE OF CHARLOTTE
COMBINED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2019 AND 2018**

ASSETS	2019	2018
CASH AND CASH EQUIVALENTS	\$ 35,604,728	\$ 28,606,563
PLEDGES RECEIVABLE—Net	8,091,593	8,536,744
OTHER ACCOUNTS RECEIVABLE—Net	3,636,545	2,436,854
NOTES RECEIVABLE—Net	14,194,825	16,853,678
ADVANCES TO PARISHES—Net	1,895,182	2,097,379
INVESTMENTS	134,434,926	126,063,347
PROPERTY AND EQUIPMENT—Net	88,383,178	79,569,989
BENEFICIAL INTERESTS IN PERPETUAL TRUSTS	9,422,676	9,374,668
DEFERRED RENT AND RIGHT-OF-USE ASSETS—Operating leases	1,519,143	1,691,775
OTHER ASSETS	1,092,919	1,141,234
TOTAL	\$ 298,275,715	\$ 276,372,231
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 8,260,852	\$ 5,141,706
Accrued salaries, wages, and benefits	5,171,312	5,021,274
Accrued pension and postretirement benefits	68,418,719	58,212,383
Unearned revenue	10,650,082	9,602,145
Lease liabilities	2,264,071	773,577
Custodial, annuity, and other obligations	60,267,356	57,792,889
Total liabilities	155,032,392	136,543,974
CONTINGENCIES (Note 12)		
NET ASSETS:		
Net assets without donor restrictions:		
Undesignated	68,487,058	65,482,828
Net asset charge—Lay and Priest Retirement Plans and Retired Clergy Health Plan	(42,141,559)	(32,904,271)
Total undesignated net assets without donor restrictions	26,345,499	32,578,557
Designated	45,309,968	41,296,262
Total net assets without donor restrictions	71,655,467	73,874,819
Net assets with donor restrictions	71,587,856	65,953,438
Total net assets	143,243,323	139,828,257
TOTAL	\$ 298,275,715	\$ 276,372,231

See notes to combined financial statements.

**THE ROMAN CATHOLIC DIOCESE OF CHARLOTTE
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 3,415,066	\$ 22,173,983
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Contributions from donor restrictions—property purchases	(8,136,380)	
Contributions from donor restrictions—endowments	(527,086)	
Depreciation and amortization	5,194,096	5,158,890
Investment realized and unrealized gains	(3,582,888)	(1,854,221)
Gain on disposition of property	(396,619)	(1,541,080)
Contribution of beneficial interest in perpetual trust		(4,597,434)
Net asset charge (credit)—Lay and Priest Retirement Plans and Retired Clergy Health Plan	9,237,288	(9,324,747)
Increase (decrease) in discounts and allowances on advances, notes, and pledges receivable	946,942	(1,065,834)
Changes in operating assets and liabilities:		
Other accounts receivable	(1,050,307)	(412,872)
Deferred rent	108,287	108,012
Pledges receivable	4,865,727	8,137,559
Other assets	48,315	(217,803)
Accounts payable and accrued expenses	643,418	(960,797)
Accrued salaries, wages, and benefits	150,038	1,505,904
Accrued pension and postretirement benefits	969,048	1,082,346
Unearned revenue	1,047,937	226,101
Net cash provided by operating activities	12,932,882	18,418,007
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(9,569,408)	(9,415,509)
Proceeds from the sale of property	617,912	2,084,558
Purchase of investments	(42,809,260)	(48,537,375)
Proceeds from maturity and sales of investments	40,342,067	42,918,284
Issuance of advances and notes	(859,900)	(2,510,270)
Payments received on advances and notes	3,633,045	3,757,106
Increase in custodial obligations	1,008,170	6,300,891
Net cash used in investing activities	(7,637,374)	(5,402,315)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Distribution of corpus from perpetual trust	\$109,455	\$100,828
Contributions with donor restrictions—property purchases	1,908,236	
Contributions with donor restrictions—endowments	461,226	
Principal payment of finance lease obligations	(776,260)	(955,107)
Net cash flows provided by (used in) financing activities	1,702,657	(854,279)
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,998,165	12,161,413
CASH AND CASH EQUIVALENTS:		
Beginning of year	28,606,563	16,445,150
End of year	\$ 35,604,728	\$ 28,606,563
SUPPLEMENTAL DATA:		
Interest paid	\$ 1,714	\$ 19,528
Non-cash acquisition of property	\$ 5,942,029	\$ 1,671,226
Non-cash acquisition of other assets	\$ 15,000	\$ -

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

	JUNE 30, 2019			JUNE 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT:						
School tuition and fees—net	\$ 45,768,828	\$ -	\$ 45,768,828	\$ 44,668,856	\$ -	\$ 44,668,856
Contributions—Diocesan Support Appeal (DSA)	6,081,232		6,081,232	5,873,352		5,873,352
Other support—DSA programs	462,312		462,312	669,098		669,098
Other donations and gifts	3,499,587	3,178,834	6,678,421	3,605,478	9,651,810	13,257,288
Parish assessments:						
Employee benefit programs	8,265,961		8,265,961	8,144,841		8,144,841
Property liability insurance	1,640,725		1,640,725	1,579,310		1,579,310
Catholic News Herald	981,900		981,900	973,380		973,380
Central office	4,499,739		4,499,739	4,294,395		4,294,395
Parish support of schools	4,327,008		4,327,008	4,707,150		4,707,150
Federal and state agency awards	1,723,114		1,723,114	2,187,396		2,187,396
Other grants and awards	263,839	555,587	819,426	52,310	412,595	464,905
Fees for services rendered	1,597,804		1,597,804	1,426,086		1,426,086
Rental income	1,284,460		1,284,460	1,325,354		1,325,354
Interest income—parish loans	666,132		666,132	679,899		679,899
Other income	2,859,609	21,214	2,880,823	3,386,740	2,664	3,389,404
Net assets released from restriction	5,729,652	(5,729,652)	-	6,000,329	(6,000,329)	-
Total revenues and other support	89,651,902	(1,974,017)	87,677,885	89,573,974	4,066,740	93,640,714
EXPENSES:						
Program expenses:						
Pastoral:						
Clergy, vocations, and support for retired priests	5,731,834		5,731,834	5,656,700		5,656,700
Multicultural ministries	994,549		994,549	996,728		996,728
Contributions, grants, and subsidies	1,881,714		1,881,714	1,569,102		1,569,102
Other	402,227		402,227	407,732		407,732
Education:						
Regional and diocesan schools	31,461,156		31,461,156	30,653,318		30,653,318
Other education and faith formation	2,191,936		2,191,936	1,955,470		1,955,470
Social service programs	5,146,404		5,146,404	5,339,635		5,339,635
Benefit programs for lay parish employees	6,575,153		6,575,153	5,283,741		5,283,741
Property and liability insurance programs for parishes	919,187		919,187	1,004,948		1,004,948
Publication of Catholic News Herald	1,178,354		1,178,354	1,105,047		1,105,047
Conference/retreat centers	932,951		932,951	819,635		819,635
Tribunal	574,962		574,962	584,423		584,423
Total program expenses	57,990,427	-	57,990,427	55,376,479	-	55,376,479
Administrative:						
Central office administration	3,473,975		3,473,975	3,142,686		3,142,686
Regional and diocesan schools administration	16,821,879		16,821,879	15,516,037		15,516,037
Social services administration	717,663		717,663	745,508		745,508
Interest—parish savings and investments	1,065,784		1,065,784	589,251		589,251
Interest—lease obligations	29,710		29,710			
Interest—long-term debt				15,194		15,194
Depreciation and amortization	5,194,096		5,194,096	5,158,890		5,158,890
Other	657,875		657,875	741,127		741,127
Total administrative expenses	27,960,982	-	27,960,982	25,908,693	-	25,908,693
Fundraising	1,199,422		1,199,422	1,548,777		1,548,777
Total expenses	87,150,831	-	87,150,831	82,833,949	-	82,833,949
CHANGE IN NET ASSETS BEFORE CAPITAL CAMPAIGN AND NONOPERATING ACTIVITIES AND NET ASSET (CHARGE) CREDIT	\$ 2,501,071	\$ (1,974,017)	\$ 527,054	\$ 6,740,025	\$ 4,066,740	\$ 10,806,765
CAPITAL CAMPAIGN ACTIVITIES:						
Forward In Faith, Hope, And Love (FFHL):						
FFHL—contributions	225,500	55,904	281,404	396,000	176,347	572,347
FFHL—losses on uncollectible contributions		(1,355,065)	(1,355,065)		(439,619)	(439,619)
FFHL—net assets released from restriction	1,871,088	(1,871,088)	-	3,256,855	(3,256,855)	-
FFHL—distributions to parishes	(1,871,088)		(1,871,088)	(3,256,855)		(3,256,855)
FFHL—fundraising and other expenses	(203,330)		(203,330)	(212,299)		(212,299)
Net FFHL campaign activity	22,170	(3,170,249)	(3,148,079)	183,701	(3,520,127)	(3,336,426)
Mecklenburg Area Catholic School (MACS):						
MACS—contributions	546,714	3,615,227	4,161,941			
MACS—fundraising expenses	(546,714)		(546,714)			
Net MACS campaign activity	-	3,615,227	3,615,227			
St. Joseph College Seminary:						
St. Joseph College Seminary—contributions	340,075	4,521,153	4,861,228			
St. Joseph College Seminary—fundraising expenses	(340,075)		(340,075)			
Net St. Joseph College Seminary campaign activity	-	4,521,153	4,521,153			
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	2,523,241	2,992,114	5,515,355	6,923,726	546,613	7,470,339
NONOPERATING—Net investment return	4,494,695	2,642,304	7,136,999	2,712,990	2,665,907	5,378,897
CHANGE IN NET ASSETS FROM NONOPERATING ACTIVITIES	4,494,695	2,642,304	7,136,999	2,712,990	2,665,907	5,378,897
CHANGE IN NET ASSETS BEFORE NET ASSET (CHARGE) CREDIT	7,017,936	5,634,418	12,652,354	9,636,716	3,212,520	12,849,236
NET ASSET (CHARGE) CREDIT—Lay and Priest Retirement Plans and Retired Clergy Health Plan	(9,237,288)		(9,237,288)	9,324,747		9,324,747
CHANGE IN NET ASSETS	(2,219,352)	5,634,418	3,415,066	18,961,463	3,212,520	22,173,983
NET ASSETS:						
Beginning of year	73,874,819	65,953,438	139,828,257	54,913,356	62,740,918	117,654,274
End of year	<u>\$ 71,655,467</u>	<u>\$ 71,587,856</u>	<u>\$ 143,243,323</u>	<u>\$ 73,874,819</u>	<u>\$ 65,953,438</u>	<u>\$ 139,828,257</u>

See notes to combined financial statements.

**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
Property and liability insurance programs for parishes		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
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018**

	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	\$ 4,380,425	\$ 499,790	\$ 163,374	\$ 152,588	\$ 338,171	\$ 48,854	\$ 73,498	\$ 5,656,700
Multicultural ministries	619,585	67,662	41,448	25,856	233,311	3,826	5,040	996,728
Contributions, grants and subsidies						1,569,102		1,569,102
Other	18,953	85,182	61,036	211,742	29,861		958	407,732
Education:								
Regional and diocesan schools	26,760,001		3,893,317					30,653,318
Other education and faith formation	1,272,334	367,149	130,124	7,001	175,117	750	2,995	1,955,470
Social service programs	3,170,469	555,866	165,014	292,322	177,340	973,999	4,625	5,339,635
Benefit program for lay parish employees	5,283,741							5,283,741
Property and liability insurance programs for parishes		933,739				10,074	61,135	1,004,948
Publication of Catholic News Herald	514,073	50,218	406,733	116,085	8,525		9,413	1,105,047
Conference/retreat centers	472,552	236,284	96,772	6,085	7,667	25	250	819,635
Tribunal	364,762	48,324	25,296	52,654	92,624	100	663	584,423
Total program expenses	42,856,895	2,844,214	4,983,114	864,333	1,062,616	2,606,730	158,577	55,376,479
ADMINISTRATIVE:								
Central office administration	2,340,557	45,348	287,334	207,768	183,978	65,499	12,202	3,142,686
Regional and diocesan schools administration	6,676,929	5,325,950	2,872,450	265,564	277,288		97,856	15,516,037
Social Services Administration	496,357	55,065	38,053	63,846	49,227	500	42,460	745,508
Interest—parish savings and investments							589,251	589,251
Interest—long-term debt							15,194	15,194
Depreciation and amortization		5,158,890						5,158,890
Other	326,061	139,744	87,684	123,161	51,466	693	12,318	741,127
Total administrative expenses	9,839,904	10,724,997	3,285,521	660,339	561,959	66,692	769,281	25,908,693
FUNDRAISING	625,437	50,525	504,417	286,714	35,392		46,292	1,548,777
TOTAL EXPENSES BEFORE CAPITAL CAMPAIGN ACTIVITIES IN THE STATEMENT OF ACTIVITIES	53,322,236	13,619,736	8,773,052	1,811,386	1,659,967	2,673,422	974,150	82,833,949
CAPITAL CAMPAIGN ACTIVITIES:								
Distributions to parishes—FFHL						3,256,855		3,256,855
Fundraising and other expenses—FFHL	21,430	2,571	89,698	98,600				212,299
Total capital campaign expenses	21,430	2,571	89,698	98,600	-	3,256,855	-	3,469,154
TOTAL EXPENSES PER THE STATEMENT OF ACTIVITIES	\$ 53,343,666	\$ 13,622,307	\$ 8,862,750	\$ 1,909,986	\$ 1,659,967	\$ 5,930,277	\$ 974,150	\$ 86,303,103

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, 2019 AND 2018

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, 2019 and 2018.
- 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 areas.
- 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 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 FDIC-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 2019 and 2018.

The major classes of property and equipment represented as of June 30, 2019 and 2018, are as follows:

	2019	2018	Life (In Years)
Land*	\$ 18,077,464	\$ 16,276,767	N/A
Land improvements	18,963,869	16,465,532	5–15
Buildings**	84,987,843	77,016,084	30–40
Furniture and equipment	11,024,946	9,791,905	3–10
Vehicles	2,752,786	2,610,080	5
Right-of-use assets (finance leases)	2,712,993	533,435	3
Interest in St. Matthew Education Center	5,561,332	5,561,332	Varies
Construction in progress	5,297,441	7,479,200	N/A
Property held for sale	17,500	17,500	N/A
	<u>149,396,174</u>	<u>135,751,835</u>	
Less accumulated depreciation	<u>(61,012,996)</u>	<u>(56,181,846)</u>	
Total	<u>\$ 88,383,178</u>	<u>\$ 79,569,989</u>	

* 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 \$762,257 as of June 30, 2019 and 2018.

** 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 \$3,475,591 and the accumulated depreciation totaled \$2,389,232 and \$2,397,931 as of June 30, 2019 and 2018, respectively.

Accumulated depreciation related to right-of-use assets (finance leases) totaled \$713,793 and \$178,675 at June 30, 2019 and 2018, respectively.

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; at June 30, 2018, the construction in progress consists primarily of amounts expended by MACS for the classroom expansion of Christ the King Catholic High School, amounts expended in the design phase for Saint Joseph College Seminary, and amounts expended by the Central Administration on improvements to the storage facility.

Unexpended contractual commitments at June 30, 2019 were approximately \$8.0 million for construction of the Seminary facility; at June 30, 2018, unexpended contractual commitments were approximately \$3.2 million for MACS school facility improvements.

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 years 2019 or 2018.

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 \$9,237,288 for the year ended June 30, 2019 is primarily attributable to decreases in the discount rate. The net asset credit of \$9,324,747 for the year ended June 30, 2018 is primarily attributable to increases 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 2019 and 2018, 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 year 2019. The assessment rate was 8.6% for the period July 1, 2017 to December 31, 2017, and 5.6% from January 1, 2018 to June 30, 2018 (after the Lay Plan freeze). It is the intent of 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 both fiscal years 2019 and 2018 of \$2,508,662 and \$3,008,304, respectively, the Diocese contributed \$217,116 and \$167,828 in additional contributions to the Lay Plan during fiscal years 2019 and 2018, 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 Diocese of \$418,806 and \$656,081 during the years ended June 30, 2019 and 2018, respectively. In addition, the Diocese contributed the actuarially recommended contribution amount to the Priest Plan for both fiscal years 2019 and 2018 of \$821,090 and \$735,179, respectively, and \$139,374 and \$347,275 in additional contributions to the plan during fiscal years 2019 and 2018, respectively. In addition, the Priest Plan received contributions directly from a donor's bequest of \$19,444 and \$148,016 in fiscal years 2019 and 2018, respectively.

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 both fiscal years 2019 and 2018 of \$377,944 and \$286,496, respectively, the Diocese contributed \$64,152 and \$135,032 in additional contributions to the Plan during fiscal years 2019 and 2018, 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 2019 and 2018. 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 \$497,593 and \$447,346 in fiscal years 2019 and 2018, 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 \$1,323,828 and \$661,368 in fiscal years 2019 and 2018, 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, 2019 and 2018, funds held on behalf of parishes and combined entities totaled \$1,330,685 and \$1,296,982, 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, 2019 and 2018, as follows:

	2019	2018
Future expenditures for:		
Triad Area Catholic Schools Education Foundation grants	\$ 112,308	\$ 136,633
Bishop McGuinness High School programs	220,237	23,812
Mecklenburg Area Catholic Schools capital projects	10,832,247	8,344,199
Mecklenburg Area Catholic Schools programs	4,430,974	3,271,357
Capital Campaign and DSA fundraising and administrative costs	865,250	568,268
Diocesan Support Appeal funded programs	9,535,069	9,787,372
Self insurance (property and employee health) and lay employee pension	10,657,058	8,563,463
Facility maintenance	1,294,600	1,291,553
Elderly outreach		739,649
Seminary College building project	96,235	96,235
Other Diocesan programs	1,179,108	869,888
Reserve for potential investment/loan losses by DL Catholic	3,165,450	3,191,469
Management designated endowments established with the Diocesan Foundation	2,921,432	4,412,364
	<u>\$45,309,968</u>	<u>\$41,296,262</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, 2019 and 2018 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.

Contribution Revenue and Pledges Receivable—Contribution 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, 2019 and 2018. Fiscal year 2016 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.

Subsequent Events—The Diocese has evaluated subsequent events from the end of the most recent fiscal year through October 10, 2019, the date the combined financial statements were available to be issued.

Accounting Standards Updates—In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which supersedes existing guidance on revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and most industry

specific guidance. The core principle of this guidance 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 and services. The guidance is effective for nonpublic entities with annual periods beginning after December 15, 2018. Management is currently evaluating the provisions of this update and their impact on the combined financial statements.

The FASB issued Accounting Standard Update (ASU) No. 2016-14, *Not-for-Profit Entities—Presentation of Financial Statements of Not-for-Profit Entities* in August 2016. The ASU improves the net asset classification requirements and information presented about a not-for-profit's liquidity, endowments, financial performance and expense reporting. The ASU is effective for annual periods beginning after December 15, 2017, but early adoption is permitted. The Diocese early adopted the ASU in fiscal year 2017 with retrospective application for the fiscal year ended June 30, 2016. Accordingly, there is no change in previously reported amounts for fiscal year 2018.

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:

	2019	2018
Cash and cash equivalents	\$ 35,604,728	\$ 28,606,563
Investments, other than endowments	78,918,433	74,620,843
Endowment investments available for general purposes and for distribution in accordance with the Foundation spending rate policy	1,958,784	2,008,289
Total cash, cash equivalents and investments	116,481,945	105,235,695
Pledges receivable, due within one year	2,344,614	7,215,252
Accounts receivable and other assets, due within one year	3,815,179	2,511,636
Notes receivable, due within one year	1,958,470	1,820,208
Advances to parishes, due within one year	336,953	330,759
	124,937,161	117,113,550
Less amounts unavailable for general expenditures:		
Required to satisfy donor restrictions	(16,206,347)	(17,369,937)
Required to satisfy management designations	(37,396,147)	(33,692,429)
Required for distributions, endowments, and grants	(1,874,711)	(985,575)
Financial assets available to meet cash needs for general expenditures and withdrawals of parish funds on deposit	69,459,956	65,065,609
Parish funds on deposit (Note 8)	(45,684,541)	(44,574,720)
Financial assets available to meet cash needs for general expenditures within one year, excluding parish funds on deposit	\$ 23,775,415	\$ 20,490,889

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, 2019 and 2018:

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

2018	FFHL	MACS	Saint Joseph Seminary College	Other	Total
Unconditional promises at face value	\$ 16,879,566	\$ 25,223	\$ 952,773	\$1,519,420	\$19,376,982
Less allowance for uncollectible pledges	10,335,052	15,835	142,916	16,438	10,510,241
Less unamortized discount	260,588		59,545	9,864	329,997
Net unconditional promises to give	\$ 6,283,926	\$ 9,388	\$ 750,312	\$1,493,118	\$ 8,536,744
Amounts due in:					
Less than one year	\$ 15,007,612	\$ 25,223	\$ 273,788	\$1,439,300	\$16,745,923
One to five years	1,853,198		593,940	80,120	2,527,258
More than five years	18,756		85,045		103,801
Total	\$ 16,879,566	\$ 25,223	\$ 952,773	\$1,519,420	\$19,376,982

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. The change in the allowance for uncollectible pledges for the year ended June 30, 2018, related to the FFHL campaign reflects additions of \$21,374 related to initial measurement of unconditional promises to give received in 2018 and \$418,245 related to additional allowances provided on unconditional promises to give received in previous years and outstanding at June 30, 2018, less write-offs of \$1,016,566. Pledges receivable due within one year as of June 30, 2019 and June 30, 2018, related to the FFHL campaign include past due accounts totaling approximately \$10,500,000 and \$9,900,000, 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 3.1% to 5.61% at June 30, 2019 and 2018.

As of June 30, 2019, 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	\$ 1,958,470
One to five years	6,843,292
More than five years	3,613,423
Less allowances	(472,968)
Net—term loans	11,942,217
Lines of credit	2,252,608
Notes receivable—net	\$14,194,825

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, 2019 and 2018, totaled \$2,747,921 and \$3,011,540, respectively. These advances are long-term in nature and are reflected, net of allowances, at their estimated present value of \$1,895,182 and \$2,097,379 in the accompanying combined statements of financial position as of June 30, 2019 and 2018, respectively.

7. INVESTMENTS

The cost and fair value of investments as of June 30, 2019 and 2018, are summarized below:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Foundation:				
Endowment and custodial funds:				
Cash and cash equivalents	\$ 277,192	\$ 277,192	\$ -	\$ -
Money market funds			476,941	476,941
Equity funds and securities	32,466,642	39,101,933	27,573,175	34,019,680
Fixed income mutual funds	15,731,354	15,671,865	17,060,973	16,465,105
Annuity funds:				
Cash and cash equivalents	95	95		
Money market funds	37,166	37,166	18,684	18,684
Equity funds and securities	196,252	224,617	271,273	300,315
Fixed income mutual funds	181,664	185,455	168,378	161,781
Other	18,936	18,170		
Total Foundation investments	48,909,301	55,516,493	45,569,424	51,442,506
Other:				
Cash	1,320,001	1,320,001	304,816	304,816
Certificates of deposit	1,747,896	1,747,896	1,694,108	1,694,108
Variable rate demand notes	1,993,650	1,993,650	2,230,317	2,230,317
Equity funds and securities	14,550,005	17,706,680	12,741,368	15,865,426
Other	1,000,000	1,012,662		
Bonds and fixed income funds	55,099,395	55,137,544	56,040,727	54,526,174
Total other investments	75,710,947	78,918,433	73,011,336	74,620,841
Total investments	\$124,620,248	\$134,434,926	\$118,580,760	\$126,063,347

The Diocese had no unfunded commitments to purchase investments as of June 30, 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 2019 and 2018. Funds on deposit with an 18-month minimum investment period earned interest at the prime rate minus 2.5% during fiscal years 2019 and 2018. The prime rate was 5.5% and 5.0% at June 30, 2019 and 2018, respectively. Funds on deposit from non-combined entities along with accrued interest totaled \$45,686,541 and \$44,574,720 at June 30, 2019 and 2018, 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, 2019 and 2018 is set forth in the following tables (in thousands):

	2019		2018	
	Lay	Priest	Lay	Priest
Funded status and amounts recognized in the combined statements of financial position:				
Projected benefit obligation	\$(97,010)	\$(34,051)	\$(88,180)	\$(30,710)
Fair value of plan assets—end of year	52,289	16,102	50,024	14,603
Funded status	(44,721)	(17,949)	(38,156)	(16,107)
Accrued pension expense liability—end of year	\$(44,721)	\$(17,949)	\$(38,156)	\$(16,107)
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	\$ -	\$ 138
Unrecognized prior service cost		500		698
Cumulative unrecognized net loss	27,923	9,614	21,304	8,128
Net asset charge—end of year	\$ 27,923	\$ 10,183	\$ 21,304	\$ 8,964
Amounts recognized in the combined statements of activities—net periodic benefit cost	\$ 2,670	\$ 2,022	\$ 3,443	\$ 2,273
Other changes in plan assets and benefit obligations recognized in net assets without donor restrictions:				
Net loss (gain)	8,423	1,755	(2,900)	(1,922)
Amortization of transition obligation		(69)		(69)
Amortization of prior service cost		(197)		(197)
Amortization of net loss	(1,804)	(270)	(2,558)	(392)
Total net asset charge (credit)	6,619	1,219	(5,458)	(2,580)
Total net asset charge (credit) and net periodic benefit cost recognized in net assets without donor restrictions	\$ 9,289	\$ 3,241	\$(2,015)	\$ (307)
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	\$ -	\$ 69
Amortization of prior service cost		197		197
Amortization of unrecognized net loss	2,672	331	1,796	269
	\$ 2,672	\$ 597	\$ 1,796	\$ 535
Other information:				
Actuarially recommended annual contribution	\$ 2,509	\$ 821	\$ 3,008	\$ 735
Additional employer contributions	217	139	168	347
Contributions from Advancement Corporation		419		656
Contribution from donor bequest		19		148
Benefits paid	3,525	845	3,279	783
Accumulated benefit obligation	96,978	29,152	88,121	25,480
Assumptions used to determine benefit obligations as of 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	
Assumptions used to determine net benefit cost for the years ended June 30:				
Discount rate	4.35 %	4.45 %	4.01 %	4.19 %
Expected return on plan assets	6.75	6.75	7.00	7.00
Rate of compensation increase	2.50		2.50	

The funded status and other information for the Retired Clergy Health Plan as of June 30, 2019 and 2018 is as follows:

	2019	2018
Funded status and amounts recognized in the combined statements of financial position:		
Projected benefit obligation	\$(16,972,536)	\$(14,369,264)
Fair value of plan asset—end of year	11,223,585	10,420,337
Funded status	(5,748,951)	(3,948,927)
Accrued pension expense liability—end of year	\$ (5,748,951)	\$ (3,948,927)
Amounts recognized in the combined statements of activities—net periodic benefit cost	\$ 843,571	\$ 850,177
Other changes in plan assets and benefit obligations recognized in net assets without donor restrictions (net asset charge (credit))	1,398,549	(1,287,192)
Total net asset charge (credit) and net periodic benefit cost recognized in net assets without donor restrictions	\$ 2,242,120	\$ (437,015)
Amounts recognized in net assets without donor restrictions (net asset charge) not yet recognized as net periodic benefit cost	\$ 4,183,202	\$ 2,636,590
Other information:		
Benefits paid	\$ 316,770	\$ 217,636
Actuarially recommended annual contribution	377,944	286,496
Additional employer contributions	64,152	135,052
Assumptions used to determine benefit obligations as of June 30:		
Discount rate	3.98 %	4.49 %
Expected return on plan assets	6.75	6.75
Assumptions used to determine net benefit cost for the years ended June 30:		
Discount rate	4.49 %	4.28 %

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, 2019 and 2018 are as follows:

	2019		2018	
	Long-Term Care	Health	Long-Term Care	Health
Health care cost trend rate	5 %	8 %	5 %	9 %
The ultimate trend rate to which the cost trend rate is assumed to decline	5 %	5 %	5 %	5 %
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, 2019 and 2018, 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, 2019 and 2018 is as follows:

	2019			2018		
	Lay Pension	Priest Pension	Retired Clergy Health	Lay Pension	Priest Pension	Retired Clergy Health
Domestic large cap equity securities and funds	27%	27%	27%	30%	29%	30%
Domestic small and mid cap equity funds	7	7	7	8	8	9
International equity funds	27	26	26	28	28	28
Domestic fixed income	22	22	22	23	22	21
International fixed income	3	3	3	3	3	3
Domestic high-yield fixed income	2	2	2	6	6	6
Hedged equities	10	10	10			
Cash and cash equivalents	2	3	3	2	4	3
Total	100 %	100 %	100 %	100 %	100 %	100 %

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, 2019 and 2018:

	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 2020 is

\$2,486,950, \$862,145, and \$396,841, respectively.

Benefits expected to be paid over the next 10 fiscal years as of June 30, 2019, are as follows:

Years Ended	Lay	Priest	Retired Clergy
June 30	Pension	Pension	Health
2020	\$ 4,337,396	\$ 998,279	\$ 396,526
2021	4,554,649	1,128,012	443,255
2022	4,773,028	1,159,264	477,719
2023	4,961,243	1,236,673	512,769
2024	5,140,986	1,306,353	540,175
2025-2029	27,286,408	6,853,929	3,147,510
Total	\$51,053,710	\$12,682,510	\$5,517,954

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 2019 and 2018, approximately 16.1% and 14.3%, 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 2019 and 2018, and aggregate coverage beginning at 125% of the actuarially projected total individual claims under \$175,000 for fiscal years 2019 and 2018. Total expenditures incurred for employee medical benefits were approximately \$13,487,000 and \$11,516,000 during fiscal years 2019 and 2018, respectively.

11. LEASES AND FACILITIES USAGE AGREEMENTS

Operating Leases—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 \$156,912 and \$158,277 for the years ended June 30, 2019 and 2018, respectively.

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 \$602,455 and \$637,211 as of June 30, 2019 and 2018, 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 \$703,781 and \$744,384 as of June 30, 2019 and 2018, 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 \$42,174 and \$41,101 for the years ended June 30, 2019 and 2018 respectively.

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 \$432,144 and \$431,319 for the years ended June 30, 2019 and 2018, respectively. Undiscounted cash flows to be received on an annual basis for the remainder of these leases are \$432,615 for fiscal year 2020, \$436,492 for fiscal year 2021, \$442,541 for fiscal year 2022, \$379,342 for fiscal year 2023, \$351,889 for fiscal year 2024, and \$1,978,122 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 \$646,183 both fiscal year 2019 and 2018. As revenue recognized as of June 30, 2019 and 2018 exceeded rental payments received, a deferred rent asset of \$524,728 and \$653,253 is recorded in the statements of financial position as of June 30, 2019 and 2018, respectively. Undiscounted cash flows to be received on an annual basis for the remainder of this lease are \$843,146 for fiscal year 2020, \$925,117 for fiscal year 2021, and \$156,527 for fiscal year 2022.

Right-of-use assets related to these leases is \$366,966 and \$401,311 as of June 30, 2019 and 2018, respectively, and is recorded in deferred rent and right-of-use-assets—operating leases in the accompanying statements of financial position.

Finance Leases—The Diocese is the lessee in finance leases for computer equipment used in our schools. The corresponding right-of-use assets of \$2,712,993 and \$533,435 as of June 30, 2019 and 2018, respectively, is reported within property and equipment—net in the accompanying combined statements of financial position. The lease obligation was \$1,927,105 and \$372,266 as of June 30, 2019 and 2018, respectively. Total lease costs related to these leases was \$798,462 and \$731,841 for the years ended June 30, 2019 and 2018, respectively, of which \$768,752 and \$716,647 is amortization of the right-of-use assets and \$29,710 and \$15,194 is interest expense on lease liabilities for the years ended June 30, 2019 and 2018, 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 \$94,185 and \$123,239 for the years ended June 30, 2019 and 2018, 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 \$141,884 and \$147,744 for the years ended June 30, 2019 and 2018, 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, 2019 are as follows:

Years Ended	Operating Leases	Finance Leases	Total Leases
June 30			
2020	\$ 140,389	\$ 785,189	\$ 925,578
2021	136,345	595,075	731,420
2022	59,468	595,075	654,543
2023	7,417		7,417
2024	4,788		4,788
Thereafter			
Total	348,407	1,975,339	2,323,746
Less: amount representing interest on lease liabilities	(11,441)	(48,234)	(59,675)
Lease liability as of June 30, 2019	\$ 336,966	\$ 1,927,105	\$ 2,264,071
Lease liability as of June 30, 2018	\$ 401,311	\$ 372,266	\$ 773,577

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 \$601,591 and \$602,129 for fiscal years 2019 and 2018, 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. 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, 2019; 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, 2019 and 2018, based on the three levels of inputs within the fair value hierarchy, are summarized as follows:

	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	\$ -

	Fair Value Measurement as of June 30, 2018			
	Total	Level 1	Level 2	Level 3
Investments:				
Money market funds	\$ 495,625	\$ -	\$ 495,625	\$ -
Investments in certificates of deposit	1,694,108		1,694,108	
Variable rate demand notes	2,230,317		2,230,317	
Domestic large cap equity securities	6,701,516	6,701,516		
Domestic large cap equity funds	15,840,611		15,840,611	
Domestic bonds	24,823,277		24,823,277	
International bonds	3,522,502		3,522,502	
Mutual funds:				
Domestic small and mid cap equities	6,342,166	6,342,166		
International equities	21,257,143	21,257,143		
Domestic bonds	16,947,122	16,947,122		
International bonds	2,594,250	2,594,250		
Domestic high-yield bonds	4,538,172	4,538,172		
United States treasury notes	8,647,826		8,647,826	
Municipal bonds	2,744,896		2,744,896	
Agency securities	4,906,469		4,906,469	
Mortgage backed securities	2,428,546		2,428,546	
Other funds	43,987	43,987		
Total investments	125,758,533	58,424,356	67,334,177	-
Beneficial interest in perpetual trust	9,374,668		9,374,668	
Total	\$135,133,201	\$58,424,356	\$76,708,845	\$ -

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 2019 and 2018.

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, 2019 and 2018.

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, 2019 and 2018, respectively, is summarized as follows:

	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, 2018 for the Lay Plan			
	Total	Level 1	Level 2	Level 3
Domestic large cap equity securities	\$ 4,398,990	\$ 4,398,990	\$ -	\$ -
Domestic large cap equity funds	10,568,941		10,568,941	
Mutual funds:				
Domestic small and mid cap equities	4,143,863	4,143,863		
International equities	14,092,591	14,092,591		
Domestic bonds	11,281,183	11,281,183		
International bonds	1,695,278	1,695,278		
Domestic high-yield bonds	3,040,577	3,040,577		
Total	\$ 49,221,423	\$38,652,482	\$10,568,941	\$ -

	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, 2018 for the Priest Plan			
	Total	Level 1	Level 2	Level 3
Domestic large cap equity securities	\$1,236,826	\$1,236,826	\$ -	\$ -
Domestic large cap equity funds	3,047,366		3,047,366	
Mutual funds:				
Domestic small and mid cap equities	1,193,857	1,193,857		
International equities	4,066,016	4,066,016		
Domestic bonds	3,123,313	3,123,313		
International bonds	489,052	489,052		
Domestic high-yield bonds	876,514	876,514		
Total	\$14,032,944	\$10,985,578	\$3,047,366	\$ -

	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	\$ -

	Fair Value Measurement as of June 30, 2018 for the Retired Clergy Health Plan			
	Total	Level 1	Level 2	Level 3
Domestic large cap equity securities	\$ 920,751	\$ 920,751	\$ -	\$ -
Domestic large cap equity funds	2,191,764		2,191,764	
Mutual funds:				
Domestic small and mid cap equities	877,467	877,467		
International equities	2,958,489	2,958,489		
Domestic bonds	2,176,671	2,176,671		
International bonds	340,613	340,613		
Domestic high-yield bonds	618,501	618,501		
Total	\$10,084,256	\$7,892,492	\$2,191,764	\$ -

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 8 and 16 donor restricted endowments in which cumulative investment losses exceed cumulative investment gains ("underwater" endowments) as of June 30, 2019 and 2018, respectively. The aggregate original gift amount of the "underwater" endowment funds totals \$137,395 and \$961,634 as of June 30, 2019 and 2018, respectively. The aggregate fair value of the "underwater" endowment funds totals \$132,490 and \$950,695 as of June 30, 2019 and 2018, respectively, resulting in aggregate losses of "underwater" funds totaling \$4,905 and \$10,939 as of June 30, 2019 and 2018, 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, 2019 and 2018, \$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, 2019 and 2018 is as follows:

	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

	Without Donor Restrictions	With Donor Restrictions	Total	*****
2018				
Designated Donor restricted Purpose restrictions No purpose restriction—time restriction only	\$4,470,715	\$ -	\$ 4,470,715	
		33,364,699	33,364,699	
		101,208	101,208	
Total funds	\$4,470,715	\$33,465,907	\$37,936,622	

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

Changes in endowment assets for the year ended June 30, 2018 consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets—beginning of year	\$4,316,205	\$29,827,912	\$34,144,117
Investment income	345,407	2,393,825	2,739,232
Additions		2,167,879	2,167,879
Distributions	(140,095)	(564,167)	(704,262)
Other changes:			
Administrative fees	(29,067)	(269,211)	(298,278)
Management fees	(21,735)	(90,331)	(112,066)
Endowment net assets—end of year	\$4,470,715	\$33,465,907	\$37,936,622

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, 2019 and 2018, and the corresponding purposes for which the income is expendable are as follows:

	2019	2018
TRIAD Area Catholic Schools Education Foundation grants	\$ 50,000	\$ 50,300
Bishop McGuinness High School programs	374,908	231,657
Meckleburg Area Catholic Schools capital projects	4,191,788	142,431
Mecklenburg Area Catholic Schools programs	448,707	359,176
Catholic Charities' programs	685,151	553,001
Elderly Outreach	487,331	487,331
FFHL gifts for parishes	279,514	2,634,985
FFHL gifts for Priest Retirement Plan	180,728	764,749
FFHL gifts for facility construction and improvements	5,054,569	6,763,607
St. Joseph Seminary future residence building	8,006,909	3,502,060
Other programs	433,467	264,339
Amounts in excess of endowment corpus and annuities subject to expenditure for donor specified purposes:		
Parishes	1,324,460	1,127,042
Education	1,378,030	1,336,144
Clergy/vocations	1,047,466	904,402
Outreach programs and services	2,073,346	1,594,623
Diocesan programs	401,832	474,264
Nondiocesan programs	82,421	57,690
	<u>26,500,627</u>	<u>21,247,801</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	\$10,431,940	\$10,011,134
Education	8,346,282	7,983,203
Clergy/vocations	3,502,434	3,242,376
Outreach programs and services	6,348,218	5,979,222
Other diocesan purposes	875,369	877,154
Nondiocesan	397,417	394,239
	<u>29,901,660</u>	<u>28,487,328</u>
FFHL gifts restricted for endowments:		
Education	79,037	480,329
Clergy/vocations	29,639	180,123
Outreach programs and services	88,917	540,370
Other diocesan purposes	59,278	360,247
	<u>256,871</u>	<u>1,561,069</u>
Beneficial interest in perpetual trust—parishes	4,526,255	4,554,469
Beneficial interest in perpetual trust—education	4,896,420	4,820,199
Permanent loan fund—parishes	5,317,807	5,094,743
Annuity funds:		
Parishes	105,136	105,493
Clergy/vocations	22,008	22,156
Outreach programs	22,008	22,156
	<u>149,152</u>	<u>149,805</u>
Assets held in trust—parishes	39,064	38,024
Total net assets with donor restrictions	\$71,587,856	\$65,953,438

Protecting God's Children 2019

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.

In the 17 years since the Charter was issued, no other organization has accomplished what the Catholic Church has toward the goal of eliminating child sexual abuse. In the Diocese of Charlotte, tens of thousands of adults have participated in Protecting God's Children awareness workshops and have consented to criminal background checks. During the past fiscal year, 4,010 diocesan personnel completed the Protecting God's Children program, and 4,973 criminal background checks were processed. 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 and updates of the Charter. All clergy, religious, lay employees and volunteers must adhere to the provisions in these policies.

These steps make the diocese's position clear: it is critical that adults take responsibility for their actions and promise to do whatever is necessary to keep children safe. Father Patrick Winslow, vicar general and chancellor of the diocese, has stated, "The Diocese of Charlotte has zero tolerance for child sexual abuse, and we are committed to transparency and accountability in our handling of this crime."

These activities represent a significant financial commitment on the part of the diocese. The cost of the various programs and measures outlined herein totaled \$119,260 during the fiscal year ended June 30, 2019. The diocese also provided financial assistance to victims and their families. During the past year, \$3,600 was provided for medical and counseling services. The diocese did not incur any costs during fiscal 2019 in connection with sexual misconduct lawsuits.

In August 2019, the diocese participated in the annual Charter compliance audit conducted by StoneBridge Business Partners, an agency contracted by the U.S. Conference of Catholic Bishops. The audit spanned the period of July 2018 through June 2019. As in previous years, the diocese complied with the reporting requirements of the audit.

Pope Francis has made clear his commitment to the prevention of the sexual abuse of children and the vulnerable. In February 2019, he held the Meeting for the Protection of Minors at the Vatican which was attended by representatives from every bishops' conference in the world. Following that meeting, in May 2019 he issued the document "Vos estis lux mundi," establishing new procedures for reporting abuse and ensuring that bishops and religious superiors are held accountable for their actions. As the pope wrote, "the crimes of sexual abuse offend Our Lord, cause physical, psychological and spiritual damage to the victims and harm the community of the faithful."

Our mandate to protect the young and the vulnerable continues, and at times it can be overwhelming. But we are not alone in our efforts. The disciples who met Jesus on the road to Emmaus experienced a change of heart from despair to hope after listening to His teachings. They moved from sadness to joy in His presence. We too are on a journey and can find the strength we need to continue if we just ask: "Stay with us, Lord."